GARANTİ FİLO YÖNETİM HİZMETLERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARY

Convenience Translation into English of
Consolidated Financial Statements
As At and For The Year Ended 31 December 2018
With Independent Auditors' Report Thereon
(Originally Issued in Turkish)

28 January 2019

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

To the General Asembly's of Garanti Filo Hizmetleri Anonim Şirketi,

A) Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated statement of financial position of Garanti Filo Hizmetleri Anonim Şirketi and its subsidiary (together will be referred to as "the Group"), as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

We conducted our audit in accordance with standards on auditing issued by Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the Matters Was Addressed in the Audit
Hedge accounting In order to hedge its foreign currency risk, the Group has attributed its operational lease receivables and future sales of second-hand vehicles with residual values denominated in Euro with its Euro denominated borrowings and applied fair value hedge and cash flow hedge accounting, respectively. The Group, has elected to continue to apply hedge accounting in Turkish Accounting Standard 39 ("TAS 39") Financial Instruments: Recognition and Measurement instead of TFRS 9, on initial application of TFRS 9. Accordingly, the Group did not made any changes in its accounting policies. In order to apply hedge accounting in accordance with TAS 39, an entity is required to make the designation and documentation for hedge relationships and regularly test the effectiveness of hedge accounting. Due to the complexity of the hedge accounting including determining whether relevant criteria are met, and technical calculations; hedge accounting is considered as a key audit matter. Refer to Note 2.5 for details of hedge accounting.	Our audit procedures for testing hedge accounting included below: Designation of hedge relationships in accordance with TAS 39 has been assessed. Hedge documentation has been inspected. The calculations made by the Group related to determination of fair value have been recalculated in order to check the arithmetical accuracy. Hedge accounting effectiveness tests have been inspected and adequacy of related journal entries in accordance with the requirements of TFRS are tested. In addition, hedge accounting specialist has been included in the audit team.

Residual values of the assets under operational lease	
As at 31 December 2018, the assets under operational lease comprise 81% of the Group's total assets. The residual value of the asset under operational lease is the estimated amount that the Group would obtain from disposal of the leased vehicle until the end of a contract, after deducting the estimated costs of disposal. The residual value of the asset is based on the management's judgment since the residual value is estimated by considering the Group's previous sales and market prices. The residual values of the assets under operational lease was considered to be a key audit matter, due to the significance of the assets under operational lease in the financial statements, significance of the estimates and the level of judgement applied by management. Refer to Note 2.6 for the accounting policies, estimates and judgements applied for determining the residual values.	Our audit procedures for testing residual values of the assets under operational lease included below: The Group's processes related to the assets under operational lease and the residual values have been assessed; and controls over the processes, consistency and accuracy of management estimates and assumptions to determine the residual values of assets have been tested. The residual values of the assets under operational lease have been tested by comparing the residual values with actual sales at the end of the lease term.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing issued by the CMB and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) **Other Legal and Regulatory Requirements**

1) Pursuant to the fourth paragraph of Article 402 of Turkish Commercial Code ("TCC") numbered 6102; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2018 and 31 December 2018, the Company's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

[redacted]

Orhan Akova, SMMM
Partner

28 January 2019
Istanbul, Turkey

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GARANTİ FİLO YÖNETİM HİZMETLERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2018

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

ASSETS	Notes	Audited Current Period 31 December 2018	Audited Prior Period 31 December 2017
Current Assets		**223.711.906**	**219.100.331**
Cash and cash equivalents	**3**	5.894.977	2.190.100
Trade receivables	**4**	40.360.313	31.161.116
Due from related parties	*4-25*	*508.325*	*739.273*
Trade receivables from third parties	*4*	*39.851.988*	*30.421.843*
Other receivables	**5**	68.861	77.104
Other receivables from third parties	*5*	*68.861*	*77.104*
Derivative financial instruments	**27**	660	23.853
Inventories	**8**	47.531.115	149.938.757
Prepaid expenses	**9**	25.659.278	15.810.287
Current tax assets	**10**	26.093	1.330
Fair value of firm commitments	**16**	104.170.609	19.897.784
Non-current assets		**1.460.970.204**	**1.507.874.334**
Property and equipment		1.386.870.607	1.371.089.476
Assets under operating lease	*11*	*1.364.873.855*	*1.364.615.271*
Other property and equipment	*12*	*21.996.752*	*6.474.205*
Intangible assets	**13**	6.893.875	4.806.151
Other intangible assets	*13*	*6.893.875*	*4.806.151*
Prepaid expenses	**9**	93.953	121.801
Fair value of firm commitments	**16**	53.812.817	16.686.437
Other non-current assets	**16**	13.298.952	115.170.469
TOTAL ASSETS		**1.684.682.110**	**1.726.974.665**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2018

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

LIABILITIES	**Notes**	**Audited Current Period 31 December 2018**	**Audited Prior Period 31 December 2017**
Current Liabilities		**728.029.599**	**1.114.585.876**
Short-term borrowings	**6**	303.758.726	444.785.976
Short-term portion of long-term borrowings	**6**	251.849.723	437.357.914
Other financial liabilities	**7**	91.160.445	13.045.781
Trade payables	**4**	43.014.644	184.021.803
Due to related parties	*4-25*	*879.045*	*80.579.851*
Trade payables to third parties	*4*	*42.135.599*	*103.441.952*
Employee benefits	**15**	2.355.891	1.791.508
Derivative financial instruments	**27**	8.319.263	13.821.999
Deferred income	**9**	25.339.337	18.218.794
Short-term provision for employee benefits	**15**	1.386.490	1.063.318
Other current liabilities	**16**	845.080	478.783
Non-current liabilities		**945.751.820**	**580.863.068**
Long-term borrowings	**6**	914.101.097	475.086.163
Other financial liabilities	**7**	-	77.464.792
Other payables	**5**	1.571.500	1.431.000
Other payables to third parties	*5*	*1.571.500*	*1.431.000*
Long-term provision for employee benefits	**15**	1.024.325	940.013
Deferred tax liabilities	**23**	29.054.898	25.941.100
EQUITY	**17**	**10.900.691**	**31.525.721**
Equity Attributable to Owners of the Company		**10.900.691**	**31.525.721**
Paid-in capital		10.000.000	10.000.000
Legal reserves		165.126	165.126
Items that will not be reclassified to profit or loss		(123.011)	(140.559)
Gain / (losses) on remeasurement of defined benefit plans		*(123.011)*	*(140.559)*
Items that will be reclassified to profit or loss		(130.852.975)	(100.487.082)
Cash flow hedge-net loss		*(130.852.975)*	*(100.487.082)*
Prior years' profits		122.051.645	93.174.992
Net profit for the period		9.659.906	28.813.244
TOTAL LIABILITIES AND EQUITY		**1.684.682.110**	**1.726.974.665**

The accompanying notes form an integral part of these consolidated financial statements.

GARANTİ FİLO YÖNETİM HİZMETLERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

PROFIT OR LOSS	Notes	Audited Current Period 1 January- 31 December 2018	Audited Prior Period 1 January- 31 December 2017
Revenue	**18**	966.900.815	693.943.412
Cost of sales (-)	**18**	(652.553.221)	(467.608.953)
GROSS PROFIT		**314.347.594**	**226.334.459**
Marketing expenses (-)	**19**	(1.519.166)	(3.034.571)
General administrative expenses (-)	**19**	(36.001.941)	(31.172.692)
Other operating income	**20**	25.955.325	19.955.903
Other operating expense (-)	**20**	(13.078.984)	(7.364.026)
OPERATING INCOME		**289.702.828**	**204.719.073**
Income from investing activities	**21**	1.437.597	231.012
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSE)		**291.140.425**	**204.950.085**
Finance income	**22**	5.479.543	-
Finance expenses (-)	**22**	(274.803.098)	(163.612.373)
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS		**21.816.870**	**41.337.712**
Tax (expense) / income from continuing operations			
Current tax expense	**23**	(501.261)	(284.210)
Deferred tax expense	**23**	(11.655.703)	(12.240.258)
PROFIT FROM CONTUNIUNG OPERATIONS		**9.659.906**	**28.813.244**
PROFIT FOR THE YEAR		**9.659.906**	**28.813.244**
Earnings per share	**24**	**0,97**	**2,88**
Earnings per share from continuing operations		0,97	2,88
Items that will not be reclassified to profit or loss		**17.548**	**(119.096)**
Gain / (losses) on measurements of defined benefit plans		22.497	(152.687)
Deferred tax effect		(4.949)	33.591
Items that will be reclassified to profit or loss		**(30.365.893)**	**(27.745.278)**
Other comprehensive expense for cash flow hedge		(38.930.632)	(35.570.870)
Cash flow hedge		*(38.930.632)*	*(35.570.870)*
Deferred tax effect		*8.564.739*	*7.825.592*
OTHER COMPREHENSIVE INCOME / (EXPENSE)		**(30.348.345)**	**(27.864.374)**
TOTAL COMPREHENSIVE INCOME / (EXPENSE)		**(20.688.439)**	**948.870**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

				Items that will not be reclassified to profit or loss	Items that will be reclassified to profit or loss	Retained earnings		
Audited	**Notes**	**Capital**	**Legal reserves**	**Gain / (losses) on remeasurements of defined benefit plans**	**Cash flow hedge net - loss**	**Prior years' profits**	**Net profit / (loss) for the period**	**Total Equity**
Balances at 1 January 2017		**10.000.000**	**-**	**(21.463)**	**(72.741.804)**	**81.327.120**	**12.012.998**	**30.576.851**
Transfers		-	165.126	-	-	11.847.872	(12.012.998)	-
Total comprehensive income		-	-	(119.096)	(27.745.278)	-	28.813.244	948.870
Balances at 31 December 2017	**17**	**10.000.000**	**165.126**	**(140.559)**	**(100.487.082)**	**93.174.992**	**28.813.244**	**31.525.721**
Balances at 1 January 2018		**10.000.000**	**165.126**	**(140.559)**	**(100.487.082)**	**93.174.992**	**28.813.244**	**31.525.721**
TFRS 9 adjustments (*)		-	-	-	-	63.409	-	63.409
Restated at 1 January 2018		**10.000.000**	**165.126**	**(140.559)**	**(100.487.082)**	**93.238.401**	**28.813.244**	**31.589.130**
Transfers		-	-	-	-	28.813.244	(28.813.244)	-
Total comprehensive income		-	-	17.548	(30.365.893)	-	9.659.906	(20.688.439)
Balances at 31 December 2018	**17**	**10.000.000**	**165.126**	**(123.011)**	**(130.852.975)**	**122.051.645**	**9.659.906**	**10.900.691**

(*) Disclosed in Note 2.2.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

STATEMENT OF CASH FLOWS	Notes	Audited Current Period 1 January- 31 December 2018	Audited Prior Period 1 January 31 December 2017
Cash flow from operating activities			
Profit before tax		**21.816.870**	**41.337.712**
Interest expenses on issued securities		1.160.445	510.573
Interest expenses on discounted notes		420.589	120.004
Interest expense on loans		8.948.699	8.943.036
Foreign exchange difference expense of loans, net		223.155.068	94.287.242
Fair value of firm commitments		(121.399.205)	(36.584.221)
Depreciation and amortization	**11,12,13**	139.570.881	104.216.481
Provision for employee termination benefits	**15**	493.514	326.065
Provision for doubtful receivables (Net)	**4**	2.361.731	(2.821.723)
Unused vacation and bonus accruals	**15**	3.531.257	3.656.771
Prepaid expenses	**9**	27.848	42.072
Interest income on discounted trade payables		2.643.821	(736.043)
Other adjustments for profit/loss reconciliation		(34.688.609)	(23.816.980)
		248.042.909	**189.480.989**
Operating cash flows in working capital			
Increase / decrease in trade receivables and other receivables		(11.891.981)	(8.399.725)
Increase / decrease in inventories		99.635.079	(13.885.522)
Increase / decrease in assets under operating lease		(130.107.220)	(589.866.544)
Increase / decrease in other current assets		(9.873.754)	20.145.930
Increase / decrease in other non-current assets		101.871.517	(39.876.541)
Increase / decrease in trade payables		(143.518.321)	2.200.905
Increase / decrease in other liabilities		8.051.223	7.730.457
Cash from / (used in) operations		**162.209.452**	**(432.470.051)**
Employee termination benefits paid	**15**	(386.705)	(131.794)
Bonuses paid	**15**	(3.208.085)	(3.284.461)
Cash from / (used in) operations		**158.614.662**	**(435.886.306)**
Cash flows from investing activities			
Acquisition of property and equipment and intangible assets	**12,13**	(27.802.656)	(8.835.058)
Proceeds from sale of property and equipment and intangible assets		10.430.689	6.710.421
Net cash used in investing activities		**(17.371.967)**	**(2.124.637)**
Cash flows from financing activities			
Proceeds from borrowings (net)		(119.624.274)	448.478.821
Proceeds from issued securities (net)		(17.866.905)	(11.777.682)
Net cash from / (used in) financing acitivities		**(137.491.179)**	**436.701.139**
Net increase / (decrease) in cash and cash equivalents before the effect of exchange rate changes		**3.751.516**	**(1.309.804)**
Effects of exchange rate changes on cash and cash equivalents		**(54.480)**	**(16.780)**
Cash and cash equivalents at the beginning of the period	**3**	**2.186.954**	**3.513.538**
Cash and cash equivalents at the end of the period	**3**	**5.883.990**	**2.186.954**

The accompanying notes form an integral part of these consolidated financial statements.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

Garanti Filo Yönetim Hizmetleri A.Ş. ("the Company") has been founded in 2007 in order to lease and to operate, all kinds of motorized and non-motorized vehicles, all kinds of sea vehicles like yacht, craft, boat, all qualified equipment and all construction and business machines including tractor which are owned and provided by third parties and also, all movable goods and all vehicles for rental operations. Also, Garanti Filo Sigorta Aracılık Hizmetleri A.Ş. ("Garanti Filo Sigorta"), the subsidiary of the Company, has been established and announced in the Turkish Trade Registry Gazette on 20 March 2014. Garanti Filo Sigorta has started its operations and has started generating revenue as of 31 December 2015.

Here in after, the Company together with its consolidated subsidiary, Garanti Filo Sigorta, is referred to as "the Group" in this report.

The Group gives operational car fleet leasing service of many brands.

The registered address of the Group is Eski Büyükdere Caddesi Ayazağa Köyü Yolu No:23 Maslak- İstanbul.

The Group has 4 branches in İstanbul Anadolu, Ankara, İzmir and Bursa.

The Group has 90 employees as of 31 December 2018 (31 December 2017:104).

The Group's main shareholder and the controlling party is Garanti Finansal Kiralama A.Ş. The Group's shareholders and respective shares are as follows:

	31 December 2018 Shares	**%**	**31 December 2017 Shares**	**%**
Garanti Finansal Kiralama A.Ş.	10.000.000	100%	10.000.000	100%
Total paid-in capital	**10.000.000**	**100%**	**10.000.000**	**100%**

Approval of the financial statements:

The consolidated financial statements were approved and authorized for issue by the Board of Directors based on the decision dated 28 January 2019. The General Assembly has the authority to amend the consolidated financial statements.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Compliance with Turkish Financial Reporting Standards ("TFRS"s)

The accompanying consolidated financial statements are prepared in accordance with the Communiqué numbered II-14.1, "Basis for Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to the Article 5 of the Communiqué, financial statements are prepared in accordance with Turkish Accounting Standards ("TAS") which are published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and related appendices and interpretations.

The accompanying consolidated financial statements and explanatory notes have been disclosed in accordance with the announcement published by the CMB on 7 June 2013.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.1 Basis of Presentation (Cont'd)

Compliance with Turkish Financial Reporting Standards ("TFRS"s) (Cont'd)

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Additional paragraph for convenience translation to English

The differences between accounting principles promulgated by the CMB and TAS, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed may have influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and jurisdictions other than Turkey.

Functional Currency

The financial statements of the Group are presented in the functional currency that is in the primary econonmic environment in which the entity operates The functional currency of the Company and its subsidiary is Turkish Lira ("TL"). Financial position of the Group is expressed in TL, which is the functional currency of the Company.

2.2 Changes in accounting policies

Except for the accounting policies stated below, the accounting policies applied in these financial statements are the same as the accounting policies applied in the financial statements as at and for the year ended 31 December 2017.

Details of significant new accounting policies and the effect and nature of changes in previous accounting policies are as follows.

a) TFRS 15 Revenue from contracts with customers

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced TAS 18 Revenue, TAS 11 Construction Contracts and related interpretation.

The new standard changes the guidances existed in TAS and establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. The basic principle of the standard is that the entity reflects the amount of the goods or services committed to the customers at an amount that reflects the expected amount of the entitlement to acquire to the financial statements.

The standard is effective for periods beginning on or after 1 January 2018 and does not expect have significant impact on the Group's consolidated financial statements.

b) TFRS 9 Financial Instruments

TFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces TAS 39 Financial Instruments: Recognition and Measurement.

The following table summarizes the impact of transition to TFRS 9 on opening balances of reserves prior years'profits / (losses) and non-controlling interests, net of tax.

The Company has begun applying the TFRS 9 Financial Instruments standard, which was published in July 2014, with the first application date of 1 January 2018. TFRS 9 sets out the requirements for accounting and measuring the purchase and sale contracts of financial assets and liabilities and certain non-financial items. The impact of transition to TFRS 9 on the tax-deducted effect on prior years'profits / (losses) as of 1 January 2018 is summarized as follows:

	Impact of adopting TFRS 9 on opening balance
Prior years' profit / (losses)	
Recognition of expected credit losses under TFRS 9	81.293
Related tax	(17.885)
Impact at 1 January 2018	**63.409**

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.2 Changes in accounting policies (Cont'd)

b) TFRS 9 Financial Instruments (Cont'd)

i. Classification of financial asset and liabilities

TFRS 9 largely retains the existing requirements in TAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous TAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of TFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of TFRS 9 on the classification and measurement of financial assets is set out below.

Under TFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost or at fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit and loss ("FVTPL"). The classification of financial assets under TFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is notdesignated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized for the FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized for the at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.2 Changes in accounting policies (Cont'd)

b) TFRS 9 Financial Instruments (Cont'd)

i. Classification of financial asset and liabilities (Cont'd)

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.2 Changes in accounting policies (Cont'd)

b) TFRS 9 Financial Instruments (Cont'd)

i. Classification of financial asset and liabilities (Cont'd)

The effect of adopting TFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under TAS 39 and the new measurement categories under TFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	Note	Original classification under TAS 39	New classification under TFRS 9	Original carrying amount under TAS 39	New carrying amount under TFRS 9
Financial assets					
Cash and cash equivalents	*3*	Loans and receivables	Amortized cost	2.190.100	2.190.100
Trade receivables (*)	*4*	Loans and receivables	Amortized cost	31.161.116	31.242.409
Other receivables	*5*	Loans and receivables	Amortized cost	77.104	77.104
Interest rate swaps used for hedging	*27*	Fair value – hedging instrument	Fair value – hedging instrument	23.853	23.853
Fair value of firm commitments	*16*	Fair value – hedging instrument	Fair value – hedging instrument	36.584.221	36.584.221
Total financial assets				**70.036.394**	**70.117.687**

(*) Trade and other receivables classified as loans and receivables in accordance with TAS 39 are now classified as measured at amortized cost. A decrease of TL 81.293 in the allowance for impairment over these receivables was recognized in retained earnings at 1 January 2018 on transition to TFRS 9.

ii. Impairment of financial assets

TFRS 9 replaces the 'incurred loss' model in TAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under TFRS 9, credit losses are recognized earlier than under TAS 39.

The financial assets at amortized cost consist of trade receivables and cash and cash equivalents.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.2 Changes in accounting policies (Cont'd)

b) TFRS 9 Financial Instruments (Cont'd)

ii. Impairment of financial assets(Cont'd)

Under TFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs. The Company has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- 90 days past the time of the financial instrument.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The maximum time to be measured by the ECLs is the maximum contractual period that the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs has calculated according to experience of credit losses in the last three years. The Group carried out the calculations of the ECLs ratio separately for its customers. The risks in each group are grouped according to the credit risk level, based on common credit risk for the customers who are sold, geographical region and sector.

Cash deficit is the difference between the cash flows that must be made to the business by the contract and the cash flows that the business expects to receive. Given the amount and timing of payments on expected credit losses, a credit loss occurs even if the Company expects to give full payment after the date of determined due in the contract. ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.2 Changes in accounting policies (Cont'd)

b) TFRS 9 Financial Instruments (Cont'd)

ii. Impairment of financial assets (Cont'd)

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

Impact of the new impairment model

For assets in the scope of the TFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of TFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance as follows;

Loss allowance as at 31 December 2017 under TAS 39	**7.467.215**
Additional impairment recognized at 1 January 2018;	
- Trade receivables	(81.293)
Loss allowance as at 1 January 2018 under TFRS 9	**7.385.922**

Trade Receivables

The following analysis provides further detail about the calculation of ECLs related to trade receivables and contract assets on the adoption of TFRS 9. The Group considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The analysis for the TFRS - 9 provisioning calculation model includes the products of customers who default between 2007 - October / 2014. The Group performed the calculation of ECL separately for each customers of receivables at the reporting date. The risks in each group are based on credit risk rating features for customers; non-financial information such as geographical region and institution is calculated by evaluating the common credit risk such as past and current payment performance and financial data.

Hedge Accounting

The Company may continue to apply the provisions of TAS 39 instead of TFRS 9 as an accounting policy to hedge its financial liabilities when it first starts applying TFRS 9. The Company has not elected to apply the hedge accounting model under TFRS 9. No amendments were made to the accounting policies applied in the preparation of the consolidated financial statements at the interim period ending 31 December 2018.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.2 Changes in accounting policies (Cont'd)

b) TFRS 9 Financial Instruments (Cont'd)

iii. Transition

Changes in accounting policies resulting from the application of TFRS 9 have been applied retrospectively except for the following:

- The Company has used the exception not to restate of comparative information for prior periods with respect to classification and measurement requirements. Differences in the carrying amounts of financial assets resulting from adoption of TFRS 9 are recognized in retained earnings as at 1 January 2018.

2.3 Changes in accounting estimates and errors

Changes in accounting estimates are applied in the current period if the change is related with only one period. They are applied in the current period and prospectively if they are related to current and to the future periods. There is no significant change in accounting estimates in the current year. Significant accounting errors are applied retrospectively and prior period financial statements are restated. Preparation of consolidated financial statements in accordance with Turkish Accounting Standards, the implementation of policies, the reported assets, liabilities, income and expenses that affect the decisions, requires management to make estimates and assumptions. Actual results may differ from these estimates. Estimates and underlying assumptions of the revision are reviewed on an ongoing basis. Revisions to accounting estimates, are recognized in the current period and prospectively.

Note 11 – Assets under operating lease
Note 12 – Property and equipment
Note 13 – Intangible assets
Note 15 – Employee benefits
Note 23 – Tax assets and liabilities
Note 27 – Financial instruments

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Standards and interpretations issued but not yet effective

Standards issued but not yet effective and not early adopted

New standards, interpretations and amendments to existing standards are not effective at reporting date but earlier application is permitted The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

TFRS 16 Leases

On 16 April 2018, POA issued the new leasing standard which will replace TAS 17 *Leases*, TFRS Interpretation 4 *Determining Whether an Arrangement Contains a Lease*, TAS Interpretation 15 *Operating Leases – Incentives*, and TAS Interpretation 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* and consequently changes to TAS 40 *Investment Properties*. TFRS 16 *Leases* eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts TFRS 15 *Revenue from Contracts with Customers*. The Group does not expect that significant impact on its consolidated financial statements.

TFRS Interpretation 23 –Uncertainty Over Income Tax Treatments

On 24 May 2018, POA issued TFRS Interpretation 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. TAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. TFRS Interpretation 23 provides requirements that add to the requirements in TAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted The Group does not expect that application of TFRS 23 will have significant impact on its consolidated financial statements.

Amendments to TFRS 9 - Prepayment features with negative compensation

On December 2017, POA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that application of these amendments to TFRS 9 will have significant impact on its consolidated financial statements.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Standards and interpretations issued but not yet effective (Cont'd)

Standards issued but not yet effective and not early adopted (Cont'd)

Amendments to TAS 28- Long-term *Interests in Associates and Joint Ventures*

On December 2017, POA has issued amendments to TAS 28 to clarify that entities also apply TFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that application of these amendments to TAS 28 will have significant impact on its consolidated financial statements.

The revised Conceptual Framework

The revised Conceptual Framework issued on 27 October 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing TFRS standards. It helps to ensure that the standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the standards. The revised Framework is more comprehensive than the old one – its aim is to provide the POA with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to TFRS 4: Applying TFRS 9 Financial Instruments with TFRS 4 Insurance Contracts

TFRS 4 has been amended by POA, to reduce the impact of the differing effective dates of the new insurance contracts standard and TFRS 9. These amendments to TFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying TFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under TFRS 9 and those that would have been reported under TAS 39; or ii) an optional temporary exemption from applying TFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2021. These companies will be permitted to continue to apply existing requirements for financial instruments in TAS 39. The Group does not expect that application of these amendments to TFRS 4 will have significant impact on its consolidated financial statements.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Standards and interpretations issued but not yet effective (Cont'd)

Standards issued but not yet effective and not early adopted (Cont'd)

The following standards, interpretations of and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TAS by the POA, thus they do not constitute part of TAS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TAS.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs **-** 2015–2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

IFRS 3 Business Combinations and *IFRS 11 Joint Arrangements*

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Standards and interpretations issued but not yet effective (Cont'd)

Improvements to IFRSs (Cont'd)

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that application of these amendments to IAS 19 will have significant impact on its consolidated financial statements.

IFRS 17 – Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Group does not expect that application of IFRS 17 will have significant impact on its consolidated financial statements.

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Group does not expect that application of these amendments to IAS 1 and IAS 8 will have significant impact on its consolidated financial statements.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Standards and interpretations issued but not yet effective (Cont'd)

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. The Group does not expect that application of these amendments to IFRS 3 will have significant impact on its consolidated financial statements.

2.5 Significant Accounting Policies

The significant accounting policies applied in the preparation of consolidated financial statements are described below:

Consolidation Principles

The details of the Group's subsidiary as of 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018		31 December 2017	
	Shares	**%**	**Shares**	**%**
Garanti Filo Sigorta Aracılık Hizmetleri A.Ş.	300.000	100%	300.000	100%
Total capital	**300.000**	**100%**	**300.000**	**100%**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiary. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and cicumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant acitivities of the investee unilaterally. The Company considers all relevant facts and cicumstances assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual aggreements; and

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

Consolidation Principles (Cont'd)

- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Company's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements,

a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity has a post-employment benefit plan for the employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity has itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.5 Significant Accounting Policies (Cont’d)

Related Parties (Cont’d)

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

If there is a partial or whole collection over the doubtful receivable amount subsequent to the allocation of provision for doubtful receivables, the collected portion is recognized as other income following the write-down of the total provision amounts.

Financial Instruments

TFRS 9 provides for the recognition and measurement of financial assets and financial liabilities. This standard replaces the TAS 39 Financial Instruments: Recognition and Measurement standard.

Classification of financial asset and liabilities

TFRS 9 largely retains the existing requirements in TAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous TAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of TFRS 9 has not had a significant effect on the Group’s accounting policies related to financial liabilities and derivative financial instruments. The impact of TFRS 9 on the classification and measurement of financial assets is set out below.

Under TFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under TFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is notdesignated as at FVTPL.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

Financial Instruments (Cont'd)

Classification of financial asset and liabilities (Cont'd)

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized for the FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized for the at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Impairment of financial assets

TFRS 9 replaces the 'incurred loss' model in TAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under TFRS 9, credit losses are recognized earlier than under TAS 39.

The financial assets at amortized cost consist of trade receivables, cash and cash equivalents, and corporate debt securities.

Under TFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

Financial Instruments (Cont'd)

Impairment of financial assets (Cont'd)

The Company measures loss allowances at an amount equal to lifetime ECLs. The Company has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Trade Receivables

The analysis for the TFRS - 9 provisioning calculation model includes the products of customers who default between 2007 - October / 2014. The Group performed the calculation of ECL separately for each customers of receivables at the reporting date. Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, delinquency status, geographic region, age of relationship. ECLs has calculated according to experience of credit losses in the last three years. The Group carried out the calculations of the ECLs ratio separately for its customers. The risks in each group are grouped according to the credit risk level, based on common credit risk for the customers who are sold, geographical region and sector.

Financial liabilities

A financial liability is measured at fair value at initial recognition. During initial recognition of financial liabilities that are not recognized for at fair value through profit or loss, transaction costs directly attributable to the burden of the financial liability are added to the fair value. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss ("FVTPL") or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

Financial Instruments (Cont'd)

Financial liabilities (Cont'd)

Other financial Iiabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

The significant interest rate risk arises from bank loans. The Group's policy is to convert a proportion of its floating rate debt to fixed rates. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes occurred are recognized as mentioned below.

If the financial instrument holds for aiming risk management and does not carry out the necessities of hedge accounting, these financial instruments are classified as held for trading. Thus, differences due to fair value calculations are recognized within gains/losses from derivative financial transactions' account.

Hedge accounting

The Group has not chosen to apply the hedge accounting model under TFRS 9. As of 31 December 2018, there is no change in the accounting policies applied in the preparation of the consolidated financial statements

The Group has documented the requirements and rules for cash flow hedging and fair value hedging within the framework of TAS 39 and its own risk policies. Each new risk protection relationship is evaluated and documented in this framework and passed through the relevant approval process. Efficiency tests were also selected among the methods permitted under TAS 39 in accordance with the Company's risk strategies.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

Financial Instruments (Cont'd)

Hedge accounting (Cont'd)

The Group has associated its contractual operational lease receivables (contractual future cash flows) denominated in Euro, with its Euro denominated borrowings and applied cash flow hedge accounting. In the cash flow hedge accounting, the effective portion of changes in the foreign currencies is recognized directly in other comprehensive income and presented in hedging reserve under equity and the ineffective portion is recognized in the statement of profit or loss. The amount recognized in other comprehensive income is recycled and included in the profit or loss in the same period as the hedged cash flows affect the profit or loss under the same line item as the hedged item.

Prior to 1 October 2017, the Group applied cash flow hedge accounting to its future operating lease receivables arising from cash and lease agreements from second-hand sales. As of 1 October 2017, the Group has begun to apply the fair value hedge model as well as the cash flow hedge model. Accordingly, the Group has started to account for future operating lease receivables that are not recognized, as firm commitments since 1 October 2017 in the scope of fair value hedge accounting.

In the fair value hedge model, the gain or loss arising from the measurement of the foreign currency component of the carrying amount of the hedged item of Euro loans by TAS 21 is recognized in profit or loss in the financial statements and the gain or loss arising from Euro loans recognized in the period in which hedge accounting is effective, is recognized in the statement of financial position as "Fair value of firm commitments" and reflected to the profit or loss statement.

Effectiveness testing is performed at the beginning of the hedge accounting and each report period. Effectiveness test is performed by "Dollar off-set method" and hedge accounting is maintained in case the efficiency is in the range of 80% - 125%.

Hedge accounting is discontuned when the hedging relationship is revoked, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. When a cash flow hedge accounting is discontuned, the profit or loss recognized in other comprehensive income and presented in the hedging reserve under equity remains there until the cash flows of the hedged item realised. When the cash flows from the hedged item is realised, the gain or loss accumulated under equity is recognized immediately in profit or loss.

Where the fair value hedge accounting requirements no longer apply, adjustments to the carrying value of the hedged risk are reflected to profit or loss on a straight-line depreciation basis for the remaining period of time.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

Financial Instruments (Cont'd)

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first out basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Assets Under Operating Leases

The ownership of the leased object in economic sense is at the lessor. Motor vehicles are recognized through the reduction of depreciation is calculated using straight line method. Depreciation of these assets are calculated based on the ratios in accordance with the contract duration after deducting the residual value. The amount of depreciable assets used in operational leasing's costs at the end of the lease term is calculated based on the expected market value after deducting any residual value of the state. The residual value of the assets is the amount which is deducted after the cost of sales until the end of contract. Residual values are recognized on estimates based on the market prices and asset sales prices in the market. The residual value of the asset is based on the market and marketing conditions of the Group on the date of sale. The Group assesses the residual value of the vehicles periodically and make necessary adjustments during the renewal of the contracts. If there are changes in the estimation of residual values, these are recognized as a change in accounting estimation.

Property, Plant and Equipment

Property, plant and equipment are reported at acquisition cost less accumulated depreciation and impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

Taxation and deferred income taxes

Since the Turkish Tax Legislation does not allow the parent company and its subsidiary to prepare a consolidated tax return, as reflected in the accompanying consolidated financial statements, the tax provision is calculated on the basis of each company separately.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiary and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.5 Significant Accounting Policies (Cont’d)

Employee Benefits / Retirement Pay Provisions

Under the Turkish law and union agreements, severance payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as part of defined retirement benefit plans as per Turkish Accounting Standard 19 (Revised) "Employee Benefits" ("TAS 19"). In this context, in addition to the salary, the Group provides various benefits, such as; bonuses; fuel and food support; leaves of absence, national holidays, marriage, birth and death; and educational incentives to its employees. Principal assumption is that 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.

Provision is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. All actuarial gains and losses have been presented in the consolidated financial statements.

Actuarial gains losses are presented in other comprehensive income/expenses under revised TAS 19.

Foreign currency transactions

The financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of the Group are expressed in TL, which is the functional currency of the Group, and the presentation currency for the financial statements.

In preparing the financial statements of the Group, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings,
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.5 Significant Accounting Policies (Cont’d)

Provisions, Contingent Assets and Liabilities

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation or a result of past events, it is probable that on outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Contingent Assets and Liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in consolidated financial statements and are treated as contingent assets or liabilities.

Capital

Ordinary shares are classified as equity. Dividends on ordinary shares are reclassified as dividend payables by offsetting against retained earnings in the period in which they are approved and disclosed. The Group has not distributed any dividends in the related periods.

Offsetting

Financial assets and liabilities are presented as their net value, if there is a legal right of netting and net amount of payment and/or collection is considered and acquisition of the asset and settlement of the liability is carried out at the same time.

Revenue Recognition

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced TAS 18 Revenue, TAS 11 Construction Contracts and related interpretations.

The Group's revenue consists of rent income from the motorized and non-motorized land vehicles and construction equipment and the sale of second hand vehicles.

Revenue is measured at the fair value of the consideration received or receivable and after customer returns, rebates and other similar allowances are deducted.

Rent Income

Rental income from operating leases, based on straight-line basis over the term of the relevant lease, is recognized when it is reliably measured and the economic benefits associated with the transaction are probable to be acquired by the Group.

Interest Income

Interest income is recognized unless it is probable that the economic benefits can be acquired by the Group and it is reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Events After the Reporting Period

Events after the reporting date comprise any event between the reporting date and the date of authorization of the financial statements for publication, even if any event after reporting date occurred subsequent to an announcement on the Group's profit or following any financial information disclosed to public. The Group restates its consolidated financial statements if such subsequent events arise.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

Statement of Cash Flows

In the statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

The cash flows raised from operating activities indicate cash flows due to the Group's operational leasing operations.

The cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (capital expenditure and financial investments).

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment.

Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid with three months or less to maturity and without any risks of volatility in the value.

2.6 Significant Accounting Estimates and Assumptions

The preparation of consolidated financial statements in conformity with the Turkish Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. Estimates are regularly reviewed; related corrections are adjusted and accounted for related period income statement. If changes in the accounting policies are related to only one period, they are applied in the current year; if they are related to the future periods, they are applied both in current and future periods.

(a) Useful lives of tangible assets

The Group uses the estimated useful lives of tangible fixed assets in Note 12 while charging depreciation**.**

(b) Residual Value

For the Group, the residual value is estimated value of the vehicle at the end of the lease term. Residual value at the end of the lease term may be different from the market value and it is defined as market risk. Residual value is affected by external factors. Used vehicle sales channels and methods, consumer preferences, foreign currency exchange rates and general economic conditions are influential in the market price and managed to some extent. In addition, leasing period may be realized in different dates on the contracts, and this may affect the estimated residual value as an external factor.

The Group uses market prices, databases, and uses its realized values of own vehicle sales in the determination of residual value. To manage the risk of residual value, residual value estimation is evaluated by analyzing the profitability of realized sales.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.6 Significant Accounting Estimates and Assumptions (Cont'd)

(c) Deferred tax assets

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Based on available evidence, it is estimated whether it is probable that all or a portion of the deferred tax asset to be recovered.

While evaluating, projections of future profits, occurred loss in current period, deadline of use of inappropriate loss and other tax assets and tax planning strategies that can be used if necessary, have been taken into account. In the light of data obtained, if the Group's taxable profit will be obtained in future is not sufficient to meet all deferred tax assets, partially or whole of deferred tax is reserved. The Company calculates deferred income tax assets and liabilities based on temporary differences arising as a result of different considerations between the Financial Reporting Standards and the Tax Procedure Law in the balance sheet. The corporate tax rate used in the calculation of deferred tax assets and liabilities is 22% for the taxable income to be realized in 2018, 2019 and 2020, later be applied as 20% (31 December 2017: 22%).

When the Group has taxable profit that will be available against which a deductible temporary difference can be utilised when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse, the deferred tax asset occurred due to the carry forward tax losses is recognised in the period in which the deductible temporary differences arise.

The major part of the Group's deferred tax assets are calculated on carry forward tax losses recorded in the past and the current year. The details of the above-mentioned carry forward tax losses are shown below.

	31 December 2018	**31 December 2017**
Expires in 2019	-	23.038.219
Expires in 2020	19.139.253	19.139.253
Expires in 2021	103.625.174	103.625.174
Expires in 2022	116.608.020	116.608.020
Expires in 2023	177.009.007	-
	416.381.454	**262.410.666**

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.7 Comparative and Restatement of Prior Year Financial Statements

Revenue

The Group's revenue consists of rent income from the motorized and non-motorized land vehicles and construction equipment and the sale of second hand vehicles.

Revenue is measured at the fair value of the consideration received or receivable and after customer returns, rebates and other similar allowances are deducted.

Rent Income

Rental income from operating leases, based on straight-line basis over the term of the relevant lease, is recognized when it is reliably measured and the economic benefits associated with the transaction are probable to be acquired by the Group.

Interest Income

Interest income is recognized unless it is probable that the economic benefits can be acquired by the Group and it is reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Trade receivables and provision for doubtful receivables

Provision is allocated for receivables when the Group has an objective indication over the collectability. The amount of the provision is the difference between the carrying amount and the recoverable amount. Recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collaterals discounted based on using the original effective interest rate of the trade receivable occurred.

If there is a partial or whole collection over the doubtful receivable amount subsequent to the allocation of provision for doubtful receivables, the collected portion is recognized as other income following the write-down of the total provision amount.

Financial Instruments

Financial assets

The Group classifies its financial instruments as “assets held at fair value through profit or loss”, “held-to-maturity”, “available-for-sale” and “loans and receivables”. Classification is determined based on the acquisition purpose and specifications of the financial asset at the initial recognition. Financial investments, except financial assets classified at fair value through profit or loss and financial assets initially recognized at fair value, are recognized at fair value net of directly attributable transaction costs. Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.7 Comparative and Restatement of Prior Year Financial Statements

Financial Instruments (Cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents of the Group is classified as 'Loans and Receivables'.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. The Group derecognizes its financial liabilities if the financial liability defined in agreement is cancelled or matured.

Financial liabilities

Financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss ("FVTPL") or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.7 Comparative and Restatement of Prior Year Financial Statements

Financial Instruments (Cont'd)

Other financial Iiabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

NOTE 3 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents at 31 December 2018 and 31 December 2017:

	31 December 2018	**31 December 2017**
Cash on hand	362	687
Cash at banks	5.894.615	2.188.195
- Demand deposits - TL	*1.651.061*	*1.067.342*
- Demand deposits – Foreign currency	*215.713*	*99.848*
- Time deposits - TL	*4.027.841*	*1.021.005*
Other current assets	-	1.218
	5.894.977	**2.190.100**

As of 31 December 2018, time deposit balance of the Group is amounting to TL 3.116.938 with the interest of 22,00% and maturity of 4 January 2019 and TL 921.890 with the interest of 15,00% and maturity of 4 January 2019 (As of 31 December 2017, time deposit balance of the Group is amounting to TL 1.021.005 with the interest of 12,00% and maturity of 5 January 2018).

The Group has bank deposits amounting to TL 5.736.923, TL 4.020.000 of which is time deposits, at Garanti Bank which is related party of the Group (31 December 2017: The Group has TL 2.036.055 bank deposits; TL 1.021.005 of which is time deposits).

There are no restrictions on bank deposits of the Group as at 31 December 2018 and 31 December 2017.

Cash and cash equivalents in the Group's consolidated statement of cash flows as at 31 December 2018 and 31 December 2017 are presented by netting off interest accruals and time deposits:

	31 December 2018	**31 December 2017**
Cash and cash equivalents	5.894.977	2.190.100
Interest accruals (-)	(10.987)	(3.146)
	5.883.990	**2.186.954**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 4 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables as of 31 December 2018 and 31 December 2017 are as follows:

Short-term trade receivables	**31 December 2018**	**31 December 2017**
Trade receivables	49.198.268	37.889.058
Due from related parties (Note 25)	508.325	739.273
Allowance for doubtful receivables (-)	(9.346.280)	(7.467.215)
	40.360.313	**31.161.116**

The Group's average turnover of trade receivables is 25 days (31 December 2017: 20 days). Provision for doubtful receivables is calculated based on the past collection performance of the Group. The movements of provision for doubtful receivables are as follows:

	1 January - 31 December 2018	**1 January - 31 December 2017**
Opening balance	(7.467.215)	(10.288.938)
Impact of adopting TFRS 9 (Note 2.2)	81.293	-
Provisions during the period (Note 20)	(4.462.059)	(3.347.320)
Write-offs (*)	2.100.328	5.263.336
Provision no longer required (Note 20)	401.373	905.707
Closing balance	**(9.346.280)**	**(7.467.215)**

(*) Doubtful receivables, for which no possibility of collection is foreseen and became insolvent, are written off along with the related provisions.

The details of trade payables as of 31 December 2018 and 31 December 2017 are as follows:

Short term trade payables	**31 December 2018**	**31 December 2017**
Trade payables	42.135.599	103.441.952
Due to related parties (Note 25)	879.045	80.579.851
	43.014.644	**184.021.803**

The average maturity of trade payables of the Group is 28 days during the current period (31 December 2017: 49 days).

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 5 – OTHER RECEIVABLES AND PAYABLES

The details of other current receivables at 31 December 2018 and 31 December 2017 are as follows:

Other current receivables:	**31 December 2018**	**31 December 2017**
Receivables from tax office	16.607	59.979
Receivables from personnel	35.818	11.505
Insurance receivables	16.436	5.620
	68.861	**77.104**

The details of other non-current payables at 31 December 2018 and 31 December 2017 are as follows:

Other non-current payables:	**31 December 2018**	**31 December 2017**
Deposits and guarantees received (*)	1.571.500	1.431.000
	1.571.500	**1.431.000**

(*) Deposits and guarantees received consist of collaterals received for sale of second hand vehicles.

NOTE 6 – BORROWINGS

The details of borrowings at 31 December 2018 and 31 December 2017 are as follows:

Borrowings	**31 December 2018**	**31 December 2017**
Short-term borrowings	303.758.726	444.785.976
Short-term portion of long-term borrowings	251.849.723	437.357.914
Total short-term borrowings	**555.608.449**	**882.143.890**
Long-term portion of long-term borrowings	914.101.097	475.086.163
Total borrowings	**1.469.709.546**	**1.357.230.053**

The redemption schedule of borrowings are as follows:

	31 December 2018	**31 December 2017**
Up to 1 year	555.608.449	882.143.890
Up to 2 years	393.395.105	196.842.715
Up to 3 years	520.705.992	278.243.448
	1.469.709.546	**1.357.230.053**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 6 – BORROWINGS (Cont'd)

The effective interest rates of the currencies of borrowings at 31 December 2018 and 31 December 2017 are as follows:

Currency	Average effective interest rate	31 December 2018 Short-term	31 December 2018 Long-term
Turkish Lira	27,67%	336.520.539	76.101.047
Euro	4,33%	219.087.910	838.000.050
		555.608.449	**914.101.097**

Currency	Average effective interest rate	31 December 2017 Short-term	31 December 2017 Long-term
Turkish Lira	16,33%	471.638.787	21.582.148
Euro	3,88%	410.505.103	453.504.015
		882.143.890	**475.086.163**

The fair value of the financial liabilities denominated in Euro at 31 December 2018 is Euro 175.362.966 (31 December 2017: Euro 191.342.956).

The reconciliation of the cash flows arising from the financing activities of the year ended 31 December 2018 and the movements in liabilities is as follows:

	1 January 2018	Cash in	Cash out	Foreign exchange difference	Other non-cash movement	31 December 2018
Short and long-term bank loans	1.357.230.053	10.491.191.010	(10.610.815.284)	223.155.068	8.948.699	1.469.709.546
Other financial liabilities	90.510.573	-	(17.866.905)	-	18.516.777	91.160.445
Total liabilities arising from financing activities	**1.447.740.626**	**10.491.191.010**	**(10.628.682.189)**	**223.155.068**	**27.465.476**	**1.560.869.991**

	1 January 2017	Cash in	Cash out	Foreign exchange difference	Other non-cash movement	31 December 2017
Short and long-term bank loans	805.520.954	18.077.505.980	(17.629.027.159)	94.287.242	8.943.036	1.357.230.053
Other financial liabilities	101.777.682	90.000.000	(108.809.234)	-	7.542.125	90.510.573
Total liabilities arising from financing activities	**907.298.636**	**18.167.505.980**	**(17.737.836.393)**	**94.287.242**	**16.485.161**	**1.447.740.626**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 7 - OTHER FINANCIAL LIABILITIES

	31 December 2018	31 December 2017
Short-term financing bills issued	91.160.445	13.045.781
Long-term financing bills issued	-	77.464.792
	91.160.445	**90.510.573**

As at 31 December 2018, the Group issued bills with a nominal value of TL 90.000.000 in September 2017, with a maturity date at 25 March 2019 and interest rate of 22,72%.

NOTE 8 - INVENTORIES

The details of inventories at 31 December 2018 ve 31 December 2017 are as follows:

	31 December 2018	31 December 2017
New vehicles	18.244.814	133.536.838
Second hand vehicles	29.286.301	16.401.919
	47.531.115	**149.938.757**

Vehicles which have current period depreciation expense of TL 2.772.563 and accumulated depreciation of TL 5.398.709 were classified from assets under operating lease to inventories since the operating lease terms of these vehicles have ended. Depreciation expenses were recognized under cost of sales. (31 December 2017: TL 1.903.192 and TL 5.164.250).

NOTE 9 - PREPAID EXPENSES AND DEFERRED INCOME

The details of short-term and long-term prepaid expenses at 31 December 2018 and 31 December 2017 are as follows:

Short-Term Prepaid Expenses	31 December 2018	31 December 2017
Short-term prepaid expenses (*)	20.301.810	14.485.223
Advances given	5.357.468	1.325.064
	25.659.278	**15.810.287**

Long-Term Prepaid Expenses	31 December 2018	31 December 2017
Long-term prepaid expenses (*)	93.953	121.801
	93.953	**121.801**

(*) Prepaid expenses of the Group composed of the prepayments for the car insurance and other insurance expenses.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 9 - PREPAID EXPENSES AND DEFERRED INCOME (Cont'd)

The details of short-term deferred income 31 December 2018 and 31 December 2017 are as follows:

Short-Term Deferred Income	31 December 2018	31 December 2017
Deferred rent income (*)	19.479.510	16.873.327
Advances received	5.859.827	1.345.467
	25.339.337	**18.218.794**

(*) The Company bills majority amount of the invoices for operational leases to its customers before the service. However, invoiced but not served profit amount is not recognized within TFRS 15 as profit and is recognized as deferred income.

NOTE 10 - CURRENT INCOME TAX ASSETS

The movements of current tax assets at 31 December 2018 and 31 December 2017 are as follows:

Current tax assets	31 December 2018	31 December 2017
Other prepaid taxes and funds	26.093	1.330
	26.093	**1.330**

NOTE 11 - ASSETS UNDER OPERATING LEASE

The detail of assets under operating lease at 31 December 2018 and 31 December 2017 are as follows:

	1 January-31 December 2018	1 January-31 December 2017
Opening balance	1.364.615.271	872.933.687
Additions	549.157.346	855.562.457
Disposals and transfers to inventories (-)	(419.050.126)	(265.695.913)
Depreciation (-)	(129.848.636)	(98.184.960)
Net book value of the assets under operating lease	**1.364.873.855**	**1.364.615.271**

Amounting to TL 1.987.369 of provision has been provided for 25% of the net book value of 115 vehicles of 131 lost vehicles with the net book value of TL 7.814.416 in assets under operating lease which are under legal follow-up and cannot be found and amounting to TL 193.633 of provision has been provided in the current period for 75% remaining net book value of 4 vehicles have been made provision in 2017 (31 December 2017: TL 869.540). Amounting to TL 854.009 of provision has been provided for 66 vehicles in previous years which founded in the current year and provision no longer required.

Depreciation expenses for the years ended 31 December 2018 and 31 December 2017 have been charged to cost of sales.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 11 - ASSETS UNDER OPERATING LEASE (Cont'd)

The carrying value of assets whose operating lease terms expire within one year is as follows:

	31 December 2018	31 December 2017
Operating lease assets expiring within 1 year	515.139.907	369.684.104
	515.139.907	**369.684.104**

The Group's future lease receivables from operating leases terms as of 31 December 2018 and 31 December 2017 are as follows:

Future receivables from leasing business	31 December 2018	31 December 2017
Year 2018	-	499.026.909
Year 2019	444.906.197	304.385.477
Year 2020	228.672.252	156.695.363
Year 2021	80.826.857	91.795.193
Year 2022	8.466.200	-
	762.871.506	**1.051.902.942**

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

Movements of the property, plant and equipment and related accumulated depreciation during the periods ended 31 December 2018 and 31 December 2017 are as follows:

	1 January 2018	Additions	Disposals	31 December 2018
Cost:				
Vehicles	5.674.876	21.879.831	(3.798.551)	23.756.156
Furniture and fixtures	2.613.922	313.028	(112.944)	2.814.006
Leasehold improvements	387.226	-	-	387.226
	8.676.024	**22.192.859**	**(3.911.495)**	**26.957.388**
Accumulated depreciation:				
Vehicles	(637.209)	(2.818.392)	577.550	(2.878.051)
Furniture and fixtures	(1.285.818)	(572.133)	91.242	(1.766.709)
Leasehold improvements	(278.792)	(37.084)	-	(315.876)
	(2.201.819)	**(3.427.609)**	**668.792**	**(4.960.636)**
Net book value	**6.474.205**			**21.996.752**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	1 January 2017	**Additions**	**Disposals**	**31 December 2017**
Cost:				
Vehicles	8.972.827	4.971.907	(8.269.858)	5.674.876
Furniture and fixtures	2.449.405	328.848	(164.331)	2.613.922
Leasehold improvements	277.766	109.460	-	387.226
	11.699.998	**5.410.215**	**(8.434.189)**	**8.676.024**
Accumulated depreciation:				
Vehicles	(1.338.667)	(1.017.479)	1.718.937	(637.209)
Furniture and fixtures	(752.860)	(537.789)	4.831	(1.285.818)
Leasehold improvements	(244.155)	(34.637)	-	(278.792)
	(2.335.682)	**(1.589.905)**	**1.723.768**	**(2.201.819)**
Net book value	**9.364.316**			**6.474.205**

The depreciation expenses amounting to TL 3.427.609 (31 December 2017: TL 1.589.905) are classified in general administrative expenses.

There are no pledges or liens on tangible fixed assets (31 December 2017: None).

Estimated useful lives of property, plant and equipment are as follows:

	Useful lives (year)
Vehicles	5
Furniture and fixtures	3-15
Leasehold improvements	3-5

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 13 - INTANGIBLE ASSETS

Movements of intangible assets and related accumulated amortization for the periods ended 31 December 2018 and 31 December 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
	Other Intangible Assets(*)	**Other Intangible Assets(*)**
Cost		
Openning balance, 1 January	12.441.948	9.017.105
Purchases	5.609.797	3.424.843
Closing balance, 31 December	**18.051.745**	**12.441.948**
Accumulated amortization:		
Openning balance, 1 January	(7.635.797)	(5.097.373)
Charge for the period	(3.522.073)	(2.538.424)
Closing balance, 31 December	**(11.157.870)**	**(7.635.797)**
Net book value as of 31 December	**6.893.875**	**4.806.151**

(*) Intangible assets are comprised of costs of software and second hand sale platform.

Total amortization expense amounting to TL 3.522.073 TL (31 December 2017: TL 2.538.424) has been classified to general administrative expenses.

NOTE 14 -COMMITMENTS AND CONTINGENCIES

The Group has given letters of guarantee amounting to TL 269.735 (31 December 2017: TL 290.611) to courts for various litigations with the lease clients.

The details of the Group's guarantees given or contingent liabilities born in favor of the related parties, parent company or third parties within the context of business operations or other purposes are as follows:

	31 December 2018	31 December 2017
A.Given in the name of its own legal personality	269.735	290.611
B.Given in favor of the the fully consolidated companies	-	-
C.Given in favor of the third parties for ordinary course of business	-	-
-Given in favor of the majority shareholders	-	-
-Given in favor of the other group companies which are not in the scope of B and C	-	-
-Given in favor of third parties which are not in the scope of C	-	-
D.Other	-	-
	269.735	**290.611**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 15 -EMPLOYEE BENEFITS

The details of provision for short-term and long-term employment benefits at 31 December 2018 and 31 December 2017 are as follows:

Payables related to short-term employee benefits

	31 December 2018	31 December 2017
Taxes payables	1.146.471	1.200.271
Social security premiums payable	416.580	404.083
Payables to personnel	792.840	187.154
	2.355.891	**1.791.508**

Provision for short-term employee benefits

	31 December 2018	31 December 2017
Provision for vacation pay liability	801.875	685.318
Bonus provisions (Note 19)	584.615	378.000
	1.386.490	**1.063.318**

Provision for vacation pay liability	1 January- 31 December 2018	1 January - 31 December 2017
1 January	685.318	691.008
Terminated unused vacation accruals (Note 20)	(573.270)	(538.475)
Unused vacation expense	689.827	532.785
31 December	**801.875**	**685.318**

Provision for bonuses	1 January- 31 December 2018	1 January - 31 December 2017
1 January	378.000	-
Bonus expense (Note 19)	3.414.700	3.662.461
Paid bonus	(3.208.085)	(3.284.461)
31 December	**584.615**	**378.000**

Provision for long-term employee benefits

	31 December 2018	31 December 2017
Provision for employee termination benefits	1.024.325	940.013
	1.024.325	**940.013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 15 -EMPLOYEE BENEFITS (Cont'd)

Provision for Employment Termination Benefits:

Under Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified. Additionally, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to current 506 numbered Social Insurance Law's 6 March 1981 dated, 2422 numbered, 25 August 1999 dated and 4447 numbered with 60th article that has been changed. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of TL 5.434,42 (31 December 2017: TL 4.732,48) for each period of service.

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 Employee Benefits requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2018 and 31 December 2017, 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.

The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 12,5%-8,40% and a discount rate of 16,30%-11,70%, resulting in a real discount rate of approximately 3,38% - 3,04%. As the maximum liability is revised semi-annually, the maximum amount of TL 5.434,42 effective in calculation of provision from employment termination benefits.

The movements of retirement pay provision for the periods ended 31 December 2018 and 31 December 2017 are as follows:

	1 January- 31 December 2018	1 January - 31 December 2017
Opening balance	940.013	593.055
Service and interest cost	493.514	326.065
Acturial gain/losses	(22.497)	152.687
Paid during period	(386.705)	(131.794)
Closing Balance	**1.024.325**	**940.013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 16 - OTHER ASSETS AND LIABILITIES

The details of other assets and other liabilities as of 31 December 2018 and 31 December 2017 are as follows:

Short-term firm commitments – Hedge Accounting	**31 December 2018**	**31 December 2017**
Fair value of firm commitments (*)	104.170.609	19.897.784
	104.170.609	**19.897.784**

Long-term firm commitments – Hedge Accounting	**31 December 2018**	**31 December 2017**
Fair value of firm commitments (*)	53.812.817	16.686.437
	53.812.817	**16.686.437**

(*) The Group has begun to account for future operating lease receivables under fair value hedge accounting as of 1 October 2017 that are not recognized as firm commitments. Accordingly, foreign exchange differences arising from the hedging instruments originated by Euro loans are accounted for under "Fair value of firm commitments" in the statement of financial position and reflected in the profit or loss statement during the period when hedge accounting is effective.

In the current period, the foreign exchange rate effect related to the cash to be obtained from future operating lease receivables based on Euro and the amount recognized in the "Fair Value of Firm Commitments" account is TL 157.983.426 (2017: TL 36.584.221).

Other short-term liabilities	**31 December 2018**	**31 December 2017**
Taxes payables	330.726	369.086
Provisions for legal cases	412.404	105.000
Other	101.950	4.697
	845.080	**478.783**

Other current assets	**31 December 2018**	**31 December 2017**
Deferred VAT	12.866.202	114.708.719
Construction in progress	432.750	461.750
	13.298.952	**115.170.469**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOT 17 – EQUITY

Capital

The shareholders of the Company and the historical values of shares at 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018 Shares	%	31 December 2017 Shares	%
Garanti Finansal Kiralama A.Ş.	10.000.000	100%	10.000.000	100%
Total capital	**10.000.000**	**100%**	**10.000.000**	**100%**

Paid-in capital consists of 10.000.000 shares, each with a per value of TL 1 as of 31 December 2018. There are no privileged shares in the Company's capital.

	31 December 2018	31 December 2017
Paid-in Capital	10.000.000	10.000.000
1st Legal reserves	58.664	58.664
2nd Legal reserves	106.462	106.462
Items that will not be reclassified to profit or loss	(123.011)	(140.559)
Items that will be reclassified to profit or loss	(130.852.975)	(100.487.082)
Prior years' profits	122.051.645	93.174.992
Net profit for the period	9.659.906	28.813.244
	10.900.691	**31.525.721**

NOTE 18 - SALES AND COST OF SALES

The details of sales and cost of sales for the years ended 31 December 2018 and 31 December 2017 are as follows:

Sales	1 January- 31 December 2018	1 January- 31 December 2017
Revenue from operational leases	491.299.140	377.986.256
Sales revenue of second hand vehicles	484.733.141	319.827.147
Revenue from insurance commission	2.260.317	1.525.459
Sales returns and discounts	(11.391.783)	(5.395.450)
Total operating income	**966.900.815**	**693.943.412**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 18 – SALES AND COST OF SALES (Cont'd)

Cost of Sales	**1 January-31 December 2018**	**1 January-31 December 2017**
Net book value of second hand vehicles sold	(378.531.589)	(254.347.140)
Depreciation expense of vehicles	(132.621.199)	(100.088.152)
Maintenance and repair expenses (*)	(65.955.492)	(30.375.037)
Insurance expenses	(35.882.264)	(50.116.758)
Tax expenses related to vehicles	(32.800.494)	(24.616.270)
Cost of second hand vehicles sold	(5.477.892)	(6.541.624)
Stamp duty	(954.837)	(1.402.014)
Other cost of sales	(329.454)	(121.958)
Cost of Sales	**(652.553.221)**	**(467.608.953)**
Gross Profit	**314.347.594**	**226.334.459**

(*) The amounts reported as maintenance and repair expenses mainly consists maintenance and repair costs of vehicles but also includes expenses such as replacement vehicle costs and seasonal tire change service costs.

NOTE 19 – MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

The details of marketing and general administrative expenses for the years ended 31 December 2018 and 31 December 2017 as follows:

Marketing expenses	**1 January-31 December 2018**	**1 January-31 December 2017**
Exhibitions, seminars, advertising and promotion expenses	(1.506.548)	(3.006.308)
Entertainment expenses	(12.618)	(28.263)
	(1.519.166)	**(3.034.571)**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 19 - MARKETING, GENERAL ADMINISTRATIVE EXPENSES (Cont'd)

General administrative expenses	1 January-31 December 2018	1 January-31 December 2017
Personnel expenses	(15.284.975)	(13.285.474)
Depreciation and amortization expenses	(6.949.682)	(4.128.329)
Services outsourced	(3.377.909)	(1.823.141)
Bonus and premium expenses	(2.830.085)	(3.247.096)
Other benefits for the personnel	(1.777.078)	(1.553.424)
Information system expenses	(1.333.010)	(903.279)
Rent expense	(894.395)	(703.868)
Provision for unused vacation (Note 15)	(689.827)	(532.785)
Travel expenses	(648.142)	(1.820.436)
Office expenses	(450.458)	(368.021)
Commission expenses	(447.541)	(379.302)
Provisions for legal cases	(307.404)	(105.000)
Premium provision expense (Note 15)	(206.615)	(378.000)
Contribution expenses	(116.437)	(104.195)
Notary and tax expenses	(110.001)	(412.727)
Telephone and communication expenses	(107.688)	(222.687)
Provision for employee termination benefits (Note 15)	(106.809)	(194.271)
Entertainment expenses	(79.492)	(260.772)
Shipping expenses	(33.243)	(48.707)
Other expenses	(251.150)	(701.178)
	(36.001.941)	**(31.172.692)**

NOTE 20 - OTHER OPERATING INCOME AND EXPENSES

The details of other operating income for the years ended 31 December 2018 and 31 December 2017 are as follows:

Other operating income	1 January-31 December 2018	1 January-31 December 2017
Insurance loss settlement income	15.314.066	7.455.919
Commission income from suppliers	3.760.824	6.364.658
Reversal of provision for doubtful receivables (Note 4)	2.501.701	905.707
Other operational fleet income	1.644.892	583.524
Discount on trade payables	813.025	3.569.758
Provisions no longer required for missing vehicles	854.099	121.182
Reversal of provision for unused vacation(net) (Note 15)	573.270	538.475
Other income	493.448	416.680
	25.955.325	**19.955.903**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 20 - OTHER OPERATING INCOME AND EXPENSES (Cont'd)

The details of other operating expenses for the years of 31 December 2018 and 31 December 2017 are as follows:

Other operating expenses and losses	**1January- 31 December 2018**	**1 January- 31 December 2017**
Provision for doubtful receivables (Note 4)	(4.462.059)	(3.347.320)
Discount on trade receivables	(3.881.275)	(2.941.191)
Non-deductible expenses	(2.500.973)	(25.653)
Provision for missing vehicles (Note 11)	(2.181.002)	(869.540)
Other expenses	(53.675)	(180.322)
	(13.078.984)	**(7.364.026)**

NOTE 21 – INCOME FROM INVESTING ACTIVITIES

The details of income from investing activities for the years of 31 December 2018 and 31 December 2017 are as follows:

Income from investing activities	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Interest income	1.437.597	231.012
	1.437.597	**231.012**

NOTE 22 – FINANCE INCOME AND EXPENSES

The details of finance income and expenses for the years of 31 December 2018 and 31 December 2017 are as follows:

Finance income	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Gains from derivative financial instruments held for trading	5.479.543	-
	5.479.543	**-**

Finance expenses	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Interest expenses	(166.216.012)	(86.070.753)
Foreign exchange losses	(108.587.086)	(65.520.300)
Losses on derivative financial instruments held for trading	-	(12.021.320)
	(274.803.098)	**(163.612.373)**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 23 - INCOME TAX (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2018	31 December 2017
Current corporate tax provision	501.261	284.210
Prepaid taxes and funds (-) (Note 10)	26.093	1.330
	527.354	**285.540**

The income taxes for the years ended 31 December are as follows:

	1 January-31 December 2018	1 January-31 December 2017
Tax charge:		
Current period tax charge	(501.261)	(284.210)
Deferred tax charge:		
TFRS 9 adjusment	(17.885)	-
Deferred tax charge related to temporary differences	(50.579.800)	(40.498.745)
Deferred tax income related to carry forward tax losses	38.941.982	28.258.487
Total tax charge	**(12.156.964)**	**(12.524.468)**

Deferred tax recognized in other comprehensive income for the years ended 31 December 2018 and 31 December 2017 is associated with remeasurement gains from hedge accounting losses and defined benefit plans.

Corporate Tax

The Company and its subsidiary in Turkey, are subject to the tax legislation and practices in force in Turkey. The corporation tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the accounting period and is paid in one installment until the end of the relevant month.

In Turkey, the corporation tax rate is 22% as of 31 December 2018 (2017: 20%). However, in accordance with Article 91 of the "Law on Amendments to Certain Tax Laws and Other Laws" numbered 7061 and published in the Official Gazette dated 5 December 2017 and numbered 30261 and the provisional article 10 added to the Tax Law No.5520, it is foreseen that the corporation tax that should be paid over the profits of the 2018, 2019 and 2020 taxation periods is calculated as 22% and the taxation will be continued with 20% for the subsequent years. During this period, the Council of Ministers was given the authority to reduce the rate of 22% to 20%.

As of 31 December 2018, provisional tax is payable at the rate of 22% (2017: 20%) on the income generated for the three-month periods pursuant to tax legislation and the amounts paid in this manner are deducted from the tax calculated on the annual earnings. With the amendment made in the law, this ratio was set at 22% for the years 2018, 2019 and 2020.

Tax legislation in Turkey does not allow to fill consolidated tax returns of the Company and its subsidiary. Therefore, the tax liability reflected in the financial statements is calculated separately for each company.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period not exceeding 5 years. Declarations and related accounting records can be examined within five years of the tax year, and tax accounts can be revised.

NOTE 23 - INCOME TAX (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

Corporate Tax (Cont'd)

In Turkey, the joint-stock companies, corporation tax and non-responsible for the income tax and who are resident in Turkey, those made to those except for exempt and non-natural persons and dividend payments to legal persons not resident in Turkey are subject to 15% income tax.

Dividend payments by resident corporations to resident joint-stock company in Turkey again in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, the income tax is not calculated.

Dividend income (excluding profits from investment funds 'participation certificates and investment trusts' shares) obtained from participating in the capital of another corporation which is fully taxpayed is exempt from corporation tax. In addition, 75% of the profits arising from the sale of founders' shares, redeemable shares and preferential rights of real estates (immovables) owned by the same duration as the participation shares included in the assets of the institutions for at least two full years are exempt from corporate taxation as of 31 December, 2018. However, with the amendment made by Law No. 7061, this ratio has been reduced from 75% to 50% in terms of immovables and this ratio will be used as 50% in tax declarations to be prepared from 2018.

In order to benefit exclusively, the earning must be kept in a passive fund account and not withdrawn for 5 years. The sales price must be collected until the end of the second calendar year following the year in which the sale is made.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. Income tax withholding 24 April 2003 - 22 July 2006 is 10% among all companies. This rate since 22 July 2006, by the Council of Ministers No. 2006/10731 of 15% is applied. Undistributed dividends incorporated in share capital are not subject to income tax withholding.

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its consolidated financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the rate of 22% (2017: 22%) is used.

As of 31 December 2018 and 2017, the tax rate used in the calculation of deferred tax assets and liabilities is 22% for 2018-2020 and 20% for subsequent years.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 23 - INCOME TAX (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

Deferred Tax (Cont'd):

The movement of the deferred tax balances are as follows:

	1 January 2018	Current Period Deferred Tax Income / (Expense)	Recognised in Other Comrehensive Income	Recognised in Retained Earnings	31 December 2018
Carry forward tax losses	57.419.016	34.184.904	-	-	91.603.920
Difference between the tax base and carrying value of assets under operating lease, property, plant and equipment and intangible assets	(82.789.498)	(11.982.668)	-	-	(94.772.166)
Allowance for doubtful receivables	1.593.262	405.366	-	-	1.998.628
Provision for missing vehicles	164.639	127.280	-	-	291.919
Discount on trade receivables and payables (net)	(714.189)	674.931	-	-	(39.258)
Provision for employee termination benefits	180.377	18.455	(4.949)	-	193.883
Provision for unused vacation	137.064	23.311	-	-	160.375
Fair value of derivative financial instruments	3.035.592	(1.205.499)	-	-	1.830.093
Provision for bonus	83.160	45.455	-	-	128.615
Interest accrual on borrowings	(36.925)	255.395	-	-	218.470
Deferred rent income	3.712.132	573.360	-	-	4.285.492
Hedge accounting (Cash flow)		(8.564.739)	8.564.739	-	-
Hedge accounting (Fair value)	(8.048.529)	(26.707.825)	-	-	(34.756.354)
Other	(677.201)	496.571	-	(17.855)	(198.515)
Total deferred tax assets / (liabilities)	**(25.941.100)**	**(11.655.703)**	**8.559.790**	**(17.855)**	**(29.054.898)**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 23 - INCOME TAX (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

Deferred Tax (Cont'd):

The movement of the deferred tax balances are as follows:

	1 January 2017	Current Period Deferred Tax Income / (Expense)	Recognised in Other Comrehensive Income	Recognised in Retained Earnings	31 December 2017
Carry forward tax losses	28.846.031	28.572.985	-	-	57.419.016
Difference between the tax base and carrying value of assets under operating lease, property, plant and equipment and intangible assets	(54.103.298)	(28.686.200)	-	-	(82.789.498)
Allowance for doubtful receivables	1.811.848	(218.586)	-	-	1.593.262
Provision for missing vehicles	115.184	49.455	-	-	164.639
Discount on trade receivables and payables (net)	(523.550)	(190.639)	-	-	(714.189)
Provision for employee termination benefits	143.883	2.903	33.591	-	180.377
Provision for unused vacation	138.202	(1.138)	-	-	137.064
Fair value of derivative financial instruments	355.365	2.680.227	-	-	3.035.592
Provision for bonus	-	83.160	-	-	83.160
Interest accrual on borrowings	(21.038)	(15.887)	-	-	(36.925)
Deferred rent income	2.015.786	1.696.346	-	-	3.712.132
Hedge accounting (Cash flow)	-	(7.825.591)	7.825.591	-	-
Hedge accounting (Fair value)	-	(8.048.529)	-	-	(8.048.529)
Other	(338.437)	(338.764)	-	-	(677.201)
Total deferred tax assets / (liabilities)	**(21.560.024)**	**(12.240.258)**	**7.859.182**	**-**	**(25.941.100)**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 23 - INCOME TAX (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

Deferred Tax (Cont'd):

As of 31 December 2018 and 31 December 2017, the breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities in provided using principal tax rates is as follows:

Total temporary differences:	**Temporary differences 31 December 2018**	**Temporary differences 31 December 2017**	**Deferred tax 31 December 2018**	**Deferred tax 31 December 2017**
Carry forward tax losses	416.381.454	262.410.666	91.603.920	57.730.347
Difference between the tax base and carrying value of assets under operating lease, property, plant and equipment and intangible assets	(430.782.571)	(376.315.900)	(94.772.166)	(82.789.498)
Allowance for doubtful receivables	9.084.671	7.242.098	1.998.628	1.593.262
Provision for missing vehicles	1.326.903	748.358	291.919	164.639
Discount on trade receivables and payables (net)	(178.445)	(3.246.316)	(39.258)	(714.190)
Provision for employee termination benefits	969.411	901.887	193.882	180.377
Provision for unused vacation	801.875	685.318	160.375	137.064
Fair value of derivative financial instruments	8.318.603	13.798.146	1.830.093	3.035.592
Interest accrual on borrowings	993.044	(167.839)	218.470	(36.925)
Provision for bonus	584.615	378.000	128.615	83.160
Deferred rent income	19.479.510	16.873.327	4.285.492	3.712.132
Hedge accounting (Fair value)	(157.983.426)	(37.999.359)	(34.756.354)	(8.359.860)
Other	(902.334)	(3.078.185)	(198.514)	(677.201)
	(131.906.690)	**(117.769.799)**	**(29.054.898)**	**(25.941.100)**

(Amounts are expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 23 - INCOME TAX (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont’d)

Deferred Tax (Cont’d):

As at 31 December 2018 and 31 December 2017, the items attributed to the deferred tax assets and deferred tax liabilities are as follows:

	31 December 2018		
Deferred tax assets / (liabilities)	**Assets**	**Liabilities**	**Net**
Carry forward tax losses	91.603.920	-	91.603.920
Difference between the tax base and carrying value of assets under operating lease, property, plant and equipment and intangible assets	-	(94.772.166)	(94.772.166)
Allowance for doubtful receivables	1.998.628	-	1.998.628
Provision for missing vehicles	291.919	-	291.919
Interest accrual on trade receivables and payables (net)	-	(39.258)	(39.258)
Provision for employee termination benefits	193.883	-	193.883
Provision for unused vacation	160.375	-	160.375
Fair value of derivative financial instruments	1.830.093	-	1.830.093
Provision for bonus	128.615	-	128.615
Interest accrual on borrowings	-	218.470	218.470
Deferred rent income	4.285.492	-	4.285.492
Hedge accounting	-	(34.756.354)	(34.756.354)
Other	-	(198.515)	(198.515)
Subtotal	**100.492.925**	**(129.547.823)**	**(29.054.898)**
Set-off tax	(100.492.925)	100.492.925	-
Total deferred tax assets / (liabilities)	**-**	**(29.054.898)**	**(29.054.898)**

	31 December 2017		
Deferred tax assets / (liabilities)	**Assets**	**Liabilities**	**Net**
Carry forward tax losses	57.419.016	-	57.419.016
Difference between the tax base and carrying value of assets under operating lease, property, plant and equipment and intangible assets	-	(82.789.498)	(82.789.498)
Allowance for doubtful receivables	1.593.262	-	1.593.262
Provision for missing vehicles	164.639	-	164.639
Interest accrual on trade receivables and payables (net)	-	(714.189)	(714.189)
Provision for employee termination benefits	180.377	-	180.377
Provision for unused vacation	137.064	-	137.064
Fair value of derivative financial instruments	3.035.592	-	3.035.592
Provision for bonus	83.160	-	83.160
Interest accrual on borrowings	-	(36.925)	(36.925)
Deferred rent income	3.712.132	-	3.712.132
Hedge accounting	-	(8.048.529)	(8.048.529)
Other	-	(677.201)	(677.201)
Subtotal	**66.325.242**	**(92.266.342)**	**(25.941.100)**
Set-off tax	(66.325.242)	66.325.242	-
Total deferred tax assets / (liabilities)	**-**	**(25.941.100)**	**(25.941.100)**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 23 - INCOME TAX (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

Deferred Tax (Cont'd):

The maturity analyses of deductible losses are as follows:

	31 December 2018	31 December 2017
Expiring in 2019	-	23.038.219
Expiring in 2020	19.139.253	19.139.253
Expiring in 2021	103.625.174	103.625.174
Expiring in 2022	116.608.020	116.608.020
Expiring in 2023	177.009.007	-
	416.381.454	**262.410.666**

Movements of deferred tax assets (liabilities) for the years ended 31 December 2018 and 31 December 2017 are as follows:

	2018	2017
Opening balance at 1 January	(25.941.100)	(21.560.024)
TFRS 9 adjustment	(17.885)	-
Deferred tax charge	(11.655.703)	(12.240.258)
Recognised in other comprehensive income	8.559.790	7.859.182
Closing balance at 31 December	**(29.054.898)**	**(25.941.100)**

The reconciliation between tax expenses and calculated tax expenses are as follows:

Tax reconciliation:	1 January- 31 December 2018	1 January- 31 December 2017
Profit before tax	21.816.870	41.337.712
Income tax rate of 22% and 20%	(4.799.711)	(9.094.297)
Tax effects of:		
- Non-deductible expenses	(3.907.673)	(1.914.897)
- Unused tax losses	-	333.942
- Exceptions	1.346.485	940.651
- Written off carry forward tax losses	(5.068.408)	-
- Effect on deferred tax balances due to change in income tax rate from Increase in tax rate from 20% to 22%	-	(3.010.966)
- Other	272.343	221.100
Tax expense recognized in statement of profit or loss	**(12.156.964)**	**(12.524.467)**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 24 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated financial statements of income are determined by dividing the net income by the weighted average number of shares that have been outstanding during the year.

Earning per share for the years ended 31 December 2018 and 31 December 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Net income for the period	9.659.906	28.813.244
Weighted average number of shares (with a nominal par value)	10.000.000	10.000.000
Earnings per share	**0,97**	**2,88**

NOTE 25 - RELATED PARTY DISCLOSURES

Due to/from related parties as of 31 December 2018 and 31 December 2017:

a) Due from related parties:

	31 December 2018	31 December 2017
Türkiye Garanti Bankası A.Ş.	297.762	216.456
Garanti Faktoring Hizmetleri A.Ş.	158.328	-
Garanti Yatırım Ortaklığı A.Ş.	20.591	24.344
Garanti Portföy Yönetimi A.Ş.	12.811	43.808
Garanti Emeklilik ve Hayat A.Ş.	12.504	-
Garanti Finansal Kiralama A.Ş	5.221	-
Garanti Ödeme Sistemleri A.Ş.	624	148.435
Garanti Bank Internatıonal	366	-
Garanti Yatırım Menkul Kıymetler A.Ş.	118	-
Eureko Sigorta A.Ş.	-	215.049
Doğuş Oto Pazarlama ve Ticaret A.Ş.	-	15.854
Doğuş Otel İşletmeciliği ve Yönetim Hizmetleri A.Ş.	-	12.643
Orta Gayrimenkul Yatırım Yönetimi ve Turizm A.Ş.	-	9.261
Antur Turizm A.Ş.	-	5.520
Doğuş Yayın Grubu A.Ş.	-	2.279
Doğuş Holding A.Ş.	-	-
Doğuş Perakende Satış Giyim ve Aksesuar Tic. A.Ş.	-	-
Doğuş İnşaat ve Tic. A.Ş.	-	-
Other	-	45.625
	508.235	**739.273**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 25 - RELATED PARTY DISCLOSURES (Cont'd)

Due to/from related parties as of 31 December 2018 and 31 December 2017: (Cont'd)

b) Due to related parties :

	31 December 2018	31 December 2017
Garanti Bilişim Teknolojisi ve Ticaret A.Ş.	483.504	-
Garanti Finansal Kiralama A.Ş.	194.734	89.797
Türkiye Garanti Bankası A.Ş.	194.170	26.958
Garanti Emeklilik Hayat A.Ş.	6.637	-
Doğuş Oto Pazarlama ve Ticaret A.Ş.	-	80.426.623
Antur Turizm A.Ş.	-	22.403
Orta Gayrimenkul Yatırım Yönetimi ve Turizm A.Ş.	-	9.190
Other	-	4.880
	879.045	**80.579.851**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 25 - RELATED PARTY DISCLOSURES (Cont'd)

ii) Significant sales to and significant purchases from related parties for the years ended 31 December 2018 and 31 December 2017:

a) Service and product sales to related parties:

	1 January- 31 December 2018	**1 January- 31 December 2017**
Türkiye Garanti Bankası A.Ş.	54.356.176	43.572.028
Garanti Finansal Kiralama A.Ş.	2.550.123	1.881.298
Garanti Emeklilik ve Hayat A.Ş.	2.277.401	1.579.308
Garanti Ödeme Sistemleri A.Ş.	2.234.867	1.808.376
Garanti Yatırım Menkul Kıymetler A.Ş.	1.866.282	1.382.353
Garanti Faktoring Hizmetleri A.Ş.	1.822.970	1.707.404
Eureko Sigorta A.Ş. (*)	1.303.051	1.460.786
Garanti Portföy Yönetimi A.Ş.	799.771	539.660
Garanti Bilişim Teknolojisi ve Tic. A.Ş.	563.675	398.178
Garanti Konut Finansmanı Danışmanlık Hizmetleri A.Ş.	552.366	480.392
Boyner Perakende ve Tekstil Yatırımları A.Ş.	342.996	-
Doğuş Oto Pazarlama ve Ticaret A.Ş. (*)	251.150	189.844
Garanti Kültür A.Ş.	250.317	-
Garanti Bank International	149.331	115.763
Garanti Yatırım Ortaklığı A.Ş.	51.275	-
Garanti Hizmet Yönetimi A.Ş.	21.342	235.918
Doğuş Perakende Satış Giyim ve Aksesuar Ticaret A.Ş. (*)	-	112.410
Doğuş Yayın Grubu A.Ş. (*)	-	178.965
Orta Gayrimenkul Yatırım Yönetimi ve Turizm A.Ş. (*)	-	130.541
Diğer	392.177	462.638
	69.785.270	**56.235.862**

The sales to related parties by the Group composed of operating lease income.

(*) As of 20 December 2018, the Companies are not considered as related parties of the Group since those do not meet the related party criteria under TAS 24 Related Party Disclosures. Services and product sales made to these companies for the period between 1 January 2018 and 20 December 2018 are included in the related party disclosures.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 25 - RELATED PARTY DISCLOSURES (Cont'd)

ii) Significant sales to and significant purchases from related parties for the years ended 31 December 2018 and 31 December 2017: (Cont'd)

b) Services and product purchases from related parties:

	1January- 31 December 2018	1January- 31 December 2017
Doğuş Oto Pazarlama ve Ticaret A.Ş. (**)	67.575.845	257.189.090
Türkiye Garanti Bankası A.Ş.	1.510.336	2.594.232
Garanti Finansal Kiralama A.Ş. (*)	1.209.293	1.052.070
Tüvtürk İstanbul Taşıt Muayene İstasyonları Yapım ve İşletim A.Ş. (**)	377.843	327.871
Garanti Emeklilik ve Hayat A.Ş.	320.210	43.338
Garanti Portföy Yönetimi A.Ş.	303.870	52.477
Garanti Yatırım Menkul Kıymetler A.Ş.	241.108	312.030
Garanti Ödeme Sistemleri A.Ş.	125.231	92.978
Antur Turizm A.Ş. (**)	62.542	87.445
Eureko Sigorta A.Ş. (**)	61.549	247.614
Garanti Faktoring Hizmetleri A.Ş.	53.954	393.685
Garanti Hizmet Yönetimi A.Ş.	22.090	-
Garanti Kültür A.Ş.	15.065	-
Garanti Bilişim Teknolojisi ve Tic. A.Ş.	2.490	-
Garanti Filo Sigorta Aracılık Hizmetleri A.Ş.	60	-
Others	41.357	92.726
	71.922.843	**262.485.556**

(*) Purchases from the Group's related party, Garanti Finansal Kiralama A.Ş., are made of its share of office building rental and its contributions for the share of the building expenses.

(**) As of 20 December 2018, the Companies are not considered as related parties of the Group since those do not meet the related party criteria under TAS 24 Related Party Disclosures. Services and product sales made to these companies for the period between 1 January 2018 and 20 December 2018 are included in the related party disclosures.

iii) Other significant transactions with related parties for the period ended 31 December 2018:

Other income from related parties:

	1January- 31 December 2018	1January- 31 December 2017
T. Garanti Bankası A.Ş.	1.317.271	213.142
	1.317.271	**213.142**

Other income from related parties composed of the interest income of time deposits at Türkiye Garanti Bankası A.Ş.

As of 31 December 2018, the Group has time deposits amounting to TL 3.116.938 with an interest rate of 22,00% and TL 921.890 with an interest rate of 15,00% with maturity of 4 January 2019 (31 December 2017: 5 January 2018 with 12,00% maturity with time deposits amounting to TL 1.021.005).

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 25 - RELATED PARTY DISCLOSURES (Cont'd)

Other expenses to related parties:

	1January- 31 December 2018	1January- 31 December 2017
T. Garanti Bankası A.Ş.(*)	7.293.806	11.001
	7.293.806	**11.001**

(*) It composed of the interest expenses on bank loans from Türkiye Garanti Bankası A.Ş.

c) Remuneration of the members of the Board of Directors and key management personnel:

The remuneration of the members of the Board of Directors and key management personnel for the year ended 31 December 2018 is amounting to TL 2.032.939 (31 December 2017: TL 2.763.150).

NOTE 26 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

a) Capital Risk Management

While managing the continuity of its activities in the capital management, the Group aims to increase its profit by using the debt and equities balance in the most efficient way.

The funding structure of the Group consists of debt which includes cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, legal reserves and retained earnings.

The Management of the Group considers the cost of capital and risks associated with each class of capital. Based on evaluation of the senior management, obtained additional debt or repayment of existing debt is to be kept in balance.

Capital is monitored using the ratio of debt/total capital by the Group. This ratio is calculated as net debt divided by total capital. Net debt is obtained by deducting cash and cash equivalents from total of financial borrowings (as shown in the balance sheet, including current and non-current financial borrowings).

The net liability/total equity ratio at 31 December 2018 and 31 December 2017 is summarized below:

	31 December 2018	31 December 2017
Financial and Trade Liabilities	1.603.884.635	1.631.762.429
Less: Cash and cash equivalents (Note 3)	(5.894.977)	(2.190.100)
Net Liabilities	1.597.989.658	1.629.572.329
Total Equity	10.900.691	31.525.721
Gearing Ratio	0,68 %	1,93%

NOTE 26 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

b.1) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and if possible obtaining sufficient collaterals. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit risk is controlled each year according to counterparty limits which are reviewed and approved for the customers.

Trade receivables consist of reputable financially strong customers excluding related parties. On-going credit evaluation is performed on the financial condition of account receivable.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 26 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

b.1) Credit risk management (Cont'd)

Exposed credit risks through types of financial instruments:

	Receivables					
	Trade Receivables		Other Receivables			
31 December 2018	**Related Parties**	**Other**	**Related Parties**	**Other**	**Bank Deposits**	**Total**
Maximum net credit risk as of balance sheet date (*)	508.325	39.851.988	-	68.861	5.894.615	46.323.789
- The part of maximum risk under guarantee with collaterals (**)	-	1.571.500	-	-	-	1.571.500
A. Net book value of neither past due nor impaired financial assets	508.325	16.681.485	-	68.861	5.894.615	23.153.286
B. Book value of restructured otherwise accepted as past due and impaired financial assets						
C. Net book value of past due but not impaired assets	-	23.170.503	-	-	-	23.170.503
- Guaranteed amount by collateral	-	-	-	-	-	-
D. Impaired asset net book value	-	-	-	-	-	-
- Past due (gross carrying value)	-	11.134.015	-	-	-	11.134.015
-Impairment (-)	-	(9.346.280)	-	-	-	(9.346.280)
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-	-	-
E. Off balance sheet items containing credit risk	-	-	-	-	-	-

(*) Factors which increase credit reliability, like guarantees received, have not been taken into consideration during amount determination.

(**) Including; guarantee notes, guarantee cheques and mortgages.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 26 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

b.1) Credit risk management (Cont'd)

Exposed credit risks through types of financial instruments:

	Receivables					
	Trade Receivables		**Other Receivables**			
31 December 2017	**Related Parties**	**Other**	**Related Parties**	**Other**	**Bank Deposits**	**Total**
Maximum net credit risk as of balance sheet date (*)	739.273	30.421.843	-	77.104	2.188.195	33.426.415
- The part of maximum risk under guarantee with collaterals (**)	-	2.543.255	-	-	-	2.543.255
A. Net book value of neither past due nor impaired financial assets	739.273	13.567.885	-	77.104	2.188.195	16.572.457
B. Book value of restructured otherwise accepted as past due and impaired financial assets						
C. Net book value of past due but not impaired assets	-	16.853.958	-	-	-	16.853.958
- Guaranteed amount by collateral	-	-	-	-	-	-
D. Impaired asset net book value	-	-	-	-	-	-
- Past due (gross carrying value)	-	7.467.215	-	-	-	7.467.215
-Impairment (-)	-	(7.467.215)	-	-	-	(7.467.215)
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-	-	-
E. Off balance sheet items containing credit risk	-	-	-	-	-	-

(*)Factors which increase credit reliability, like guarantees received, have not been taken into consideration during amount determination.
(**) Including; guarantee notes, guarantee cheques and mortgages.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 26 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

b.1) Credit risk management (Cont'd)

	31 December 2018 Trade Receivables	31 December 2017 Trade Receivables
1-30 days overdue	13.870.239	9.220.695
1-3 months overdue	5.830.362	7.632.745
3-5 months overdue	3.469.902	518
Total	**23.170.503**	**16.853.958**
Guaranteed amount by collateral	-	-

As of the balance sheet date, there are no guarantees received for past due but not impaired receivables.

b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

31 December 2018

Contractual maturities	Book value	Total contractual cash outflows (I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1 - 5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Securities issued	91.160.445	95.261.240	95.261.240	-	-	-
Borrowings	1.469.709.546	1.597.952.832	269.114.432	302.412.111	1.026.426.289	-
Trade payables	43.014.644	43.822.592	43.822.592	-	-	-
Total liabilities	**1.603.884.635**	**1.737.036.664**	**408.198.264**	**302.412.111**	**1.026.426.289**	**-**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 26 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

b.2) Liquidity risk management (Cont'd)

31 December 2017

Contractual maturities	Book value	Total contractual cash outflows (I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1 - 5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Securities issued	90.510.573	107.884.043	3.576.809	10.730.426	93.576.809	-
Borrowings	1.357.230.053	1.425.028.503	494.151.702	410.897.713	519.979.088	-
Trade payables	184.021.803	187.482.489	187.482.489	-	-	-
Total liabilities	**1.631.762.429**	**1.720.395.035**	**685.211.000**	**421.628.139**	**613.555.897**	**-**

As of 31 December 2018, the Group has TL 8.319.263 of derivative financial liabilities, of which amounting to TL 25.014 is shorter than 3 months, amounting to TL 8.294.249 is shorter than 1 year (As of 31 December 2017, TL amounting to TL 13.821.999 of derivative financial liabilities, of which amounting to TL 1.555.691 is shorter than 3 months, amounting to TL 12.266.308 is shorter than 1 year).

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 26 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

b.3) Interest rate risk management

Hedging strategies are evaluated on a regular basis, to be compatible with expectation of interest rate risk and defined risks.

Thus, the aim of the determination of an optimal hedging strategy is both to review the balance sheet position and to keep under control of interest expenditures with the different interest rate.

As of 31 December 2018, if the interest rate in terms of TL was 100 bps higher/lower and all the other conditions were the same, profit before tax would be amounting to TL 1.194.343 / TL (1.194.343) (31 December 2017: TL 1.526.115 /(TL 1.389.811) higher/lower.

Interest Position Table:

	31 December 2018	31 December 2017
Financial instruments with fixed rate		
Financial Assets	4.027.841	1.021.005
Financial Liabilities	1.469.709.546	1.357.230.053
Financial instruments with floating rate		
Financial Liabilities	91.160.445	90.510.573

b.4) Foreign currency risk management

Foreign currency transactions expose the Group to foreign currency risk. Foreign currency risk is managed with approved policies on the basis of the forward purchase/sale contracts.

As of 31 December 2018 and 31 December 2017, the Group's monetary and non-monetary assets and liabilities in foreign currency positions are as follows.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 26 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

b.4) Foreign currency risk management (Cont'd)

Currency position table:

31 December 2018	TL Equivalent **(Functional Currency)**	**USD**	**EUR**	**Other**
1. Trade receivables	-	-	-	-
2.a Monetary financial assets	215.708	2.103	33.949	-
2.b Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	**215.708**	**2.103**	**33.949**	**-**
5. Trade receivables	-	-	-	-
6.a Monetary financial assets	-	-	-	-
6.b Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	**-**	**-**	**-**	**-**
9. TOTAL ASSETS	**215.708**	**2.103**	**33.949**	**-**
10. Trade payables	-	-	-	-
11. Financial liabilities	219.087.910	-	36.345.042	-
12.a Other monetary liabilities	-	-	-	-
12.b Other non-monetary liabilities	-	-	-	-
13. CURRENT LIABILITIES	**219.087.910**	**-**	**36.345.042**	**-**
14. Trade payables	-	-	-	-
15. Financial liabilities	838.131.103	-	139.039.665	-
16.a Other monetary liabilities	-	-	-	-
16.b Other non-monetary liabilities	-	-	-	-
17. NON-CURRENT LIABILITIES	**838.131.103**	**-**	**139.039.665**	**-**
18. TOTAL LIABILITIES	**1.057.219.013**	**-**	**175.384.707**	**-**
19. Net asset / liability position of off-balance sheet derivaties (19a-19b)	5.077.861	-	842.379	-
19.a Off-balance sheet foreign currency derivative assets	35.733.707	-	5.927.954	-
19.b Off-balance sheet foreign currency derivative liabilities	30.655.846	-	5.085.575	-
20. Net foreign currency asset liability position	(11.249.367)	2.103	(1.868.021)	-
21. Net foreign currency asset / liability position of monetary items (l+2a+6a-10-11-12a-14-15-16a)	(1.057.003.305)	2.103	(175.350.758)	-
22. Fair value of foreign currency hedged financial assets	1.040.676.077	-	172.640.358	-
23. Amount of foreign currency hedged financial assets	-	-	-	-
24. Export	-	-	-	-
25. Import	-	-	-	-

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 26 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

b.4) Foreign currency risk management (Cont'd)

Currency position table:

31 December 2017	**TL Equivalent (Functional Currency)**	**USD**	**EUR**	**Other**
1. Trade receivables	-	-	-	-
2.a Monetary financial assets	99.847	2.459	20.058	-
2.b Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	**99.847**	**2.459**	**20.058**	**-**
5. Trade receivables	-	-	-	-
6.a Monetary financial assets	-	-	-	-
6.b Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	**-**	**-**	**-**	**-**
9. TOTAL ASSETS	**99.847**	**2.459**	**20.058**	**-**
10. Trade payables	147.644	35.894	2.714	-
11. Financial liabilities	410.505.103	-	90.910.221	-
12.a Other monetary liabilities	-	-	-	-
12.b Other non-monetary liabilities	-	-	-	-
13. CURRENT LIABILITIES	**410.652.747**	**35.894**	**90.912.935**	**-**
14. Trade payables	-	-	-	-
15. Financial liabilities	453.504.015	-	100.432.735	-
16.a Other monetary liabilities	-	-	-	-
16.b Other non-monetary liabilities	-	-	-	-
17. NON-CURRENT LIABILITIES	**453.504.015**	**-**	**100.432.735**	**-**
18. TOTAL LIABILITIES	**864.156.762**	**35.894**	**191.345.670**	**-**
19. Net asset / liability position of off-balance sheet derivaties (19a-19b)	(127.735.011)	-	(28.288.121)	-
19.a Off-balance sheet foreign currency derivative assets	13.510.376	-	2.992.000	-
19.b Off-balance sheet foreign currency derivative liabilities	141.245.387	-	31.280.121	-
20. Net foreign currency asset liability position	7.830.923	(33.435)	1.762.161	-
21. Net foreign currency asset / liability position of monetary items (l+2a+6a-10-11-12a-14-15-16a)	(864.056.915)	(33.435)	(191.325.612)	-
22. Fair value of foreign currency hedged financial assets	999.622.849	-	221.375.894	-
23. Amount of foreign currency hedged financial assets	-	-	-	-
24. Export	-	-	-	-
25. Import	-	-	-	-

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 26 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Euro:

	31 December 2018	**31 December 2017**
USD Dollar	5,2609	3,7719
Euro	6,0280	4,5155

The Group is exposed to foreign exchange risk primarily from USD Dollar and Euro.

The following table details the Group's sensitivity to a 10% increase and decrease in the US Dollar and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis covers only the outstanding monetary items and reflects the effect of 10% change in the foreign exchange rates to the related items in the year end. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss and other equity components.

31 December 2018

	Income / Loss	
	Foreign currency appreciates	Foreign currency depreciates
10% appreciation / devaluation of US Dollars against TL		
1 - USD net assets / (liabilities)	1.106	(1.106)
2 - Hedging amount of USD (-)	-	-
3 - USD net effect	1.106	(1.106)
10% appreciation / devaluation of Euro against TL		
4 - Euro net assets / (liabilities)	(105.701.437)	105.701.437
5 - Hedging amount of Euro (-)	104.575.394	(104.575.394)
6 - EUR net effect	(1.126.043)	1.126.043
TOTAL	**(1.124.937)**	**1.124.937**

	Equity	
	Foreign currency appreciates	Foreign currency depreciates
10% appreciation / devaluation of Euro against TL		
7 - Euro net assets / (liabilities)	(35.834.880)	35.834.880
8 - EUR net effect	**(35.834.880)**	**35.834.880**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 26 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

Foreign currency sensitivity (Cont'd)

	31 December 2017	
	Income / Loss	
	Foreign currency appreciates	Foreign currency depreciates
10% appreciation / devaluation of US Dollars against TL		
1 - USD net assets / (liabilities)	(12.611)	12.611
2 - Hedging amount of USD (-)	-	-
3 - USD net effect	(12.611)	12.611
10% appreciation / devaluation of Euro against TL		
4 - Euro net assets / (liabilities)	(86.393.080)	86.393.080
5 - Hedging amount of Euro (-)	87.188.784	(87.188.784)
6 - EUR net effect	795.704	(795.704)
TOTAL	**783.093**	**(783.093)**
	Equity (*)	
	Foreign currency appreciates	Foreign currency depreciates
10% appreciation / devaluation of Euro against TL		
7 - Euro net assets / (liabilities)	(28.245.207)	28.245.207
8 - EUR net effect	**(28.245.207)**	**28.245.207**

(*) It does not include the profit / (loss) part.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 27 – FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK)

Fair value of financial instruments:

31 December 2018	Loans and receivables (Including cash and cash equivalents)	Financial liabilities at amortized cost
Financial Assets		
Cash and cash equivalents	5.894.977	-
Trade receivables	40.360.313	-
-Due from related parties	*508.325*	-
-Other trade receivables	*39.851.988*	-
Other receivables	68.861	-
Financial Liabilities		
Financial borrowings	-	1.469.709.546
Other financial liabilities	-	91.160.445
Trade payables	-	43.014.644
-Due to related parties	-	*879.045*
-Other trade payables	-	*42.135.599*

The Group considers that the carrying values of financial instruments reflect their fair value.

31 December 2017	Loans and receivables (Including cash and cash equivalents)	Financial liabilities at amortized cost
Financial Assets		
Cash and cash equivalents	2.190.100	-
Trade receivables	31.161.116	-
-Due from related parties	*739.273*	-
-Other trade receivables	*30.421.843*	-
Other receivables	77.104	-
Financial Liabilities		
Financial borrowings	-	1.357.230.053
Other financial liabilities	-	90.510.573
Trade payables	-	184.021.803
-Due to related parties	-	*80.579.851*
-Other trade payables	-	*103.441.952*

(Amounts are expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 27 – FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK) (Cont’d)

Fair value of financial instruments (Cont’d):

The fair values of financial assets and financial liabilities are determined as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.
- Level 3: the fair value of the financial assets and fmancial liabilities are determined based upon market data that is not observable.

Derivative Financial Instruments:

	31 December 2018		31 December 2017	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Swap	660	8.319.263	23.853	13.821.999
Short term	660	8.319.263	23.853	13.821.999
Total	**660**	**8.319.263**	**23.853**	**13.821.999**

As of 31 December 2018, the Group's fair value of swap transactions is estimated approximately amounting to TL 660 assets and TL 8.319.263 liabilities (31 December 2017: TL 23.853 asset and TL 13.821.999 liabilities).

Cash flow hedge accounting:

The Group treats future operating lease receivables based on Euro and future sales of second hand vehicles pursued in Euro based on the residual values in relation to Euro loans in the statement of financial position to account for cash flow risk and protects against exchange rate risk.

As of 31 December 2018, amounting TL 138.969.525 (31 December 2017: TL 117.743.024), which is the unrealized portion of the Group's Euro denominated foreign exchange loss, is associated with long term future Euro receivables, hedging loss net of deferred tax asset amounting to TL 30.573.295 (31 December 2017: TL 25.903.465) and is recognized under equity.

TL 100.038.893 (31 December 2017: 82.172.154) of the hedging instrument affect profit or loss has been recognized in shareholders' equity in previous periods and its portion amounting to TL 22.008.556 (31 December 2017: TL 18.077.874) has been netted off with deferred tax liability and reflected to the statement of profit or loss.

Prior to 1 October 2017, the Group had applied cash flow hedge accounting to its future operating lease receivables arising from cash and lease agreements from second-hand sales. As of 1 October 2017, the Group has begun to apply the fair value hedge model as well as the cash flow hedge model. Accordingly, the Group has started to account for future operating lease receivables that are not recognized, as firm commitments since 1 October 2017 in the scope of fair value hedge accounting.

NOTE 27 – FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK) (Cont'd)

Cash flow hedge accounting (Cont'd):

Accordingly, foreign exchange differences arising from the hedging instruments originated by Euro loans are recognized under "Fair value of firm commitments" in the consolidated statement of financial position and recognized in the profit or loss statement during the period when hedge accounting is effective.

As of 31 December 2018, the effect of the exchange rate change related to the cash to be obtained from future operating lease receivables under Euro and the amount recognized in the "Fair Value of Firm Commitments" account is TL 157.983.426 (31 December 2017: TL 36.584.221).

NOT 28 –EVENTS AFTER THE REPORTING PERIOD

None (31 December 2017: None).