KPMG

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 WITH INDEPENDENT AUDITOR'S REPORT THEREON

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
28 February 2014
This report is consisted of 2 pages of independent auditor's audit report and
74 pages consolidated financial statements with accompanying notes.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
Internet www.kpmg.com.tr

Convenience Translation of the Independent Auditor's Report Originally Prepared and Issued in Turkish

To the Board of Directors of
Doğuş Otomotiv Servis ve Ticaret A.Ş.

Introduction

We have audited the accompanying consolidated statement of financial position of Doğuş Otomotiv Servis ve Ticaret A.Ş. ("the Company") and its subsidiaries (collectively referred to as the "Group'') as at 31 December 2013, and the related consolidated profit or loss statement, consolidated statement of other comprehensive income, and the consolidated statements of changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards promulgated by Capital Markets Board of Turkey. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements provide a true and fair view of the Group.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly the consolidated financial position of the Group as at 31 December 2013 and their consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Turkish Accounting Standards (see note 2).

Reports on independent auditor's responsibilities arising from other regulatory requirements

In accordance with Article 402 of the Turkish Commercial Code ("TCC") no. 6102; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit; additionally, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly traded companies are required to establish an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4 of the Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the activities carried out by the management of the Company (Group) in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. On the other hand, the Company has been carrying out mentioned activities under Corporate Governance Committee ("the Committee") during 2012 and continues to carry out such activities under Early Risk Detection Committee comprised of four members effective from April 2013. The Committee has met six times within 2013 for the purpose of early identification of risks that jeopardize the existence of the company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has submitted the relevant reports to the Board of Directors.

İstanbul, 28 February 2014

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Ruşen Fikret Selamet, Partner

İstanbul, Turkey

Additional paragraph for convenience translation to English

As explained in note 2.1, the accompanying consolidated financial statements are not intended to present the consolidated financial position and the consolidated results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

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DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

	Notes	Audited 2013	Audited (Restated) 2012 (*)
ASSETS			
Current assets		**1,281,701**	**1,019,903**
Cash and cash equivalents	5	82,246	37,225
Trade receivables		618,939	445,668
Due from related parties	27.3	421,870	338,075
Other trade receivables	8.1	197,069	107,593
Other receivables	9	37,475	31,537
Other receivables from third parties		37,475	31,537
Inventories	10	520,176	483,841
Prepayments	16.1	14,454	6,193
Other current assets		7,009	15,439
Current income tax assets		1,402	-
Non-current assets		**1,182,645**	**1,202,949**
Available-for-sale financial assets	6	450,579	531,048
Other receivables		220	192
Other receivables from third parties		220	192
Investments in equity accounted investees	11	206,219	218,896
Property and equipment	12	498,211	436,583
Intangible assets	13	12,494	7,368
Prepayments	16.2	8,346	4,013
Deferred tax assets	25	6,576	4,849
TOTAL ASSETS		**2,464,346**	**2,222,852**

(*) For restatement and reclassifications please see note 2.

Accompanying notes are an integral part of these consolidated financial statements.

AKİS
BAĞIMSIZ DENETİM VE
SERBEST MUHASEBECİ
MALİ MÜŞAVİRLİK A.Ş.

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER
(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

	Notes	Audited 2013	(Restated) 2012 (*)
LIABILITIES			
Current liabilities		**1,075,520**	**920,118**
Short-term borrowings	7	603,449	458,533
Short-term portion of long-term borrowings	7	34,595	36,891
Trade payables		323,233	328,101
Due to related parties	27.4	17,131	6,608
Other trade payables	8.2	306,102	321,493
Payables related to employee benefits		8,121	5,609
Income tax payable	25	-	7,311
Short-term provisions		48,440	37,880
Short-term provisions related to employee benefits	14.1	2,482	2,065
Other short-term provisions	14.1	45,958	35,815
Other current liabilities	17	57,682	45,793
Non-current liabilities		**270,762**	**115,841**
Long-term borrowings	7	259,210	96,338
Long-term provisions		11,552	9,948
Long-term provisions related to employee benefits	15	11,552	9,948
Deferred tax liabilities	25	-	9,555
TOTAL LIABILITIES		**1,346,282**	**1,035,959**
EQUITY			
Equity attributable to equity holders of the Company		**1,114,663**	**1,184,272**
Share capital	18	220,000	220,000
Inflation adjustment to share capital	18	23,115	23,115
Accumulated other comprehensive income/expense that will not be reclassified through profit or loss			
Actuarial losses on employee benefits		(212)	(2,285)
Accumulated other comprehensive income/expense that will be reclassified through profit or loss			
Value increase reserves		375,017	451,546
Fair value reserve	18	369,224	450,331
Hedge reserve	18	5,793	1,215
Translation reserve	18	2,096	(1,088)
Legal reserves	18	106,292	54,374
Retained earnings	18	164,407	180,393
Profit for the period		223,948	258,217
Non-controlling interests		**3,401**	**2,621**
TOTAL EQUITY		**1,118,064**	**1,186,893**
TOTAL EQUITY AND LIABILITIES		**2,464,346**	**2,222,852**

(*) For restatement and reclassifications please see note 2.

Accompanying notes are an integral part of these consolidated financial statements.

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.
CONSOLIDATED PROFIT OR LOSS STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

		Audited	
PROFIT OR LOSS	**Notes**	**2013**	**(Restated) 2012 (*)**
Revenue	19	6,602,663	5,132,341
Direct cost of revenue (-)	19	(5,853,047)	(4,418,927)
GROSS PROFIT		**749,616**	**713,414**
General administration expenses (-)	20	(204,480)	(176,021)
Marketing expenses (-)	20	(200,901)	(177,115)
Warranty expenses (-)	20	(68,323)	(56,600)
Other income from operating activities	22.1	66,088	38,572
Other expense from operating activities (-)	22.2	(35,126)	(35,924)
RESULTS FROM OPERATING ACTIVITIES		**306,874**	**306,326**
Income from investing activities	23	7,940	5,923
Share of profit of equity accounted investees	11	28,888	57,144
OPERATING PROFIT BEFORE FINANCE EXPENSE		**343,702**	**369,393**
Finance income		568	1,876
Finance expense (-)	24	(68,390)	(60,840)
OPERATING PROFIT BEFORE INCOME TAX		**275,880**	**310,429**
Tax expense		**(51,152)**	**(51,701)**
Income tax expense	25	(58,429)	(53,138)
Deferred tax income	25	7,277	1,437
PROFIT FOR THE PERIOD		**224,728**	**258,728**
Attributable to			
Non-controlling interests		**780**	**511**
Equity holders of the Company		**223,948**	**258,217**
Earnings per share	26		
Earnings per share from continuing operations		**1.0179**	**1.1737**
Diluted earnings per share			
Diluted earnings per share from continuing operations		**1.0179**	**1.1737**

(*) For restatement and reclassifications please see note 2.

Accompanying notes are an integral part of these consolidated financial statements.

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DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

	Notes	Audited 2013	Audited (Restated) 2012 (*)
PROFIT FOR THE PERIOD		**224,728**	**258,728**
Other comprehensive income/(loss):			
Items that will not be reclassified through profit or loss			
Actuarial losses on employee benefits		(265)	(2,856)
Tax income/(expense) related other comprehensive income items that will not be reclassified through profit or loss	25	53	571
Items that will be reclassified through profit or loss			
Foreign currency translation differences		3,184	(175)
Change in fair value of available-for-sale financial assets	6	(80,469)	155,867
Change in fair value of available-for-sale financial assets and hedge reserves held by equity accounted investees,net	11	(12)	10,090
Tax income/(expense) related other comprehensive income items that will be reclassified through profit or loss	25	3,952	(7,793)
OTHER COMPREHENSIVE INCOME/(LOSS)		**(73,557)**	**155,704**
TOTAL COMPREHENSIVE INCOME		**151,171**	**414,432**
Attributable to			
Non-controlling interests		780	511
Equity holders of the Company		150,391	413,921

(*) For restatement and reclassifications please see note 2.

Accompanying notes are an integral part of these consolidated financial statements.

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER
(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

			Accumulated other comprehensive income/expense that will not be reclassified through profit or loss	Accumulated other comprehensive income/expense that will be reclassified through profit or loss				Retained earnings				
	Share capital (Note 18)	Inflation adjustment to share capital (Note 18)	Actuarial losses on employee benefits	Fair value reserve (Note 18)	Hedge reserve (Note 18)	Translation reserve (Note 18)	Legal reserve (Note 18)	Retained earnings	Net profit/loss for the period	Total	Non-controlling interests (Note 18)	Equity
Balance at 1 January 2012 (Reported)	220,000	23,115	-	293,501	(119)	(913)	38,782	154,244	141,753	870,363	2,110	872,473
Changes in accounting policies	-	-	(4,238)	-	-	-	-	-	4,238	-	-	-
Balance at 1 January 2012 (Restated)	220,000	23,115	(4,238)	293,501	(119)	(913)	38,782	154,244	145,991	870,363	2,110	872,473
Profit for the period	-	-	-	-	-	-	-		255,932	255,932	511	256,443
Transfers	-	-	-	-	-	-	-	141,753	(141,753)	-	-	-
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	148,077	-	-	-	-	-	148,077	-	148,077
Change in hedge reserve of joint ventures	-	-	-	-	1,334	-	-	-	-	1,334	-	1,334
Change in fair value of available-for-sale assets held by associates, net of tax	-	-	-	8,753	-	-	-	-	-	8,753	-	8,753
Foreign currency translation differences	-	-	-	-	-	(175)	-	-	-	(175)	-	(175)
Actuarial losses on employee benefits	-	-	1,953	-	-	-	-	-	(1,953)	-	-	-
Total comprehensive income for the period	-	-	1,953	156,830	1,334	(175)	-	141,753	112,226	413,921	511	414,432
Profit distribution	-	-	-	-	-	-	15,592	(115,604)	-	(100,012)	-	(100,012)
Transactions with owners of the Company, recognized directly in equity	-	-	-	-	-	-	15,592	(115,604)	-	(100,012)	-	(100,012)
Balance at 31 December 2012 (Audited)	220,000	23,115	(2,285)	450,331	1,215	(1,088)	54,374	180,393	258,217	1,184,272	2,621	1,186,893
Balance at 1 January 2013 (Reported)	220,000	23,115	-	450,331	1,215	(1,088)	54,374	180,393	255,932	1,184,272	2,621	1,186,893
Changes in accounting policies	-	-	(2,285)	-	-	-	-	-	2,285	-	-	-
Balance at 1 January 2013 (Restated) (*)	220,000	23,115	(2,285)	450,331	1,215	(1,088)	54,374	180,393	258,217	1,184,272	2,621	1,186,893
Profit for the period	-	-	-	-	-	-	-	-	223,948	223,948	780	224,728
Transfers	-	-	-	-	-	-	-	255,932	(255,932)	-	-	-
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	(76,519)	-	-	-	-	-	(76,519)	-	(76,519)
Change in hedge reserve of joint ventures	-	-	-	-	4,578	-	-	-	-	4,578	-	4,578
Change in fair value of available-for-sale assets held by associates, net of tax	-	-	-	(4,588)	-	-	-	-	-	(4,588)	-	(4,588)
Transfer to legal reserves	-	-	-	-	-	-	31,937	(31,937)	-	-	-	-
Foreign currency translation differences	-	-	-	-	-	3,184	-	-	-	3,184	-	3,184
Actuarial losses on employee benefits	-	-	2,073	-	-	-	-	-	(2,285)	(212)	-	(212)
Total comprehensive income for the period	-	-	2,073	(81,107)	4,578	3,184	31,937	223,995	(34,269)	150,391	780	151,171
Dividend paid	-	-	-	-	-	-	-	(220,000)	-	(220,000)	-	(220,000)
Sale of shares of joint ventures	-	-	-	-	-	-	19,981	(19,981)	-	-	-	-
Transactions with owners of the Company, recognized directly in equity	-	-	-	-	-	-	19,981	(239,981)	-	(220,000)	-	(220,000)
Balance at 31 December 2013 (Audited)	220,000	23,115	(212)	369,224	5,793	2,096	106,292	164,407	223,948	1,114,663	3,401	1,118,064

(*) For restatement and reclassifications please see note 2.

Accompanying notes are an integral part of these consolidated financial statements.

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DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER
(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

		Audited	
	Notes	2013	(Restated) 2012 (*)
A. CASH FLOWS FROM OPERATING ACTIVITIES:		**55,596**	**230,221**
Profit for the period		224,728	258,728
Adjustments for profit for the period reconciliation:			
Adjustments for gain on sales of property and equipment	22.1	(8,485)	(6,644)
Adjustments for income tax expense	25	51,152	51,701
Adjustments for depreciation and amortization	12,13	30,551	24,184
Adjustments for share of profit of equity accounted investees	11	(27,821)	(57,172)
Adjustments for interest income		(661)	(472)
Adjustments for interest expense		62,070	56,717
Adjustments for unrealized foreign currency translation differences		2,189	(1,729)
Adjustments for warranty provision expense	14.1	68,323	56,600
Adjustments for provision for unused vacation	14.1	602	625
Adjustments for provision for employee benefits	15	1,889	1,720
Adjustments for legal provision expenses	14.1	4,060	3,848
Adjustments for provision for doubtful receivables	8.1	28	509
Adjustments for dividend income	23	(7,279)	(5,451)
Adjustments for provision for diminution in the value of inventories	10	415	468
Changes in working capital			
Adjustments for changes in trade receivables		(89,295)	(2,118)
Adjustments for changes in due to/due from related parties		(73,272)	(80,971)
Adjustments for changes in inventories		(36,750)	64,925
Adjustments for changes in trade payables		(20,796)	(25,299)
Adjustments for changes in other assets/liabilities		2,870	(3,401)
Cash flows from operations			
Legal penalties paid	14.1	(2,046)	(2,127)
Employee termination benefits paid	15	(550)	(1,075)
Warranty claims paid	14.1	(60,194)	(51,532)
Unused vacation paid	14.1	(185)	(322)
Income tax paid		(65,740)	(51,491)
Collection of doubtful receivables, net		(207)	-
B. INVESTING ACTIVITIES		**3,378**	**(78,605)**
Cash outflow by acquisition of property and equipment		(62,887)	(98,008)
Cash inflow by proceeds from sales of property and equipment		28,849	28,250
Cash outflow by acquisition of intangible assets	13	(10,349)	(5,742)
Cash outflow by contribution to increase in share capital of associates	11	-	(10,134)
Sale of shares of equity accounted investees	11	37,992	-
Dividend received		9,773	7,029
C. FINANCING ACTIVITIES		**(2,502)**	**(163,126)**
Interest received		661	472
Interest paid		(90,195)	(42,229)
Repayment of borrowings		(451,184)	(337,616)
Proceeds from issuance of borrowings		758,216	316,259
Dividend paid		(220,000)	(100,012)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECTS OF FOREIGN EXCHANGE RATE FLUCTUATIONS (A+B+C)		**56,472**	**(11,510)**
D. EFFECTS OF FOREIGN EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS		**(11,451)**	**906**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**45,021**	**(10,604)**
E. CASH AND CASH EQUIVALENTS AT 1 JANUARY		**37,225**	**47,829**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (A+B+C+D+E)	5	**82,246**	**37,225**

(*) For restatement and reclassifications please see note 2.

Accompanying notes are an integral part of these consolidated financial statements.

AKİS BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS

Doğuş Otomotiv Servis ve Ticaret A.Ş. ("Doğuş Otomotiv" or the "Company") was established on 24 November 1999 as a distributor of Volkswagen AG, and its activities include importing, marketing and selling automobiles, commercial vehicles and spare parts of Volkswagen Group brands (VW, Audi, Seat, Porsche, Bentley, Lamborghini, Bugatti, Scania, Krone and Meiller), Scania Engines industrial and marine engine and Thermoking climate control systems. The Company started its used car operations via its dealer network under the brand name "DOD" since 2005.

The Company's shares have been listed at the İstanbul Stock Exchange Market since 17 June 2004.

The Company's subsidiaries as at 31 December 2013 are as follows:

- Doğuş Oto Pazarlama ve Ticaret A.Ş. ("Doğuş Oto Pazarlama"): Automobile dealer for group brands distributed by Doğuş Otomotiv and Yüce Auto Motorlu Araçlar Ticaret A.Ş. ("Yüce Auto").

- Doğuş Auto Misr for Trading and Manufacturing Vehicles Joint Stock Company ("Doğuş Auto Mısır JS") has been founded to execute distribution and after sales services of commercial vehicles of Volkswagen brand (*).

- Doğuş Automotive Limited Liability Company ("Doğuş Auto Mısır LLC") has been founded as the authorized dealer for brands distributed by Doğuş Auto Mısır JS (*).

- D-Auto Suisse SA ("Doğuş Auto Swiss") has been founded in Lausanne, Switzerland as authorized dealer and service provider for Porsche. The company has been established at 16 July 2007, and started its vehicle sales and after sales services operations on 10 March 2009.

- D-Auto Limited Liability Company ("Doğuş Auto Iraq") has been founded in Iraq Erbil on 6 August 2013 to execute distribution services of commercial vehicles of Volkswagen and Audi brands.

  (*) It has been decided for cessation of activities and liquidation of these subsidiaries, but the process of liquidation is still ongoing.

The Company and its subsidiaries (together referred to as the "Group") operate in a single business segment.

The Company and Doğuş Oto Pazarlama are registered in Turkey at the following address:

Şişli Ayazağa Maslak Mah.
G-45 Ahi Evren Polaris Cad. No.4 İstanbul-Türkiye.

Doğuş Auto Mısır JS and Doğuş Auto Mısır LLC are registered in Egypt and located in the address below:

3/4 Anwar El - mofty St. Abbas El akkad St. Nasr City
Cairo, Egypt.

Doğuş Auto Swiss is registered in Switzerland and located at the address below:

Avenue Gabriel-de-Rumine 37, c/o Lausanne.

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NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS (Continued)

Doğuş Auto Iraq is registered in Iraq and located at the address below:

Doktorlar Cad. Şirin Palas Otel Karşısı, Erbil/Iraq.

The average number of blue-collar employees of the Group for the year ended 31 December 2013 is 730 (31 December 2012: 717) whereas the average number of white-collar employees of the Group for the year ended 31 December 2013 is 1,347 (31 December 2012: 1,339).

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES

2.1 Basis of Presentation of Financial Statements

Basis of presentation of consolidated financial statements

As at 31 December 2013, the accompanying consolidated financial statements and notes are prepared in accordance with Capital Market Board's Communique ("CMB") "Principles of Financial Reporting in Capital Markets" ("Communique") which was published in the Official Gazette dated 13 June 2013 and numbered 28676 Series:II, No.14.1.

Additionally, the accompanying consolidated financial statements and notes are presented in accordance with illustrative financial statements published by CMB on 7 June 2013. The Group made reclassifications on previous period consolidated financial statements in order to comply with those illustrative financial statements published by CMB on 7 June 2013. (Note 2.7).

The accompanying consolidated financial statements are not intended to present the financial position and its financial performance in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

Correction on financial statements during hyperinflationary periods

With the resolution taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of TAS 29 "Financial Reporting in Hyperinflationary Economies" issued by TASB is no longer required for companies operating in Turkey and accordingly effective from 1 January 2005, TAS 29 has not been applied in preparing the Group's consolidated financial statements in accordance with CMB Financial Reporting Standards.

Basis of measurement

The consolidated financial statements have been prepared based on the historical cost, except for the available-for-sale financial assets which are measured at fair value.

2.2 Statement of Compliance to TAS

The Company and its affiliates registered in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira ("TL") in accordance with the Turkish Commercial Code, Tax Legislation, the Uniform Chart of Accounts issued by the Ministry of Finance.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.2 Statement of Compliance to TAS (Continued)

The accompanying consolidated financial statements are prepared in accordance with Turkish Accounting Standards ("TAS") which is currently effective and published by Public Oversight Accounting and Auditing Standards Authority (" POA") in line with the Communique. TAS consist of Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") with related annex and interpretations.

The consolidated financial statements of the Company as at and for the year ended 31 December 2013 have been approved by the Board of Directors on 28 February 2014. The legal authorities of the General Assembly of the Company have the right to modify the issued financial statements.

2.3 Changes in TFRS

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:

TFRS 9, "Financial Instruments: Classification and Measurement"

TFRS 9 Financial Instruments - TFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under TFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. TFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of TFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. TFRS 9 (2013) introduces a new hedge accounting model. The new model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. TFRS 9 (2013) removes the mandatory effective date from TFRS 9 (2009) and TFRS (2010) but allows companies to early adopt the Standard. The mandatory effective date will be decided upon when the entire TFRS 9 project is completed. The Group does not plan to early adopt the standard and the extent of the impact of this standard on the financial position or on the financial performance of the Group is not deemed as significant.

TAS 32, "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (Amended)"

The amendments clarify the meaning of currently has a legally enforceable right to set-off and also clarify the application of the TAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014.

The Group does not plan to adopt these standards early and the extent of the impact has not been determined yet.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.4 Resolutions promulgated by Public Oversight Authority

The POA has issued the Authority's Principle Decisions on the following topics for companies preparing financial statements in accordance with TAS until further amendments are made to TAS on the relevant matters. These principle decisions are issued with the aim of promoting reliability, relevance, comparability, understandability and uniformity and easing auditability of the financial information presented to users.

Details of these resolutions and impact on the Group stated as below:

Financial statement examples and user guide (2013-1)

Financial statement examples and user guide are prepared topics for companies preparing financial statements in accordance with the TAS with the aim of promoting reliability, relevance, comparability, understandability and uniformity and easing auditability of the financial information presented to users. This resolution is effective from the first reporting period after that resolution publication date 20 May 2013. The Group made reclassifications explained in Note 2.7 in order to fulfill the requirements of this resolution and comply with illustrative financial statements published by CMB on 7 June 2013.

Other resolutions mentioned below became effective for the reporting periods subsequent to 21 July 2013 and applicable from annual reporting periods beginning after 31 December 2012. It is not expected that the below mentioned resolutions would have impact on the consolidated financial statements of the Group.

Accounting of Combinations under Common Control (2013-2)

Combination of entities under common control should be recognized using the pooling of interest method. Thus, goodwill should not be included in the financial statements. The effect of combination of entities under common control should be recognized on "The effect of Combination of Entities or Business Under Common Control" under equity as equalizing balance. The financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred.

Accounting of Redeemed Share Certificates (2013-3)

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments.

Accounting of Cross Shareholding Investments (2013-4)

Accounting of cross investment in associates is assessed based on the type of the investment, the subsidiary holding the equity based financial instruments of the parent, the associates or joint ventures holding the equity based financial instruments of the parent, the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 38 and TFRS 9 by the parent. With this resolution, this topic has been assessed under three main headings above and the recognition principles for each one of them has been determined.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.5 Basis of Consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. If necessary, adjustments regarding accounting policies are made on subsidiaries financial statements in order to equalize accounting policies applied by the Group.

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.5 Basis of Consolidation (Continued)

(ii) Subsidiaries (Continued)

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Losses of subsidiaries belongs to non controlling interest shall be attribute to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

The table below sets out all the subsidiaries included in the scope of consolidation and shows the Group's share of control as at 31 December:

	31 December 2013	31 December 2012
Doğuş Oto Pazarlama	96.20%	96.20%
Doğuş Auto Mısır JS (*)	99.97%	99.97%
Doğuş Auto Mısır LLC (*)	98.97%	98.97%
Doğuş Auto Swiss	99.95%	99.95%
D-Auto Limited Liability Company	100.00%	-

(*) It has been decided for cessation of activities and liquidation of these subsidiaries, but the process of liquidation is still ongoing.

(iii) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

- Joint operation – when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
- Joint venture – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method.

The accompanying consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.5 Basis of Consolidation (Continued)

(iii) Joint arrangements (Continued)

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Joint ventures are recognized as investments measured through equity method. The table below sets out all joint ventures and the Group's share of control as at 31 December.

	31 December 2013	31 December 2012
TÜVTURK Kuzey Taşıt Muayene İstasyonları Yapım ve İşletim A.Ş. ("TÜVTURK Kuzey")	33.33%	33.33%
TÜVTURK Güney Taşıt Muayene İstasyonları Yapım ve İşletim A.Ş. ("TÜVTURK Güney")	33.33%	33.33%
TÜVTURK İstanbul Taşıt Muayene İstasyonları İşletim Anonim Şirketi ("TÜVTURK İstanbul") (*)	-	33.33%
Meiller Doğuş Damper Sanayi ve Ticaret Ltd. Şti. ("Meiller-Doğuş")	49.00%	49.00%
Krone Doğuş Treyler Sanayi ve Ticaret A.Ş. ("Krone-Doğuş")	48.00%	48.00%

(*) See note 11.

(iv) Associates

Associates are those enterprises in which the Group has significant influence, but does not have control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.5 Basis of Consolidation (Continued)

(iv) Associates (Continued)

The table below sets out all the associates included in the scope of consolidation and shows the Group's share of control as at 31 December:

	31 December 2013	31 December 2012
Yüce Auto Motorlu Araçlar Ticaret A.Ş. ("Yüce Auto") (*)	50.00%	50.00%
Doğuş Sigorta Aracılık Hizmetleri A.Ş. ("Doğuş Sigorta")	42.00%	42.00%
LPD Holding A.Ş. ("LPD Holding")	38.22%	38.22%
Volkswagen Doğuş Tüketici Finansmanı A.Ş. ("VDTF")	48.00%	48.00%
VDF Servis ve Ticaret A.Ş. ("VDF Servis")	38.22%	38.22%
Doğuş Bilgi İşlem ve Teknoloji Hizmetleri A.Ş. ("Doğuş Teknoloji")	46.00%	46.00%

(*) Even though the Group has 50% interest in Yüce Auto (Distributor of Skoda), the Group only exercises a significant influence rather than control on the operations of Yüce Auto.

(v) Transactions Eliminated in Consolidation

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. The carrying amount of Doğuş Otomotiv's investment in each subsidiary, and dividend income from these subsidiaries are eliminated from the related equity and income statement accounts.

(vi) Functional and Presentation Currency

Items included in the financial statements of subsidiaries, joint ventures and associates are presented in the functional currencies in their primary economic environments in which they maintain their operations. The consolidated financial statements are presented in TL, which is Doğuş Otomotiv's functional and presentation currency.

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NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.6 Offsetting

Financial assets and financial liabilities should be offset and are reported net only when the entity has a legally enforceable right to offset, and it intends to settle the asset and the liability either simultaneously or on a net basis.

2.7 Comparative Information

The Group has prepared the consolidated statement of financial position as at 31 December 2013 comparatively with the consolidated statement of financial position as at 31 December 2012, and the consolidated profit or loss statement, the consolidated statement of other comprehensive income, the consolidated statements of cash flows and changes in equity for the year ended 31 December 2013 comparative to the year ended 31 December 2012.

Reclassifications regarding the financial statements as at 31 December 2012

With the resolution dated 7 June 2013 and numbered 20/670, the CMB has published an announcement comprising illustrative financial statements and instructions manual which is effective for the periods ended after 31 March 2013 for the companies which are reporting in accordance with the Communique. Accordingly, reclassifications made on consolidated statement of financial position as at 31 December 2012 are as follows:

- Prepaid expenses for the following months amounting TL 4,483 reclassified from other current assets to prepayments,
- Prepaid expenses for the following years amounting TL 3,774 reclassified from other non-current assets to prepayments,
- Deposits and guarantees given amounting to TL 192 reclassified from other non-current assets to other receivables from third parties,
- Advances given amounting to TL 1,710 reclassified from other current assets to prepayments,
- Advances given for property and equipment purchases amounting to TL 239 reclassified from other non-current assets to prepayments,
- Income accruals amounting to TL 12,579 reclassified from other current assets to other trade receivables,
- Expense accruals amounting to TL 2,469 reclassified from other current liabilities to other trade payables,
- Social security contributions amounting to TL 5,609 reclassified from other current liabilities to payables related to employee benefits.

Finance expenses amounting to TL 11,527 and finance income amounting to TL 5,923 which were presented in consolidated profit or loss statement for the year ended 31 December 2012 are reclassified from finance expenses, net to other expenses from operating activities and to income from investing activities, respectively.

During the preparation of consolidated statements of cash flows, reclassifications which are explained above were taken into consideration.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.8 Accounting Estimates

The preparation of the consolidated financial statements requires to make judgements estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is stated in the following:

Group's tangible and intangible assets are depreciated and amortizated in accordance with useful economic lives which is specified in Note 2.8 (Note 12 and 13).

The fair value of the available-for-sale financial instruments that are not traded in an active market have been calculated by using references to the uncollusive market transactions, the fair values of the similar instruments and the discounted cash flow analysis (Note 6).

Discounted price list is used to calculate inventory impairment. If expected net realizable value is less than cost, the Group allocates provisions for inventory impairment (Note 10).

To calculate the legal case provisions, the possibilities of losing the case and the liabilities that will arise if the case is lost is evaluated by the Group's Legal Counselor and by the Group Management team taking into account expert opinions. The management determines the amount of the provisions based on the best estimates (Note 14.1).

The warranties on automobiles sold by the Group are issued by the original equipment manufacturers ("OEM"). The Group acts as an intermediary between the customers and the OEM. The claims of customers from the Group are recognized as warranty expense. The Group recognizes the amount claimed from the OEM's as warranty income and offset against warranty expense. The Group incurs the cost that is not paid by the manufactures. Accordingly, the Group recognizes the estimated liability for the difference between possible warranty claims of customers and possible warranty claims from the manufacturers based on historical service statistics (Note 14.1).

Deferred tax asset is recognised to the extent that taxable profit will be available against which the deductable temporary differences can be utilized. When taxable profit is probable, deferred tax assets is recognized for all temporary differences. For the period ended 31 December 2013, since the assumptions related to the Company's future taxable profit generation are considered adequate, deferred tax asset is recognized (Note 25).

To calculate the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. Calculation details are given in Employee Benefits (Note 15).

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.9 Significant Accounting Policies

Revenue recognition

Revenue from the sales of cars, spare parts and services in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized on an accrual basis when persuasive evidence exists that goods are delivered and services are rendered, that the significant risks and rewards of ownership have been transferred to the buyer; recovery of the consideration is probable; there is no continuing management involvement with the goods; and the amount of revenue can be measured reliably. Significant risks and rewards are transferred to the buyer when the goods or ownership of goods passed to the buyer.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between nominal value and fair value of sales amount recognized at other income from operating activities.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories comprise all costs of purchase and the other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined on actual costing basis for trade goods, moving weighted average basis for spare parts and other inventories. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses.

Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Building and land costs are recorded separately even if they are acquired together. Land is not depreciated.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized within other income from operating activities or other expense from operating activities in profit or loss.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.9 Significant Accounting Policies (Continued)

Property and equipment (Continued)

Subsequent expenditures

The cost of replacing a part of an item of property and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

The estimated useful lives of property and equipment for the current and comparative years are as follows:

Buildings	25-50 years
Land improvements	4-50 years
Machinery and equipment	5-15 years
Furniture and fixtures	3-15 years
Motor vehicles	4-5 years

Property and equipment are depreciated over the estimated useful lives of the related assets from the date of purchase or the date of setup on a straight line basis. Useful lives of property and equipment are reviewed at each reporting date and necessary adjustments are applied if necessary.

Intangible assets

Intangible assets are consisted of rights and software programs. Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent expenditures

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss incurred.

Amortization

The estimated useful lives of intangible assets for the current and comparative years are as follows:

Rights	15 years
Software programs	3-5 years

Amortization is recognized in profit or loss on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use. The useful lives are reviewed at each reporting date and necessary adjustments are applied if necessary.

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NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.9 Significant Accounting Policies (Continued)

Borrowing costs

Until 1 October 2007, borrowing costs are charged to profit or loss when they are incurred. As at 1 October 2007, the Group early adopted TAS 23, "Borrowing costs (revised)" effective as at 1 January 2009. Accordingly, the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset, until the activities to prepare the qualifying asset for its intended use or sale are complete. Other borrowing costs are recognized in profit or loss within related period by using effective interest rate method expressed in TAS 39 "Financial Instruments: Recognition and Measurement".

Financial instruments

i) Non-derivative financial assets

The Group initially recognizes loans and receivables and bank deposits on the date that they are originated. All other financial assets (including available-for-sale financial assets) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a trading transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.9 Significant Accounting Policies (Continued)

Financial instruments (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise shares of Doğuş Holding A.Ş. ("Doğuş Holding") and Garanti Yatırım Ortaklığı A.Ş. ("Garanti Yatırım").

ii) Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the trade payables, financial, and other liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Non-derivative financial liabilities comprise financial liabilities, trade payables and other liabilities.

iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

iv) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

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NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.9 Significant Accounting Policies (Continued)

Financial instruments (Continued)

iv) Derivative financial instruments and hedge accounting (Continued)

On initial designation of the derivative as the hedging instrument, the Group documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80-125%. For cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognized. In other cases, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Separable embedded derivatives

Changes in the fair value of separated embedded derivatives are recognized immediately in profit or loss.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.9 Significant Accounting Policies (Continued)

Financial instruments (Continued)

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognized immediately in profit or loss.

Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Trade receivables and provision for doubtful receivables

Trade receivables that are created by the way of providing goods or services directly to a debtor are carried at amortised cost. Trade receivables, net of unearned financial income, are measured at amortised cost, using the effective interest rate method. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.9 Significant Accounting Policies (Continued)

Impairment (Continued)

Trade receivables and provision for doubtful receivables (Continued)

A credit risk provision for the trade receivables is recognized if there is objective evidence for the inability to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount of the receivable. The recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event after the write-down, the release of the provision is credited to other income from operating activities

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss and related to these instruments, impairment loss recognised previously in profit or loss cannot be cancelled through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

An impairment loss is recognized and carrying amount is reduced to recoverable amount if an asset's or CGU's carrying amount exceeds its recoverable amount.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.9 Significant Accounting Policies (Continued)

Foreign currency transactions

Transactions in foreign currencies are translated to TL at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to TL at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit or loss.

Assets and liabilities of those Group entities with a different functional currency than the reporting currency of the Group are translated into the reporting currency of the Group at the rate of exchange ruling at the reporting date. The income and expenses of the Group entities are translated into the reporting currency at the average exchange rates for the period. These foreign currency differences are recognized in "other comprehensive income", within equity, under "translation reserves".

Earnings per share

Earnings per share disclosed in the consolidated income statement are determined by dividing net income by the weighted average number of shares outstanding during the period concerned. Parent company shares owned by the Group are not taken into consideration in the calculation of earnings per share.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period.

Provisions, contingent assets and contingent liabilities

Provisions are recognized when the Group has a present legal or constructive obligation because of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Unless related criteria occur, the Group discloses the related issue in disclosures. Contingent assets are not recognized and solely disclosed until they are realized.

Change and errors in the accounting policies and estimates

Material changes in accounting policies or material errors are corrected; retrospectively by restating the prior period consolidated financial statements. The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods.

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NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.9 Significant Accounting Policies (Continued)

Change and errors in the accounting policies and estimates (Continued)

The Group adopted TAS 19 "Employee Benefits (2011)" with a date of initial application of 1 January 2012 and changed its basis for determining the expense related to defined benefit obligations.

The Group adopted TFRS 10 "Consolidated Financial Statements", TFRS 11 "Joint Arrangements" and TFRS 12 "Disclosure of Interests in Other Entities" and indirect changes in TMS 28 "Investments in Associates and Joint Ventures with a date of initial application of 1 January 2012

The Group also adopted TFRS 13 "Fair Value Measurement" with a date of initial application of 1 January 2013.

(a) Defined benefit obligation

As a result of the adoption of TAS 19 (2011), all actuarial losses are recognised immediately in other comprehensive income.

Actuarial losses were previously recognised in profit or loss before the change in the accounting standard. The change in accounting standard has been applied retrospectively. It reduced the employee severance indemnity expense recognised in profit or loss and correspondingly increased the defined benefit obligation actuarial differences recognised in other comprehensive income by TL 212 thousand net off tax as at and for the year ended ended 31 December 2013 (31 December 2012: TL 2,285 thousand).

(b) Subsidiaries/associates

As a result of the adoption of TFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees.

In accordance with the transitional provisions of TFRS 10, the Group re-assessed the control conclusion for its investees at 1 January 2012. As a consequence, the Group's control conclusion in respect of its investments in its investees has not changed and there has been no impact on the recognised assets, liabilities and comprehensive income of the Group.

(c) Investments in joints ventures

Under TFRS 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.9 Significant Accounting Policies (Continued)

Change and errors in the accounting policies and estimates (Continued)

The Group has re-evaluated its involvement in its joint arrangements. As a result, Group's joint arrangements, which were classified as jointly controlled entities before the change in accounting policy, were classified as joint ventures. This classification did not affect consolidated financial statements since this classification made to investments which were previously recognised by applying the equity method.

(d) Fair value measurement

TFRS 13 "Fair Value Measurement" standard defines fair value and sets out a framework for measuring fair value and requires disclosures about fair value measurements. TFRS 13 defines how to measure fair value where other TFRS's require.

Fair value are determined by estimation of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

This standard also substitutes disclosure requirements take place in TFRS 7 "Financial Instruments: Disclosures" and expands those disclosure requirements.

Leases

(i) Financial lease

Leases of property and equipment where the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are included in the property and equipment at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other current and non-current financial liabilities. The interest element of the finance cost is charged to the consolidated profit or loss statement over the lease period.

(ii) Operational lease

Leases where a significant portion of the risks and rewards of ownership are retained by the leaser are classified as operating leases. Payments made under operating leases (net off any incentives received from the leaser) are charged to the consolidated profit or loss statement on a straight-line basis over the period of the lease.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.9 Significant Accounting Policies (Continued)

Related parties

Parties are considered related to the Company if;

(a) directly, or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);

(ii) has an interest in the Company that gives it significant influence over the Company; or

(iii) has joint control over the Company;

(b) the party is an associate of the Company;

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company and its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or (e);

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business.

Segment reporting

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments. Board of Directors is determined as the chief operating decision maker of the Group.

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NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.9 Significant Accounting Policies (Continued)

Taxes on income

Taxes include current period income tax liabilities and deferred tax liabilities. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Temporary differences are derived from the timing differences in recognition of income and expenses between the consolidated financial statements and statutory records.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

When the deferred tax assets and deferred tax liabilities levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly.

Employee benefits

In accordance with existing labor law in Turkey, the Group is required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire.

Employee benefits are the estimation of the present value of future probable obligation of the Group arising from the retirement of the employees. It is computed and recognized in the financial statements considering the retirement pay cap and actuarial information.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.9 Significant Accounting Policies (Continued)

Cash flow

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (capital expenditures and financial investments).

Cash flows arising from financial activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Repurchase and resale transactions

Securities purchased under agreements to resell ("reverse repurchase agreements") are classified under cash and cash equivalents in the consolidated financial statements. The difference between the purchase and resale price of these repurchase agreements is treated as interest income and accrued over the life of the reverse repurchase agreement.

Dividends

Dividend income is recognized by the Group at the date right to collect the dividend is realized. Dividend payables are recognized after the profit distribution approval in the General Assembly.

NOTE 3 – JOINT VENTURES

The Group accounts for its interests in joint ventures indicated in Note 2.5 through equity method. Therefore, financial information regarding to aforementioned joint ventures are presented in Note 11 "Investments in Equity Accounted Investees".

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 4 – OPERATING SEGMENTS

Operating segments has been determined based on the reports reviewed by the Steering Committee that make strategic decisions.

Group management believes that risk and rewards of the Group is strictly related with the changes in automotive sector and determined the Group's primary segments according to product types. Group's operating activities include importing, marketing and selling passenger and commercial vehicles, spare parts of Volkswagen Group brands (VW, Audi, Seat, Porsche, Bentley, Lamborghini, Bugatti, Scania, Krone, Meiller) and Thermoking climate control systems and used car operations in Turkey via its dealer network under the brand name "DOD". Group's operating segments are identified based on the product groups. Considering the nature of the products, operating segments are identified as commercial vehicles, passenger vehicles and other segments.

Other segments comprise used cars, spare parts and central office functions.

Segment assets and liabilities are not reported since the management reports do not include such information.

Accounting policies for certain types of transactions differ for management reporting from those used in preparation of the consolidated financial statements.

Warranty expenses and provision for legal matters have been included in the operating results when they are realized. Provisions for employee termination benefits expenses represent the undiscounted estimated future obligation of the Group arising from the retirement of the employees. Inventories are carried at cost. Depreciation and amortization which is not computed on a pro-rata basis is recognized in profit or loss on a straight-line method over the estimated useful lives of tangible and intangible assets.

Segment information presented to the Group management for the years ended 31 December is as follows:

2013	Passenger segment	Commercial segment	Other segments	Total
Revenue from external customers	4,617,243	1,365,243	620,177	6,602,663
Cost of sales (-)	(4,202,092)	(1,227,755)	(422,785)	(5,852,632)
Gross profit	**415,151**	**137,488**	**197,392**	**750,031**
General administration expenses (-)	(78,153)	(17,946)	(120,481)	(216,580)
Marketing expenses (-)	(111,052)	(43,450)	(46,399)	(200,901)
Warranty income/(expense), net	(46,222)	(13,951)	(20)	(60,193)
Other income/(expense) from operating activities, net	7,259	724	22,979	30,962
Operating income	**186,983**	**62,865**	**53,471**	**303,319**

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NOTE 4 – OPERATING SEGMENTS (Continued)

2012	Passenger segment	Commercial segment	Other segments	Total
Revenue from external customers	3,314,034	1,280,184	538,123	5,132,341
Cost of sales (-)	(2,925,335)	(1,133,069)	(360,055)	(4,418,459)
Gross profit	**388,699**	**147,115**	**178,068**	**713,882**
General administration expenses (-)	(60,623)	(16,374)	(106,319)	(183,316)
Marketing expenses (-)	(97,521)	(39,384)	(40,210)	(177,115)
Warranty income/(expense), net	(36,023)	(15,497)	(12)	(51,532)
Other income/(expense) from operating activities, net	1,235	239	1,174	2,648
Operating income	**195,767**	**76,099**	**32,701**	**304,567**

The Group management assesses the performance of the operating segments based on the measure of operating income. The measurement basis excludes the effects of non-recurring expenses (i.e. restructuring expenses and one-offs) from the operating income. The measurement basis also excludes the share of profit of equity accounted investees. Finance income and costs are not allocated to segments, as this type of activity is driven by the central finance function of the Group.

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NOTE 4 – OPERATING SEGMENTS (Continued)

The reconciliation of operating income to profit before tax is as follows:

	2013	2012
Operating profit for reportable segments	303,319	304,567
Provision for legal exposures and indemnities, net	(4,060)	(3,848)
Discount effect of provision for severance payments	1,889	1,720
Provision for unused vacation	(602)	(625)
Provision for diminution in value of inventories	(415)	(468)
Warranty provision expense	(8,129)	(5,068)
Depreciation and amortization	11,842	5,712
Share of profit of equity accounted investees	28,888	57,144
Income from investment activities, net	7,940	5,923
Finance costs, net	(67,822)	(58,964)
Other	3,030	4,336
Profit before tax	**275,880**	**310,429**

NOTE 5 – CASH AND CASH EQUIVALENTS

As at 31 December, cash and cash equivalents comprise the following:

	2013	2012
Cash on hand	38	34
Cash at banks	82,208	37,191
- Demand deposits	38,872	9,877
- Time deposits/reverse repo	27,400	-
- Credit card receivables	15,936	27,314
Total	**82,246**	**37,225**

As at 31 December 2013, effective interest rate on TL denominated time deposits is between 7.50% and 8.50% (31 December 2012: nil).

There is no blocked deposit as at 31 December 2013 and 2012.

Foreign currency risk exposure of cash and cash equivalents are presented under Note 28.

Credit card receivables' due date is less than three months.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 6 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 31 December, available-for-sale financial assets comprise of the following:

	2013		2012	
	Ownership interest (%)	Carrying amount	Ownership interest (%)	Carrying amount
Doğuş Holding A.Ş. ("Doğuş Holding")	3.75	450,570	3.75	531,039
Garanti Yatırım Ortaklığı A.Ş. ("Garanti Yatırım")	0.03	9	0.03	9
		450,579		**531,048**

Since Doğuş Holding is not a publicly traded, fair value of Doğuş Holding are determined by using current market information's for publicly traded companies under Doğuş Holding governance. Fair value of Doğuş Holding are also determined by using other valuation methods such as nominal values, net carrying amount, acquisition price and discounted cash flows for non public companies under Doğuş Holding governance. Discount rate is applied on net asset value of Doğuş Holding by taking discount rates into consideration which is applicable for valuation of publicly traded holding companies. Since Garanti Yatırım is quoted in the stock exchange, fair value of the Company is calculated by considering the closing price at the reporting date. The movements in available-for-sale financial assets within the period are as follows:

	2013	2012
Balance at 1 January	531,048	375,181
Change in fair value of available-for-sale financial assets	(80,469)	155,867
Total	**450,579**	**531,048**

NOTE 7 – FINANCIAL LIABILITIES

As at 31 December, financial liabilities comprise the following:

	2013		2012	
	Interest rate	Amount	Interest rate	Amount
Short-term bank borrowings:				
TL denominated interest bearing borrowings	6.40–10.40%	567,711	5.25–13.95%	428,265
TL denominated non-interest bearing borrowings (*)	-	35,480	-	28,325
CHF denominated interest bearing borrowings	6%	258	6%	1,943
Short-term bank liabilities:		**603,449**		**458,533**
Short-term portion of long-term borrowings:				
CHF denominated finance lease liabilities	4.50%	495	4.50%	385
Euro denominated borrowings	-	-	EURIBOR+0.13%	11,279
CHF denominated borrowings	2.73–4.30%	11,999	2.73–4.30%	14,833
TL denominated borrowings	TRLIBOR+1.75%	8,715	TRLIBOR+1.75%	5,556
TL denominated borrowings	6.70%	7,610	-	-
USD denominated borrowings	LIBOR+1.95%	5,776	LIBOR+1.95%	4,838
Short-term portion of long-term liabilities:		**34,595**		**36,891**

(*) As at 31 December 2013, the Group has non-interest bearing TL denominated loans from various financial institutions amounting to TL 35,480 thousand, which have been obtained to pay value added taxes, custom taxes and special consumption taxes (31 December 2012: TL 28,325 thousand).

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 7 – FINANCIAL LIABILITIES (Continued)

	2013		2012	
	Interest rate	Amount	Interest rate	Amount
Long-term bank borrowings:				
TL denominated borrowings	TRLIBOR+1.75%	23,333	TRLIBOR+1.75%	30,000
TL denominated borrowings	6.70%	200,000	13.5%	37,320
USD denominated borrowings	LIBOR+1.95%	14,340	LIBOR+1.95%	16,768
CHF denominated borrowings	2.73–4.30%	21,005	2.73–4.30%	11,414
Finance lease liabilities:				
CHF denominated finance lease liabilities	4.50%	532	4.50%	836
Total long-term financial liabilities		**259,210**		**96,338**

As at 31 December 2013, the repayment schedule of long-term bank borrowings including their short-term portions is as follows:

Payment period	Original amount (TL thousand)	Original amount (USD thousand)	Original amount (Euro thousand)	Original amount (CHF thousand)	TL equivalent
2014	8,927	2,847	-	7,987	34,092
2015	215,420	2,722	-	3,033	228,479
2016	6,801	2,601	-	120	12,638
2017 and onwards	8,509	1,256	-	2,669	17,569
Total	**239,657**	**9,426**	-	**13,809**	**292,778**

As at 31 December 2012, the repayment schedule of long-term bank borrowings including their short-term portions is as follows:

Payment period	Original amount (TL thousand)	Original amount (USD thousand)	Original amount (Euro thousand)	Original amount (CHF thousand)	TL equivalent
2013	5,556	2,713	4,796	7,635	36,506
2014	43,986	2,688	-	236	49,236
2015	6,667	2,688	-	2,921	17,134
2016 and onwards	16,667	4,031	-	2,717	29,132
Total	**72,876**	**12,120**	**4,796**	**13,509**	**132,008**

Foreign currency, interest and liquidity risk exposure of financial liabilities are presented under Note 28.

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NOTE 8 – TRADE RECEIVABLES AND PAYABLES

8.1 Trade Receivables

As at 31 December, trade receivables due from non-related parties are consisted of the following:

	2013	2012
Trade receivables	198,519	109,222
Allowance for doubtful receivables (-)	(1,450)	(1,629)
Total	**197,069**	**107,593**

As at 31 December 2013, the Group charges 4% monthly interest to the dealers regarding overdue receivables (31 December 2012: 4%).

The movement of individually impaired receivables is as follows:

	2013	2012
Balance as at 1 January	1,629	1,613
Additions	28	509
Provisions released (-)	(207)	(493)
Total	**1,450**	**1,629**

Guarantees received for trade receivables due from non-related parties

Significant portion of the trade receivables due from non-related parties is consisted of receivables from the dealers. The Group's management established an effective control system over the dealers and monitors the credit risk of the dealers arising from the transactions. The Group requests letters of guarantee for vehicle and spare parts sales from authorized dealers. TL 55,437 thousand of total trade receivables due from non related parties are covered via letters of guarantee (31 December 2012: TL 23,484 thousand).

As at 31 December 2013, overdue trade receivables due from non-related parties that are not impaired amount to TL 8,551 thousand (31 December 2012: TL 2,931 thousand). TL 6,526 thousand of such overdue receivables are covered via guarantee letters (31 December 2012: TL 2,482 thousand).

Foreign currency and liquidity risk exposure of trade receivables are presented under Note 28

8.2 Trade Payables

As at 31 December, trade payables due to non-related parties are consisted of the following:

	2013	2012
Payables to OEM companies	203,913	219,598
Payables to dealers	50,897	40,243
Other trade payables	48,310	59,183
Other expense accrual	2,982	2,469
Total	**306,102**	**321,493**

OEM's provide a credit option to the Group up to 1 year, which is free from interest for 10 days. The OEM's charge the Group an interest of 2.29% per annum for trade payables not settled within 10 days (31 December 2012: 2.50% per annum).

Group's payables to dealers consisted of bonus payables paid on periodical basis.

Other trade payables include Group's payables to service and material suppliers.

Foreign currency and liquidity risk exposure of trade payables are presented under Note 28.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 9 – OTHER RECEIVABLES

As at 31 December, other receivables due from non-related parties comprise of the following:

	2013	2012
Warranty claims and price difference receivables (*)	27,874	24,335
Receivables due to insurance claims	6,153	5,332
Other	3,448	1,870
Total	**37,475**	**31,537**

(*) Warranty claims comprise the amounts to be paid by the suppliers in regards to the portion of warranty expenses of the vehicles imported by the Group, OEM's are responsible for.

NOTE 10 – INVENTORIES

As at 31 December, inventories comprise of the following:

	2013	2012
Goods in transit (*)	218,723	239,998
Merchandise stocks – vehicles	214,264	175,408
Merchandise stocks – spare parts	90,256	71,087
	523,243	**486,493**
Provision for diminution in the value of inventories (-)	(3,067)	(2,652)
Total	**520,176**	**483,841**

(*) Goods-in-transit comprise of vehicles and spare parts, custom transactions of which have not been completed yet, but risks and rewards of which have been transferred to the Group.

The cost of inventories recognized as expense and included in cost of sales amounted to TL 5,797,777 thousand for the year ended 31 December 2013 (31 December 2012: TL 4,370,556 thousand).

The Group has provided provision for damaged and slow-moving items in inventories. The current year stock provision is included in "cost of sales". The movement of provision for diminution in the carrying value of inventories is provided below:

	2013	2012
Balance at 1 January	2,652	3,190
Additions in the current period	415	468
Provisions released in the current period (-)	-	(1,006)
Balance at 31 December	**3,067**	**2,652**

As at 31 December 2013, total carrying value of the damaged and slow-moving inventories, entirely spare parts, measured at net realizable value is TL 111 thousand (31 December 2012: TL 372 thousand).

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 11 – INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

As at 31 December, investment in associates, joint ventures and the Group's share of ownership are as follows:

	2013		2012	
	Ownership %	Carrying amount	Ownership %	Carrying amount
Associates				
VDTF	48	70,209	48	44,427
Doğuş Sigorta	42	27,966	42	32,433
Yüce Auto	50	10,220	50	8,541
VDF Servis	38.22	14,463	38.22	8,695
LPD Holding	38.22	17,180	38.22	25,835
Doğuş Teknoloji	46	1,601	46	915
Total		**141,639**		**120,846**
Joint ventures				
Krone-Doğuş	48	25,486	48	31,922
TÜVTURK Kuzey – Güney (Konsolide)	33.33	38,005	33.33	51,800
TÜVTURK İstanbul (*)	-	-	33.33	11,158
Meiller-Doğuş	49	1,089	49	3,170
Total		**64,580**		**98,050**
Grand total		**206,219**		**218,896**

(*) The Group, together with other shareholders, sold its shares at TÜVTURK İstanbul to TÜVTURK Kuzey and TÜVTURK Güney on 6 September 2013. As a result of this transaction, the Group's controlling power over TÜVTURK İstanbul has been sustained through its jointly controlled entities, TÜVTURK Kuzey and TÜVTURK Güney, which are controlling this company.

The movements in investments in associates and jointly ventures during the periods are as follows:

	2013	2012
Balance at 1 January	218,896	143,078
Shares in profit of associates and joint ventures, net (*)	27,821	57,172
Change in hedge reserves of joint ventures	4,578	1,334
Change in fair value of available-for-sale financial assets held by associates	(4,832)	9,217
Dividend income from associates	(2,494)	(1,578)
Contribution to the share capital of associate	-	10,134
Deferred tax effect in relation to change in fair value of available-for-sale financial assets held by associates	242	(461)
Sale of shares of equity accounted investees	(37,992)	-
Balance at 31 December	**206,219**	**218,896**

(*) For the year ended 31 December 2013, unrealized gains amount to TL 1,067 thousand from transactions with equity accounted investees to the extent of Group's interest in investee eliminated against the investment in preparing the consolidated financial statements (For the year ended 31 December 2012: TL (28 thousand) was eliminated).

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 11 – INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (Continued)

As at 31 December, total assets, liabilities and results of the periods of the Group's associates and joint ventures are presented below:

	2013								
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Income	Expenses (-)	Net profit/(loss)
Investment in associates	3,481,383	495,301	3,976,684	3,241,468	520,512	3,761,980	898,688	(843,403)	55,285
Joint ventures	207,576	953,945	1,161,521	271,880	753,934	1,025,814	1,075,160	(1,043,000)	32,160

	2012								
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Income	Expenses (-)	Net profit/(loss)
Investment in associates	2,638,594	391,763	3,030,357	2,457,463	432,652	2,890,115	776,776	(673,581)	103,195
Joint ventures	255,597	1,284,985	1,540,582	99,051	1,054,196	1,153,247	1,127,749	(1,069,395)	58,354

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 11 – INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (Continued)

As at 31 December, cash and cash equivalents, current and non-current liabilities, amortisation and depreciaton expenses, interest income and expenses are presented below:

	2013					
	Cash and cash equivalents	Short-term financial liabilities	Long-term financial liabilities	Amortisation and depreciaton expenses	Interest income	Interest expense
Investment in associates	114,910	3,178,523	274,138	(5,978)	311,253	(203,183)
Joint ventures	86,224	110,645	141,669	(12,139)	6,918	(11,990)

	2012					
	Cash and cash equivalents	Short-term financial liabilities	Long-term financial liabilities	Amortisation and depreciaton expenses	Interest income	Interest expense
Investment in associates	93,372	2,409,440	220,161	(3,775)	256,828	(183,678)
Joint ventures	209,332	48,140	207,693	(91,240)	10,352	(17,463)

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 12 – PROPERTY AND EQUIPMENT

The movements in property and equipment and related accumulated depreciation for the year ended 31 December 2013 are as follows:

	1 January 2013	Additions	Disposals	Transfers	Foreign currency translation difference	31 December 2013
Cost:						
Land	165,592	20,925	-	-	929	187,446
Land improvements	13,992	167	-	486	-	14,645
Buildings	167,781	3,623		49,257	7,814	228,475
Machinery and equipments	30,071	3,637	(1,935)	3,699	1,106	36,578
Motor vehicles	65,361	19,340	(28,611)	-	6,032	62,122
Furniture and fixtures	25,822	5,469	(1,457)	3,902	-	33,736
Leasehold improvements	39,320	76	(4,421)	10,206	-	45,181
Constructions in progress	36,627	39,447	(309)	(67,550)	-	8,215
	544,566	**92,684**	**(36,733)**	-	**15,881**	**616,398**
Accumulated depreciation:						
Land improvements	(9,693)	(422)	-	-	-	(10,115)
Buildings	(20,278)	(4,048)	-	-	(483)	(24,809)
Machinery and equipments	(16,646)	(3,745)	1,338	-	(625)	(19,678)
Motor vehicles	(17,320)	(12,396)	10,361	-	(136)	(19,491)
Furniture and fixtures	(16,819)	(3,038)	1,390	-	-	(18,467)
Leasehold improvements	(27,227)	(1,679)	3,279	-	-	(25,627)
	(107,983)	**(25,328)**	**16,368**	-	**(1,244)**	**(118,187)**
Carrying amount	**436,583**					**498,211**

As of and for the year ended 31 December 2013, the Group capitalized properties amounting to TL 49,257 thousand as buildings since the construction of showroom and service facilities which is located in Çankaya, Ankara has been completed.

Total depreciation expense amounting to TL 25,329 thousand has been allocated to general administrative expenses in the consolidated profit or loss statement for the year ended 31 December 2013 (31 December 2012: TL 20,792 thousand).

As at 31 December 2013 there is a lien on land owned by the Group amounting to TL 70,000 thousand and on buildings amounting to USD 21,500 thousand equivalent to TL 43,735 thousand (31 December 2012: TL 70,000 and USD 21,500 thousand equivalent to TL 38,326 thousand).

Net book value of machinery and equipments acquired through finance lease is TL 245 thousand as at 31 December 2013 (31 December 2012: TL 433 thousand).

As at 31 December 2013, borrowing cost amounting to TL 24,395 thousand is capitalized on fixed assets (31 December 2012: TL 14,793).

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 12 – PROPERTY AND EQUIPMENT (Continued)

The movements in property and equipment and related accumulated depreciation for the year ended 31 December 2012 are as follows:

	1 January 2012	Additions	Disposals	Transfers	Foreign currency translation difference	31 December 2012
Cost:						
Land	156,380	9,332	-	-	(120)	165,592
Land improvements	11,434	186	-	2,372	-	13,992
Buildings	137,311	338	-	31,143	(1,011)	167,781
Machinery and equipments	27,507	2,804	(123)	-	(117)	30,071
Motor vehicles	44,488	48,330	(27,373)	-	(84)	65,361
Furniture and fixtures	23,649	3,793	(1,620)	-	-	25,822
Leasehold improvements	37,083	125	(31)	2,143	-	39,320
Constructions in progress	29,246	43,039	-	(35,658)	-	36,627
	467,098	**107,947**	**(29,147)**	**-**	**(1,332)**	**544,566**
Accumulated depreciation:						
Land improvements	(9,530)	(163)	-	-	-	(9,693)
Buildings	(17,826)	(2,498)	-	-	46	(20,278)
Machinery and equipments	(13,535)	(3,232)	99	-	22	(16,646)
Motor vehicles	(12,613)	(10,743)	5,855	-	181	(17,320)
Furniture and fixtures	(16,132)	(2,267)	1,580	-	-	(16,819)
Leasehold improvements	(25,345)	(1,889)	7	-	-	(27,227)
	(94,981)	**(20,792)**	**7,541**	**-**	**249**	**(107,983)**
Carrying amount	**372,117**					**436,583**

NOTE 13 – INTANGIBLE ASSETS

The movements in intangible assets and related accumulated amortization during the year ended 31 December 2013 are as follows:

	1 January 2013	Additions	Disposals	31 December 2013
Cost:				
Rights and other intangibles	27,870	10,349	(27)	38,192
	27,870	**10,349**	**(27)**	**38,192**
Accumulated amortization:				
Rights and other intangibles	(20,502)	(5,223)	27	(25,698)
	(20,502)	**(5,223)**	**27**	**(25,698)**
Carrying amount	**7,368**			**12,494**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 13 – INTANGIBLE ASSETS (Continued)

Total amortization expense amounting to TL 5,223 thousand (31 December 2012: TL 3,392 thousand) for the year ended 31 December 2013 has been allocated to general administrative expenses in consolidated profit or loss statement.

The movements in intangible assets and related accumulated amortization during the year ended 31 December 2012 are as follows:

	1 January 2012	Additions	Disposals	31 December 2012
Cost:				
Rights and other intangibles	22,128	5,742	-	27,870
	22,128	**5,742**		**27,870**
Accumulated amortization:				
Rights and other intangibles	(17,110)	(3,392)	-	(20,502)
	(17,110)	**(3,392)**	-	**(20,502)**
Carrying amount	**5,018**			**7,368**

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

14.1 Short-Term Provisions

The breakdown of short-term provisions related to employee benefits as at 31 December is presented below:

	2013	2012
Provision for unused vacation	2,482	2,065
Total	**2,482**	**2,065**

The breakdown of short-term provisions as at 31 December is presented below:

	2013	2012
Warranty provisions	33,980	25,851
Legal provisions	11,978	9,964
Total	**45,958**	**35,815**

The movements of provisions during the year are as follows:

	Balance at 1 January 2013	Provision set during the year	Provisions no longer required	Paid during the year	Balance at 31 December 2013
Legal provisions	9,964	4,060	-	(2,046)	11,978
Warranty provisions	25,851	68,323	-	(60,194)	33,980
Unused vacation liability provision	2,065	602	-	(185)	2,482
Total	**37,880**	**72,985**	-	**(62,425)**	**48,440**

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NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

14.1 Short-Term Provisions (Continued)

	Balance at 1 January 2012	Provision set during the year	Provisions no longer required	Paid during the year	Balance at 31 December 2013
Legal provisions	8,243	3,848	-	(2,127)	9,964
Warranty provisions	20,783	56,600	-	(51,532)	25,851
Unused vacation liability provision	1,762	625	-	(322)	2,065
Total	**30,788**	**61,073**	**-**	**(53,981)**	**37,880**

14.2 Letter of Guarantees Given, Pledges and Mortgages

As at 31 December 2013, the Group's position related to letters of guarantee given, pledges and mortgages ("GPM") are as follows:

	31 December 2013				
		Original balances			
	Total TL equivalent	Full TL	Full USD	Full Euro	Full CHF
A. Total amount of GPM given on behalf of own legal personality	997,666	82,629,400	21,500,000	291,911,787	5,000,000
B. Total amount of GPM given in favor of partnerships which is consolidated	305,756	66,400,000	-	67,675,000	17,000,000
C. Total amount of GPM given for assurance of third parties debts in order to conduct of usual business activities	-	-	-	-	-
D. Total amount of other GPM					
i. Total amount of GPM given in favor of parent company	-	-	-	-	-
ii. The amount of GPM given in favor of other group companies which B and C don't comprise	-	-	-	-	-
iii. The amount of GPM given in favor of 3rd parties which C doesn't comprise	-	-	-	-	-
Total GPM	**1,303,422**	**149,029,400**	**21,500,000**	**359,586,787**	**22,000,000**

Other GPMs given by the Group as at 31 December 2013 are equivalent to 0% of the Company's equity (31 December 2012: 0%).

GPM amounting to TL 66,400 thousand (31 December 2012: TL 96,500 thousand) given in favor of companies which are consolidated is related to general loan agreements. As at 31 December 2013, GPM amounting TL 61,293 thousand of such GPMs have not been utilized (GPM amounting TL 85,609 thousand were not utilized as at 31 December 2012).

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

14.2 Letter of Guarantees Given, Pledges and Mortgages (Continued)

As at 31 December 2012, the Group's position related to letters of guarantee given, pledges and mortgages ("GPM") are as follows:

	31 December 2012				
		Original balances			
	Total TL equivalent	Full TL	Full USD	Full Euro	Full CHF
A. Total amount of GPM given on behalf of own legal personality	790,860	91,604,941	21,500,000	276,911,787	5,000,000
B. Total amount of GPM given in favor of partnerships which is consolidated	285,196	96,900,000	-	67,675,000	15,000,000
C. Total amount of GPM given for assurance of third parties debts in order to conduct of usual business activities	-	-	-	-	-
D. Total amount of other GPM					
i. Total amount of GPM given in favor of parent company	-	-	-	-	-
ii. The amount of GPM given in favor of other group companies which B and C don't comprise	-	-	-	-	-
iii. The amount of GPM given in favor of 3rd parties which C doesn't comprise	-	-	-	-	-
Total GPM	**1,076,056**	**188,504,941**	**21,500,000**	**344,586,787**	**20,000,000**

14.3 Letter of Guarantees and Sureties Received

Letter of Guarantees Received

	2013	2012
Letters of guarantees received from fixed asset and service suppliers	44,824	24,785
Letter of guarantees received from fleet customers	43,420	26,750
Letters of guarantees received from dealers	23,837	16,539
Total	**112,081**	**68,074**

As at 31 December 2013, TL 2,920 thousand out of the total of TL 112,081 thousand (31 December 2012: TL 68,074 thousand), of the letters of guarantee received, were given by the Group's related party Türkiye Garanti Bankası A.Ş. ("Garanti Bankası") (31 December 2012: TL 5,066 thousand).

14.4 Operating Leases

	2013	2012
2013	-	18,880
2014	26,017	12,017
2015 and onwards	30,768	11,768
	56,785	**42,665**

The operational lease liability amounting to TL 42,195 thousand is related to operational lease contracts signed with Group's related parties (31 December 2012: TL 34,743 thousand).

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NOTE 15 – EMPLOYEE BENEFITS

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. CMB Financial Reporting Standards require actuarial valuation methods to be developed to estimate enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2013	2012
Inflation rate	6.00%	4.7%
Discount rate	3.30%	2.2%
Turnover rate to estimate the probability of retirement	6.28%	8.5%

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The liability cap amounting to TL 3,254 has been taken into consideration in calculating the provision (31 December 2012: TL 3,034). The movements in the provision for employee termination benefits for the years ended 31 December are as follows:

	2013	2012
Balance at 1 January	9,948	6,447
Interest cost	652	576
Current service cost	1,237	1,144
Actuarial losses	265	2,856
Paid during the year (-)	(550)	(1,075)
Balance at 31 December	**11,552**	**9,948**

The movements in employee termination benefit are recognized under personnel expenses in consolidated income statement and actuarial losses are recognized under other comprehensive income.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOT 16 – PREPAYMENTS

16.1 Short-Term Prepayments

As at 31 December, short-term prepayments comprise of the following:

	2013	**2012**
Prepaid expenses	7,599	4,483
Advances given	6,855	1,710
Total	**14,454**	**6,193**

16.2 Long-Term Prepayments

As at 31 December, long-term prepayments comprise of the following:

	2013	**2012**
Prepaid expenses	5,793	3,774
Advances given for property and equipment purchases	2,553	239
Total	**8,346**	**4,013**

NOTE 17 – OTHER CURRENT LIABILITIES

As at 31 December, other current liabilities comprise of the following:

	2013	**2012**
VAT payable	34,795	31,687
Taxes and withholdings payable	8,025	1,906
Advances taken	7,674	7,039
Expense accruals	7,188	934
Other	-	4,227
Total	**57,682**	**45,793**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 18 – EQUITY

Capital

As at 31 December 2013, the registered capital of the Company is TL 220,000 thousand (31 December 2012: TL 220,000 thousand). The paid-in share capital of the Company comprises of 220,000,000 units of registered shares with a nominal value of TL 1 each. There is no different type of share and no privilege given to specific shareholders. The Company's registered authorized capital is TL 660,000 thousand.

As at 31 December, the composition of the Company's shareholding structure is as follows:

	2013		2012	
Shareholders	**TL**	**Shareholding (%)**	**TL**	**Shareholding (%)**
Doğuş Holding	77,462	35.21	77,462	35.21
Publicly held	75,900	34.50	75,900	34.50
Doğuş Araşırma Geliştirme ve Müşavirlik A.Ş.	66,638	30.29	66,638	30.29
Paid-in capital	**220,000**	**100.00**	**220,000**	**100.00**
Inflation adjustment difference	23,115		23,115	
Total	**243,115**		**243,115**	

Restricted reserves

The breakdown of restricted reserves is presented below:

	2013	**2012**
Legal reserves	85,853	53,916
Special reserves	20,439	458
Total	**106,292**	**54,374**

Under the Turkish Commercial Code, Turkish companies are required to set aside first and second level legal reserves out of their profits. First level legal reserves are set aside as up to 5% of the distributable income per the statutory accounts each year. The ceiling of the first level reserves is 20% of the paid-in share capital. In case of a profit distribution in accordance with CMB regulations, second level legal reserves are set aside by rate of 1/10 for all cash distribution exceeding 5% of the share capital. In case of a profit distribution in accordance with statutory records, second level legal reserves are set aside by rate of 1/11 for all cash distribution exceeding 5% of the share capital. First and second level legal reserves cannot be distributed until they exceed 50% of the capital, but the reserves can solely be used for offsetting the losses in case of running out of arbitrary reserves. As at 31 December 2013, the legal reserves of the Group amounted to TL 85,853 thousand (31 December 2012: TL 53,916 thousand).

NOTE 18 – EQUITY (Continued)

Restricted reserves (Continued)

The 75% portion of gains amounting to TL 19,891 thousand arising from the sale of participation share on joint venture recognised in statutory financial statements as "special reserves" within the scope of the exemption for sale of participation shares. As decribed in Note 11, the disposal of the company, together with the stakes of other shareholders, is made to the entities over which the Group has joint controlling power with other shareholders. As a result of this transaction, the Group's controlling power over the investment subject to disposal has been sustained through its investments in other jointly controlled entitites that are controlling this entity. The related gain derived from sale of founding shares from investment equity has been eliminated in the accompanying financial statements and the amount subject to the exemption for sale of participation shares is recognised in "special reserves" and "retained earnings" accounts in order to be in line with statutory financial statements. As at 31 December 2013, special reserves of the Company amounted to TL 20,439 thousand (31 December 2012: TL 458 thousand).

Actuarial losses on employee benefits

According to the transition rules of TAS 19 (2011), accumulated actuarial losses on employee benefits are started to be recorded within these accounts by the the beginning of 1 January 2012 in accordance with the announcement made by CMB regarding financial statements and disclosure templates stated at "Principles of Financial Reporting in Capital Market'' which is dated 13 June 2013 and published in the Official Gazette numbered 28676 Series:II, No.14.1 and effective for the periods ended after 31 March 2013.

Fair value reserves

Available-for-sale financial assets are recognized in consolidated financial statements at their fair values. The valuation differences realized at the reporting date in carrying amount of the available-for-sale financial assets is recognized in "fair value reserves" account under equity in the consolidated financial statements. As at 31 December 2013, the fair value reserves of the Group amounted to TL 369,224 thousand (31 December 2012: TL 450,331 thousand).

Hedge reserves

Hedge reserve of the Group's joint ventures comprise the effective portion of the cumulative net change in the fair value of derivative transactions that are defined as risk hedging of cash flows. As at 31 December 2013, the hedge reserves of the Group amounted to TL 5,793 thousand (31 December 2012: TL 1,215 thousand).

Foreign currency translation differences

Foreign currency translation differences comprise the foreign currency exchange rate differences arising from the translation of the financial statements on foreign currencies from functional currency to the presentation currency of the Group. As at 31 December 2013, the foreign currency translation differences of the Group amounted to TL 2,096 thousand (31 December 2012: TL (1,088) thousand).

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 18 – EQUITY (Continued)

Retained earnings

Accumulated profits other than net current year profit and extraordinary reserves are classified under retained earnings. As at 31 December 2013, retained earnings and extraordinary reserves are TL 58,160 thousand and TL 106,247 thousand respectively (31 December 2012: TL 78,141 thousand and TL 102,252 thousand).

	2013		
	Extraordinary reserves	Profits brought forward	Retained earnings
Balance at 1 January	102,252	78,141	180,393
Transfer of 2012 profit	3,995	251,937	255,932
Dividend payment	-	(220,000)	(220,000)
Transfer to legal reserves	-	(31,937)	(31,937)
Transactions with owners of the Company, recognized directly in equity	-	(19,981)	(19,981)
Balance at 31 December	**106,247**	**58,160**	**164,407**

	2012		
	Extraordinary reserves	Profits brought forward	Retained earnings
Balance at 1 January	76,103	78,141	154,244
Transfer of 2011 profit	26,149	115,604	141,753
Dividend payment	-	(100,012)	(100,012)
Transfer to legal reserves	-	(15,592)	(15,592)
Balance at 31 December	**102,252**	**78,141**	**180,393**

Dividend

Publicly traded companies shall perform dividend distribution in accordance with the Communique on Dividends II-19.1 of the Capital Market Board effective as of February 1, 2014.

Companies shall distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the provisions of the related regulation. Within the scope of this communique, no minimum distribution rate has been determined. Companies shall pay dividends as set out in their profit distribution policies or their articles of association. Additionally, dividends can be paid via equal or different installments and companies can distribute dividend advances based on profits at interim financial statements.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 18 – EQUITY (Continued)

Dividend (Continued)

In the General Assembly Meeting which was held on 29 March 2013, it is decided to distribute dividends to shareholders on the previous year's distributable profit which is obtained by deducting legal reserves from period income. The Company has decided to pay an amount of TL 220,000 thousand and retain the remaining distributable profit amounting to TL 31,937 as "legal reserve" within the Company.

The total amount of profit after the deduction of accumulated losses at statutory records and other reserves that can be subject to the dividend distribution of 2013 is TL 403,961 thousand (31 December 2012: TL 424,197 thousand).

Non-controlling interests

Equity in a subsidiary that is not attributable, directly or indirectly, to a parent is classified under the "non-controlling interests" in the consolidated financial statements. As at 31 December 2013 and 2012, the related amounts in the "non-controlling interests" in the consolidated financial statements are TL 3,401 thousand and TL 2,621 thousand respectively. In addition, net profit or loss in a subsidiary that is not attributable, directly or indirectly, to a parent is also classified under the "non-controlling interests" in the consolidated income statement.

NOTE 19 – SALES AND COST OF SALES

For the years ended 31 December, gross profit comprise of the following:

	2013	2012
Vehicle sales	5,983,719	4,582,145
Spare part sales	837,504	765,678
Service sales	79,837	70,404
Sales return (-)	(13,570)	(9,397)
Sales discounts (-)	(284,827)	(276,489)
Net sales	**6,602,663**	**5,132,341**
Cost of sales	(5,853,047)	(4,418,927)
Gross profit	**749,616**	**713,414**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 20 – MARKETING EXPENSES, GENERAL ADMINISTRATION EXPENSES AND WARRANTY EXPENSES

The breakdown of operating expenses for the years ended 31 December is presented below:

	2013	2012
General administration expenses	204,480	176,021
Marketing expenses	200,901	177,115
Warranty expenses, net	68,323	56,600
Total	**473,704**	**409,736**

20.1 Marketing Expenses

The breakdown of marketing expenses for the years ended 31 December is presented below:

	2013	2012
Advertising expenses	66,127	65,270
Distribution expenses	57,387	46,804
Personnel expenses	46,636	38,770
Rent expense	16,118	12,980
Customer service expenses	9,325	8,234
Support expenses	5,308	5,057
Total	**200,901**	**177,115**

20.2 General Administration Expenses

The breakdown of general administration expenses for the years ended 31 December is presented below:

	2013	2012
Personnel expenses	100,852	87,401
Depreciation and amortization expenses	30,552	24,184
Building expenses	17,821	14,755
Vehicle expenses	10,733	9,115
Consultancy expense	6,987	6,848
Maintenance expenses	5,849	6,408
Traveling expenses	5,252	4,162
Corporate governance expenses	4,693	3,311
Insurance expenses	3,663	3,046
Litigation expenses	3,389	3,410
Taxes and duties	3,162	2,210
Donation expenses	2,323	1,902
Communication expenses	2,354	2,410
Disallowable expenses	1,562	1,473
Rent expenses	1,201	1,397
Other	4,087	3,989
Total	**204,480**	**176,021**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 21 – EXPENSES BY NATURE

The breakdown of the expenses by nature for the years ended 31 December is as follows:

	2013	2012
Cost of trade goods	5,797,777	4,370,556
Personnel expenses	147,488	164,135
Advertisement and promotion expenses	66,127	65,270
Warranty expenses	68,323	56,600
Distribution costs	57,387	46,804
Depreciation and amortization expenses	30,552	24,184
Building expenses	17,821	14,755
Rent expenses	17,319	14,377
Vehicle expenses	10,733	9,115
Consultancy expenses	6,987	6,848
Maintenance expenses	5,849	6,408
Travelling expenses	5,252	4,162
Other	95,136	45,449
Total	**6,326,751**	**4,828,663**

NOTE 22 – OTHER INCOME AND EXPENSES FROM OPERATİNG ACTIVITIES

22.1 Other Income From Operating Activities

The breakdown of other income from operating activities for the years ended 31 December is presented below:

	2013	2012
Commission income	20,204	19,697
Foreign exchange gain, net	18,018	-
Service income	16,041	7,576
Gain on sale of property and equipment	8,485	6,644
Income from contributions	1,786	4,347
Other	1,554	308
Total	**66,088**	**38,572**

22.2 Other Expense From Operating Activities

The breakdown of other expense from operating activities for the years ended 31 December is presented below:

	2013	2012
After sales expenses	12,152	12,426
Service expenses	6,579	5,846
Tax penalty expense	5,463	1,738
Interest income, net	4,531	5,998
Insurance expenses	1,636	718
Destruction expenses	1,085	372
Other Foreign exchange losses,net	-	5,530
Other	3,680	3,296
Total	**35,126**	**35,924**

AKİS
BAĞIMSIZ DENETİM VE
SERBEST MUHASEBECİ
MALİ MÜŞAVİRLİK A.Ş.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 23 – INCOME FROM INVESTMENT ACTIVITIES

The breakdown of income from investment activities for the years ended 31 December is presented below:

	2013	2012
Dividend income	7,279	5,451
Interest income	661	472
Total	**7,940**	**5,923**

NOTE 24 – FINANCE COSTS

The breakdown of finance costs for the years ended 31 December is as follows:

	2013	2012
Interest expense on borrowings	57,539	50,719
Commission expenses on letters of guarantee	5,911	6,569
Foreign exchange losses on borrowings, net	3,696	-
Other	1,244	3,552
Total	**68,390**	**60,840**

NOTE 25 – TAX ASSET AND LIABILITIES

Turkish tax legislation does not allow for the submission of tax returns over consolidated financial statements prepared by the parent company, which include its subsidiaries and affiliates. Accordingly tax considerations reflected in these consolidated financial statements have been calculated separately for each of the companies in the scope of the consolidation.

The Corporate Tax Law was amended by Law No.5520 dated 13 September 2006. Most of the articles of the new Corporate Tax Law in question, No.5520, have come into force effective from 1 January 2006. Corporation tax is payable at a rate of 20% (31 December 2012: 20%) on the total income of the Company and its subsidiaries registered in Turkey after adjusting for certain disallowable expenses, exempt income and investment and other allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed (except for withholding tax at the rate of 19.8%, calculated on an exemption amount if an investment allowance is granted in the scope of Income Tax Law temporary article 61).

As at 31 December 2013, enacted corporation tax rate is 22.8% for the subsidiary registered in Switzerland according to local tax law (31 December 2012: 22.8%). According to Swiss tax laws, losses can be carried forward for offsetting against future taxable income for up to 7 years.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 25 – TAX ASSET AND LIABILITIES (Continued)

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th of the second month following each calendar quarter end. Advance tax paid during the year is offset against the annual corporation tax payable, which is calculated over the corporate tax return declared in the following year. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government. Dividend income of a resident arising from the investments in another resident is not subject to corporate tax.

Accordingly, income items complying with the abovementioned rules and included in accounting profit or loss are taken into account in corporate tax computation.

In determining the tax base, in addition to abovementioned exceptions, exceptions indicated in article 8 of Corporate Tax Law and article 40 of Income Tax Law are also taken into account.

There is no such application for the reconciliation of payable taxes with the tax authority. Corporate tax returns are submitted to the related tax office by the 25th day of the 4th month following the month when the accounting period ends.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings.

Losses can be carried forward for offsetting against future taxable income for up to 5 years.

75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property, which has remained in assets for more than two full years, are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account and it must not be withdrawn from the entity for a period of 5 years. The cost of the sale has to be collected up until the end of the second calendar year following the year the sale was realized.

For the years ended 31 December, taxation charge comprise of the following:

	2013	**2012**
Deferred tax income	7,277	1,437
Current tax expense	(58,429)	(53,138)
Total tax expense	**(51,152)**	**(51,701)**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 25 – TAX ASSET AND LIABILITIES (Continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group as follows:

		2013		2012
Profit before tax		275,880		310,429
Income tax using the Company's domestic tax rate	(20%)	(55,176)	(20)%	(62,086)
Disallowable expenses	(1%)	(2,645)	-	(1,154)
Share of profit in equity accounted investees exempt from deferred tax calculation	2%	5,778	4%	11,429
Tax exempt income	2%	2,864	1%	1,651
Other	(2%)	(1,973)	(1%)	(1,541)
Total tax expense	**(19%)**	**(51,152)**	**(17%)**	**(51,701)**

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Financial Reporting Standards and their statutory financial statements. These temporary differences usually result in the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes. Tax rate is 20% for deferred tax assets and liabilities on temporary differences (31 December 2012: 20%).

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 25 – TAX ASSET AND LIABILITIES (Continued)

Deferred taxes

As at 31 December, deferred tax assets and liabilities are attributable to the items detailed in the table below:

	Deferred tax asset		Deferred tax liabilities		Net deferred tax asset/(liabilities)	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Fair value change of available-for-sale financial assets	-	-	(16,023)	(20,048)	(16,023)	(20,048)
Land	-	-	(1,260)	(1,050)	(1,260)	(1,050)
Carry forward tax losses	5,373	4,008	-	-	5,373	4,008
Other tangible and intangible assets	4,786	1,218	-	-	4,786	1,218
Warranty provision, net	6,796	5,170	-	-	6,796	5,170
Legal provision	2,527	1,993	-	-	2,527	1,993
Provision for diminution in value of inventories	613	531	-	-	613	531
Employee termination benefit	2,310	1,989	-	-	2,310	1,989
Unused vacation liability	365	413	-	-	365	413
Dealer premium accrual	136	-	-	-	136	-
Other	953	1,070	-	-	953	1,070
Total deferred tax asset/(liabilities)	23,859	16,392	(17,283)	(21,098)	6,576	(4,706)
Net off of tax	(17,283)	(11,543)	17,283	11,543	-	-
Total deferred tax assets/(liabilities)	**6,576**	**4,849**	**-**	**(9,555)**	**6,576**	**(4,706)**

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is considered highly probable by the Group management.

The movements in temporary differences as at 31 December 2013 are as follows:

	1 January 2013	Recognized in the profit or loss	Recognized in other comprehensive income	31 December 2013
Fair value change of available-for-sale financial assets	(19,975)	-	3,952	(16,023)
Land	(1,050)	(210)	-	(1,260)
Carry forward tax losses	3,899	1,474	-	5,373
Other tangible and intangible assets	1,218	3,568	-	4,786
Warranty provision, net	5,169	1,627	-	6,796
Legal provision	1,993	534	-	2,527
Provision for diminution in value of inventories	531	82	-	613
Employee termination benefit	1,989	268	53	2,310
Unused vacation liability	413	(48)	-	365
Dealer premium accrual	-	136	-	136
Other	1,107	(154)	-	953
	(4,706)	**7,277**	**4,005**	**6,576**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 25 – TAX ASSET AND LIABILITIES (Continued)

Deferred taxes (Continued)

The movements in temporary differences as at 31 December 2012 are as follows:

	1 January 2012	Recognized in the profit or loss	Recognized in other comprehensive income	31 December 2012
Fair value change of available-for-sale financial assets	(12,182)	-	(7,793)	(19,975)
Land	(1,187)	137	-	(1,050)
Carry forward tax losses	2,736	1,163	-	3,899
Other tangible and intangible assets	3,201	(1,983)	-	1,218
Warranty provision, net	4,157	1,012	-	5,169
Legal provision	1,649	344	-	1,993
Provision for diminution in value of inventories	638	(107)	-	531
Employee termination benefit	1,290	128	571	1,989
Unused vacation liability	352	61	-	413
Other	425	682	-	1,107
	1,079	1,437	(7,222)	(4,706)

As at 31 December 2013, current income tax assets amounting to TL 1,402 thousand (31 December 2012: nil) is comprised by advance tax paid. As at 31 December 2013, there is no provision for income tax payable (31 December 2012: TL 7,311 thousand).

As at 31 December, financial losses carried forward comprise of the following:

	2013	2012
2015	720	720
2016	2,590	2,590
2017	1,852	1,852
2018	7,314	7,314
2019	5,101	5,101
2020	5,988	-
Total financial losses carried forward	**23,565**	**17,577**

NOTE 26 – EARNINGS PER SHARE

Earnings per share is calculated by dividing net income attributable to equity holders of the Company for the period by the weighted average number of shares of the Company available during the period. For the years ended 31 December, earnings per share are calculated as follows:

	2013	2012
Net profit attributable to the equity holders of the Company	223,948	258,217
Number of basic shares	220,000,000	220,000,000
Basic/diluted earnings per share (in full TL)	**1.0179**	**1.1737**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 27 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES

27.1 Cash and Cash Equivalents

As at 31 December, Group's cash balances at related party banks are as follows:

	2013	2012
Garanti Bankası – demand deposits	16,909	5,052
Garanti Bankası – credit card receivables	6,875	18,799
Total	**23,784**	**23,851**

As at 31 December 2013, there are no time deposits at Garanti Bankası (31 Aralık 2012: nil).

27.2 Financial Liabilities

As at 31 December, Group's borrowing from related parties are as follows:

	2013	2012
Garanti Bankası	-	53,817
Total	**-**	**53,817**

As at 31 December 2013, there are no borrowings at Garanti Bankası (31 December 2012: the average annual effective interest rate on TL denominated borrowings at Garanti Bankası is 12.2%).

27.3 Due from Related Parties

As at 31 December, receivables from and payables to related parties comprise the following:

27.3.1 Due from associates

	2013	2012
LPD Holding	15,057	6,588
Yüce Auto	2,014	689
VDTF	811	568
Other	3	2
Total	**17,885**	**7,847**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 27 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

27.3 Due from Related Parties (Continued)

27.3.2 Due from joint ventures

	2013	2012
Krone-Doğuş	-	2
TÜVTURK Kuzey	-	3
Total	**-**	**5**

27.3.3 Due from other related parties

	2013	2012
VDF Faktoring Hizmetleri A.Ş. ("VDF Faktoring")	401,002	326,605
Garanti Filo Yönetim Hizmetleri A.Ş. ("Garanti Filo Yönetim")	1,963	3,003
Doğuş İnşaat ve Ticaret A.Ş.	507	-
VDF Sigorta Aracılık Hizmetleri A.Ş. ("VDF Sigorta")	419	511
Other	94	104
Total	**403,985**	**330,223**
Grand total	**421,870**	**338,075**

As at 31 December 2013, the Group charges monthly 4% overdue interest to related parties (31 December 2012: 4% per month).

27.4 Due to Related Parties

27.4.1 Due to associates

	2013	2012
Doğuş Teknoloji	1,332	1,118
LPD Holding	106	274
Yüce Auto	87	-
Other	-	31
Total	**1,525**	**1,423**

27.4.2 Due to joint ventures

	2013	2012
Krone-Doğuş	10,584	-
Meiller-Doğuş	132	1,279
Total	**10,716**	**1,279**

27.4.3 Due to other related parties

	2013	2012
Antur Turizm A.Ş.	1,372	1,573
VDF Sigorta Aracılık Hizmetleri A.Ş.	743	1,239
Doğuş Enerji	446	-
Krone Trailer International Tic. Ltd. Şti.	69	665
Other	1,164	243
Total	**3,794**	**3,720**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 27 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

27.4 Due to Related Parties (Continued)

27.4.4 Due to shareholders

	2013	2012
Doğuş Holding	1,096	186
Total	**1,096**	**186**
Grand total	**17,131**	**6,608**

27.5 Related Party Transactions

Related party transactions for the years ended 31 December are as follows:

27.5.1 Associates

	2013	2012
Sales and other income generating transactions:		
Sale of products and returns, net	83,269	58,112
Other income	11,222	9,258
Sale of services, net	3,510	3,753
Dividend income	2,490	-
Sale of fixed asset	4	-
Total	**100,495**	**71,123**
Purchases and expense creating transactions:		
Incentives for consumer loans	28,875	19,881
Fixed asset purchases	8,985	4,769
Services rendered	6,215	5,058
Inventory purchases	7,291	921
Other purchases	1,718	1,470
Other receivables	-	40
Total	**53,084**	**32,139**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 27 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

27.5 Related Party Transactions (Continued)

27.5.2 Joint ventures

	2013	2012
Sales and other income generating transactions:		
Sale of products and returns, net	84	183
Other income	36	151
Sale of services, net	9	12
Total	**129**	**346**
Purchases and expense creating transactions:		
Inventory purchases	39,728	185
Cost of sales	278	-
Services rendered	97	344
Other expense	23	-
Finance costs	18	-
Other purchases	9	-
Total	**40,153**	**529**

27.5.3 Other related parties

a) Income generated from other related parties

	2013					
	Sale of products	Sale of services	Income from investment activities	Sale of fixed assets	Other income	Total
Garanti Filo	54,849	1,704	32	-	-	56,585
VDF Sigorta	25	1	-	-	3,991	4,017
Garanti Finansal Kiralama	683	2	-	-	-	685
Other	1,139	174	3	7	1,595	2,918
	56,696	1,881	35	7	5,586	64,205

	2012				
	Sale of products	Sale of services	Finance income	Other income	Total
Garanti Filo Yönetim	30,049	1,865	94	-	32,008
VDF Sigorta	1	2	-	3,048	3,051
Garanti Finansal Kiralama	665	3	-	-	668
Garanti Bankası	523	89	-	10	622
Other	818	121	1	382	1,322
	32,056	2,080	95	3,440	37,671

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 27 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

27.5 Related Party Transactions (Continued)

27.5.3 Other related parties (Continued)

b) Expenses arising from transactions with other related parties

	2013						
	Services rendered	Purchase of fixed asset	Purchase of inventory	Finance expenses	Other purchases	Other expenses	Total
Antur Turizm	13,689	-	-	-	13	560	14,262
Garanti Bankası	257	-	-	6,540	-	4	6,801
Doğuş Gayrimenkul Yatırım Ortaklığı	6,507	10	-	-	-	-	6,517
Doğuş Enerji	2,871	-	-	-	-	-	2,871
Other	2,095	6,987	5,584	2,212	37	4,721	21,636
	25,419	**6,997**	**5,584**	**8,752**	**50**	**5,285**	**52,087**

	2012					
	Services rendered	Purchase of fixed asset	Purchase of Inventory	Finance expenses	Other expenses	Total
Antur Turizm	13,732	-	-	-	2	13,734
Doğuş Gayrimenkul Yatırım Ortaklığı	5,073	-	-	-	-	5,073
VDF Faktoring	21	-	-	2,216	-	2,237
Garanti Teknoloji	1,592	71	-	-	-	1,663
Doğuş Yayın Grubu	1,251	-	-	-	-	1,251
Other	3,148	184	-	1,179	20	4,531
	24,817	**255**	**-**	**3,395**	**22**	**28,489**

27.5.4 Transactions with shareholders

a) Income generated from shareholders

	2013					
	Sale of products	Sale of services	Income from investment activities	Finance income	Other income	Total
Doğuş Holding	97	11	7,279	-	3	7,390
	97	**11**	**7,279**	**-**	**3**	**7,390**

	2012					
	Sale of products	Sale of services	Income from investment activities	Finance income	Other income	Total
Doğuş Holding	203	13	5,451	3	55	5,725
	203	**13**	**5,451**	**3**	**55**	**5,725**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 27 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

27.5 Related Party Transactions (Continued)

27.5.4 Transactions with shareholders (Continued)

b) Expenses arising from transactions with shareholders

	2013				
	Purchase of fixed asset	Services rendered	Other expenses	Finance expenses	Total
Doğuş Holding	13,533	9,261	151	3	22,948
	13,533	**9,261**	**151**	**3**	**22,948**

	2012			
	Services rendered	Purchase of fixed asset	Finance expenses	Total
Doğuş Holding	7,640	197	2	7,839
	7,640	**197**	**2**	**7,839**

27.6 Key Management Personnel Compensation

	2013	2012
Salaries and other short-term employee benefits	28,395	23,971
Employee termination benefits	-	-
Total	**28,395**	**23,971**

The Group classifies the Brand General Managers, members of the Board of Directors and Executive Committee as key management personnel, since they are responsible for the planning, management and control of the Group's operations.

Remuneration of Board of Directors and Executive Management for the years ended 31 December 2013 and 2012 includes salaries, incentive premiums, health insurance and employer shares of Social Security Institution.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 28 – FINANCIAL INSTRUMENTS

Financial instruments and capital risk management

Financial risk factors

The Group's objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's capital structure includes payables including loans, and respectively cash and cash equivalents, paid-in capital, reserves and retained earnings.

The Board of Directors monitors the return on capital and the level of dividends to ordinary shareholders.

The Group monitors its share capital by using financial liability to equity ratio. The ratio is calculated by dividing financial liabilities to equity. Total of financial liabilities comprises entire current and non-current financial liabilities whereas total equity comprises each equity item on the table of financial statements.

The following table sets out the Group's financial liability to equity ratio as at 31 December:

	2013	2012
Total financial liabilities	897,254	591,762
Total equity	1,118,064	1,186,893
Financial liabilities/equity ratio	**0.80**	**0.50**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 28 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

The risk management program is applied by the Company and its subsidiaries, joint ventures and associates in line with the policies set by the Board of Directors.

(a) Credit risk

The Group's significant portions of receivables from dealers are collected through VDF Faktoring. The receivables from dealers through VDF Faktoring are collected when they are due and these are irrevocable transactions.

The credit risk arising from these transactions are followed by the management and these risks are limited for each debtor. These risks arising from relevant receivables are guaranteed with proper instruments (Note 8).

	Receivables						
	Trade receivables		Other receivables		Bank deposits	Derivative instruments	Other
31 December 2013	Related parties	Other parties	Related parties	Other parties			
Exposure to maximum credit risk as at reporting date (A+B+C+D) (*)	421,870	197,069	51,903	37,475	82,208	-	-
- Guaranteed portion of the maximum exposure	-	55,437	-	-	-	-	-
A. Net carrying amount of financial assets which are neither impaired nor overdue (**)	421,870	188,518	-	37,475	82,208	-	-
B. Net carrying amount of financial assets which are overdue but not impaired (***)	-	8,551	-	-	-	-	-
C. Net carrying amount of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	1,450	-	-	-	-	-
- Impairment (-)	-	(1,450)	-	-	-	-	-
- Guaranteed portion of net values (*)	-	6,526	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Guaranteed portion of net values (*)	-	48,911	-	-	-	-	-
D. Off financial statment items with credit risks (****)	-	-	51,903	-	-	-	-

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 28 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(a) Credit risk (Continued)

31 December 2012	Receivables				Bank deposits	Derivative instruments	Other
	Trade receivables		Other receivables				
	Related parties	Other parties	Related parties	Other parties			
Exposure to maximum credit risk as at reporting date (A+B+C+D) (*)	338,075	107,593	41,566	31,537	37,191	-	-
- Guaranteed portion of the maximum exposure	-	23,484	-	-	-	-	-
A. Net carrying amount of financial assets which are neither impaired nor overdue (**)	338,075	104,662	-	31,537	37,191	-	-
B. Net carrying amount of financial assets which are overdue but not impaired (***)	-	2,931	-	-	-	-	-
C. Net carrying amount of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	1,629	-	-	-	-	-
- Impairment (-)	-	(1,629)	-	-	-	-	-
- Guaranteed portion of net values (*)	-	2,482	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Guaranteed portion of net values (*)	-	21,002	-	-	-	-	-
D. Off financial statment items with credit risks (****)	-	-	41,566	-	-	-	-

(*) This area indicates the total of the figures placed in A, B, C and D lines. In determination of aforementioned figures, items increasing credit reliability such as guarantees received are not considered.

(**) As at 31 December 2013 and 31 December 2012, information regarding to credit quality of trade receivables which are not past due or not impaired and restructured are indicated in Note 8.

(***) As at 31 December 2013 and 31 December 2012, information regarding to aging of receivables which are past due but not impaired are indicated in the table of aging analysis of receivables which are past due but not impaired.

(****) As at 31 December 2013 and 31 December 2012, maximum level of credit risk born in relation to letter of guarantees given in favor of related parties are indicated expect GPM's presented in Note 14.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 28 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(a) Credit risk (Continued)

Aging of past due receivables that are not impaired

As at 31 December, the aging of past due receivables that are not impaired are as follows:

	Receivables		Deposits on banks	Derivative instruments	Other
31 December 2013	**Trade receivables**	**Other receivables**			
Past due 1-30 days	8,550	-	-	-	-
Past due 1-3 months	1	-	-	-	-
Past due 3-12 months	-	-	-	-	-
Past due 1-5 years	-	-	-	-	-
More than 5 years	-	-	-	-	-
Portion of assets overdue secured by guarantee etc.	6,526	-	-	-	-

	Receivables		Deposits on banks	Derivative instruments	Other
31 December 2012	**Trade receivables**	**Other receivables**			
Past due 1-30 days	2,911	-	-	-	-
Past due 1-3 months	10	-	-	-	-
Past due 3-12 months	10	-	-	-	-
Past due 1-5 years	-	-	-	-	-
More than 5 years	-	-	-	-	-
Portion of assets overdue secured by guarantee etc.	2,482	-	-	-	-

(b) Liquidity risk

Liquidity risk management refers to capacity of holding adequate amount of cash and marketable securities, adequate credit lines and ability to close out market position.

Risk of funding current and potential requirements is mitigated by ensuring the availability of adequate number of creditworthy lending parties. The Group, in order to minimize liquidity risk, holds adequate cash and available line of credit (including factoring capacity). In this regard, as at 31 December 2013, the Group have lines of credit amounting to Euro 677,795 thousand, USD 386,167 thousand, CHF 5,000 thousand and TL 2,072,272 thousand (31 December 2012: lines of credit amounting to Euro 648,605 thousand, USD 321,333 thousand, CHF 5,000 thousand and TL 1,317,772 thousand). The utilized portions of the aforementioned total credit lines are disclosed in Note 7.

In addition, the Group has a non-cash credit line obtained from underwriting banks amounting to Euro 281,000 thousand, and CHF 5,000 thousand equivalent to TL 837,106 thousand (31 December 2012: Euro 276,000 thousand and CHF 5,000 thousand equivalent to TL 658,784 thousand) that enables the Group to perform credit purchases from original equipment manufacturers with an option to pay in 12 months. The Group's credit purchase limit based on the letters of guarantee given to the main foreign suppliers of which Euro 221,840 thousand and CHF 4,762 thousand equivalent to TL 662,814 thousand is not used as at 31 December 2013 (31 December 2012: Euro 183,036 thousand and CHF 3,932 thousand equivalent to TL 438,085 thousand).

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 28 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(b) Liquidity risk (Continued)

The below tables show the financial liabilities of the Company according to their remaining maturities as at 31 December:

	31 December 2013					
Contractual maturities	**Carrying amount**	**Total contractual cash outflows**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities						
Loans and borrowings	896,227	920,182	33,256	603,542	283,384	-
Finance lease liabilities	1,027	1,072	132	397	543	-
Trade payables due to related parties	17,131	17,131	17,131	-	-	-
Trade payables due to non-related parties	306,102	306,102	121,514	184,588	-	-
Other short-term liabilities (*)	7,188	7,188	7,188	-	-	-
Total non-derivative financial liabilities	**1,227,675**	**1,251,675**	**179,221**	**788,527**	**283,927**	**-**

	31 December 2012					
Contractual maturities	**Carrying amount**	**Total contractual cash outflows**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities						
Loans and borrowings	590,541	621,237	43,189	468,192	106,415	3,441
Finance lease liabilities	1,221	1,301	108	323	870	-
Trade payables due to related parties	6,608	6,608	6,608	-	-	-
Trade payables due to non-related parties	321,493	321,493	125,633	195,860	-	-
Other short-term liabilities (*)	5,161	5,161	5,161	-	-	-
Total non-derivative financial liabilities	**925,024**	**955,800**	**180,699**	**664,375**	**107,285**	**3,441**

(*) Non-financial items such as VAT payable, taxes, withholdings payable and advances taken are excluded from other short-term liabilities.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 28 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(c) Currency risk

The Group is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency denominated payables to original equipment manufacturers and borrowings from financial institutions. This risk is monitored by the Board of Directors and limited through taking positions within approved limits as well using derivative instruments where necessary.

To minimize the risk arising from foreign currency denominated balance sheet items, the Group utilizes derivative instruments as well as keeping part of its idle cash in foreign currencies. In addition, translation of cost of goods-in-transit until completion of the customs transactions, in accordance with the customs law provides a natural hedge.

Currency sensitivity analysis		
31 December 2013		
	Profit/loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL		
1- Net USD asset/liability	(755)	755
2- USD risk averse portion (-)	-	-
3- Net USD effect (1+2)	(755)	755
Assumption of devaluation/appreciation by 10% of EUR against TL		
4- Net Euro asset/liability	4,506	(4,506)
5- Euro risk averse portion (-)	-	-
6- Net Euro effect (4+5)	4,506	(4,506)
TOTAL (3+6)	**3,751**	**(3,751)**

Currency sensitivity analysis		
31 December 2012		
	Profit/loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL		
1- Net USD asset/liability	(2,404)	2,404
2- USD risk averse portion (-)	-	-
3- Net USD effect (1+2)	(2,404)	2,404
Assumption of devaluation/appreciation by 10% of EUR against TL		
4- Net Euro asset/liability	3,283	(3,283)
5- Euro risk averse portion (-)	-	-
6- Net Euro effect (4+5)	3,283	(3,283)
TOTAL (3+6)	**879**	**(879)**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 28 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(c) Currency risk (Continued)

Foreign exchange rates for USD and Euro as at 31 December are as follows:

	31 December 2013	31 December 2012
USD	2.1343	1.7826
Euro	2.9365	2.3517

As at 31 December 2013, net position of the Group is resulted from foreign currency assets and liabilities as shown below:

	31 December 2013				
		Original balances			
	Total TL equivalent	Full USD	Full Euro	Full CHF	Other
Assets:					
Trade receivables	11,211	-	3,818	-	-
Monetary financial assets	4,000	56	1,220	113	41
Other monetary assets	271,442	6,589	84,445	3,935	-
Total assets	**286,653**	**6,645**	**89,483**	**4,048**	**41**
Trade payables	221,478	776	74,137	884	1
Financial liabilities	5,736	2,688	-	-	-
Current liabilities	**227,214**	**3,464**	**74,137**	**884**	**1**
Financial liabilities	14,340	6,719	-	-	-
Non-current liabilities	**14,340**	**6,719**	-	-	-
Total liabilities	**241,554**	**10,183**	**74,137**	**884**	**1**
Net foreign currency liability position of derivative financial liabilities off statement of financial position	-	-	-	-	-
Net foreign currency (liability)/ asset position	**45,009**	**(3,538)**	**15,347**	**3,164**	**40**
Monetary items net foreign currency (liability)/asset position					
Sureties and letters of guarantee taken	5,949	301	1,807	-	-
Sureties and letters of guarantee given	966,939	21,500	309,587	5,000	-
Import	6,454,233	-	2,197,934	-	-

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 28 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(c) Currency risk (Continued)

As at 31 December 2012, net position of the Group is resulted from foreign currency assets and liabilities as shown below:

	31 December 2012				
		Original balances			
	Total TL equivalent	Full USD	Full Euro	Full CHF	Other
Assets:					
Trade receivables	3	-	-	2	-
Monetary financial assets	4,055	51	1,643	3	72
Other monetary assets	263,641	20	112,062	35	-
Total assets	**267,699**	**71**	**113,705**	**40**	**72**
Trade payables	224,810	1,434	94,507	-	1
Financial liabilities	16,117	2,714	4,796	-	-
Current liabilities	**240,927**	**4,148**	**99,303**	-	**1**
Financial liabilities	16,768	9,406	-	-	-
Non-current liabilities	**16,768**	**9,406**	-	-	-
Total liabilities	**257,695**	**13,554**	**99,303**	-	**1**
Net foreign currency liability position of derivative financial liabilities off statement of financial position	**1,037**	-	**441**	-	-
Net foreign currency (liability)/ asset position	**8,967**	**(13,483)**	**13,961**	**40**	**71**
Monetary items net foreign currency (liability)/asset position					
Sureties and letters of guarantee taken	4,233	300	1,573	-	-
Sureties and letters of guarantee given	877,835	21,500	344,587	15,000	-
Import	4,296,710	-	1,827,066	-	-

As at 31 December 2013, goods-in-transit of the Group amount to Euro 74,484 thousand equivalent to TL 218,723 thousand (31 December 2012: Euro 101,444 thousand equivalent to TL 238,566 thousand).

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NOTE 28 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(d) Market risk

The Group is exposed to market risk through holding shares of Doğuş Holding and Garanti Yatırım.

Even though the shares of Doğuş Holding are not quoted in the capital market, fair value of the Doğuş Holding's shares is determined by using market information of publicly held Doğuş Holding group companies and other valuation methodologies are used for remaining Doğuş Holding group companies. Therefore, value of Doğuş Holding recognized in the financial statements is affected by price fluctuations in the shares of publicly held Doğuş Holding group companies.

Since Garanti Yatırım is a publicly held company, share price fluctuations are directly recognized in the financial statements.

Under the assumption of 10% increase/decrease in share prices as at 31 December 2013, all other variables held constant, the Group's equity would have been increased/decreased by TL 24,376 thousand (31 December 2012: TL 27,249 thousand).

(e) Interest rate risk

At 31 December 2013, if market interest rates on USD denominated borrowings at variable rates were higher/lower by 100 basis (1%) point where all other variables held constant, higher/lower interest expense on borrowings at variable rates would cause net income for the year to be lower/higher by TL 18 thousand (31 December 2012: TL 19 thousand). At 31 December 2013, if market interest rates on TL denominated borrowings at variable rates were higher/lower by 100 basis (1%) point where all other variables held constant, higher/lower interest expense on borrowings at variable rates would cause net income for the year to be lower/higher by TL 68 thousand (31 December 2012: TL 65 thousand). Interest rate table is as follows:

	Interest rate table		
		Current period	**Previous period**
	Financial instruments with floating interest rates		
Financial liabilities	USD	18	19
Financial liabilities	TL	68	65
Financial liabilities	Euro	-	18

(f) Fair value

The fair value of financial instruments is based on their quoted market price at the reporting date without any deductions for transaction costs.

If a quoted market price is not available, the Group using available market information and appropriate valuation methodologies estimates the fair value of the instrument. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates made are not necessarily indicative of the amounts that could be realized in current market exchange.

NOTE 28 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(f) Fair value (Continued)

The principles used in determining the fair values of financial assets and liabilities are as follows:

Financial assets

Cash and cash equivalents are presented on cost basis and are assumed to reflect their fair values as they are liquid and classified as current assets.

Trade receivables are presented netted of related doubtful portion of the receivable and are assumed to reflect their fair value.

Fair value of Doğuş Holding shares, which do not have a quoted market price, is estimated by the Group using available market information and appropriate valuation methodologies. Since Garanti Yatırım is quoted in the stock exchange, fair value of the Company is calculated by considering the closing price at the balance sheet date.

Financial liabilities

Short-term TL denominated bank borrowings are assumed to converge to its fair value, as the payment dates get closer to the balance sheet date. Floating rate long-term borrowings denominated in foreign currency and TL which has floating rate are assumed to reflect their fair value. Long-term TL denominated bank borrowings are assumed to converge to its fair value since the utilization dates is close to the balance sheet date.

Since trade payables are short-term and foreign currency denominated, they are assumed to reflect their fair values.

Fair value hierarchy

"IFRS 7 – Financial Instruments: Disclosure" requires the companies to disclose the classification and hierarchy of the data used in determining the fair values of the financial assets. The basis for the hierarchy is dependent on the conformity of the data used in fair value calculation. The independency of the source of the data, the assumptions used in calculation of the fair value effect the level of hierarchy.

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NOTE 28 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(f) Fair value (Continued)

Fair value hierarchy (Continued)

The different levels have been identified as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets and liability, either directly or indirectly;

Level 3: inputs for the asset or liability that are not based on observable market.

The table below analyses financial instruments carried at fair value by valuation method:

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Available-for-sale financial assets (Note 6)	9	450,570	-	450,579
Total financial assets	**9**	**450,570**	**-**	**450,579**

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Available-for-sale financial assets (Note 6)	9	531,039	-	531,048
Total financial assets	**9**	**531,039**	**-**	**531,048**
Financial liabilities				
Accrued losses on derivatives (Note 18)	-	4	-	4
Total financial liabilities	**-**	**4**	**-**	**4**

NOTE 29 – SUBSEQUENT EVENTS

None.

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