

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

DOĐAN ŐİRKETLER GRUBU HOLDİNG A.Ő.

**CONSOLIDATED FINANCIAL STATEMENTS
AT 1 JANUARY – 31 DECEMBER 2019 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Doğan Şirketler Grubu Holding A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Doğan Şirketler Grubu Holding A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit or loss, consolidated statement of 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 comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that we found, in our professional judgment, to be of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent 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.



3. Key Audit Matters (Continued)

<i>Key audit matters</i>	<i>Audit procedures implemented for the key audit matters</i>
<p><i>Dealer contractual assets included in intangible assets</i></p> <p>The Group enters into contracts related to usufruct, advance sales support premium, rent and similar with its both existing and new dealers within the scope of its fuel retail activities. The accounting policies related to the prepaid amounts with respect to these contracts are disclosed in Note 2.2.</p> <p>As of 31 December 2019, dealer contractual assets accounted for under intangible assets in the consolidated statement of financial position amounts to TRY181,120 thousands (Note 15). Due to fact that dealer contractual assets have significant share in the consolidated financial statements and each dealer contract contains different conditions; complete and accurate recognition of such assets in the consolidated financial statements is important for our audit and accordingly it has been evaluated as a key audit matter.</p>	<ul style="list-style-type: none"> • A detailed test was carried out on a sample basis to determine whether the payments made to the dealers are accounted for in accordance with the matters specified in the contracts in the consolidated statement of financial position as at 31 December 2019 and consolidated statement of profit or loss for the year then ended. • A detailed test was carried out on a sample basis for the payments made to the dealers regarding the new dealer contracts signed in 2019. • Budget sales data prepared for each dealer were obtained from the Group management, and they have been analyzed by comparing such data with the sales amounts realized in 2019 and applying similar analysis methods to evaluate whether there is any impairment of dealer payments. <p>As a result of our work, we had no material findings in our audit procedures related to the dealer contractual assets included in intangible assets.</p>



3. Key Audit Matters (Continued)

Key audit matters	Audit procedures implemented for the key audit matters
<p data-bbox="272 569 857 627">Investment properties measured by using the fair value method</p> <p data-bbox="272 657 857 804">As explained in Note 13, as of 31 December 2019, the Group’s investment properties, which have a carrying value of TRY1,357,167 thousand and represent a significant share of total assets, comprise of land and buildings.</p> <p data-bbox="272 833 865 1276">The accounting method used by Group management for investment properties is the “fair value method”, as described in Note 2.2. The fair values of these assets are determined by independent valuation institutions authorised by the Capital Markets Board (the “CMB”) and are recognised in the consolidated financial statements after being assessed by Group management. Fair values of investment properties depend on the valuation method used as well as the input and assumptions used in the valuation model. Fair values are directly affected by factors such as market conditions, specific characteristics, physical condition and the geographic location of each investment property.</p> <p data-bbox="272 1306 724 1333">The reasons for our focus on this area:</p> <ul data-bbox="272 1365 862 1661" style="list-style-type: none"> <li data-bbox="272 1365 862 1455">• The quantitative materiality of the investment properties on the consolidated financial statements, <li data-bbox="272 1486 862 1661">• When determining the fair values of the investment properties, methods such as the benchmarking analysis approach, cost approach and direct capitalisation approach are used, and these methods include variables that may lead to differences in the fair values. 	<ul data-bbox="906 602 1495 1373" style="list-style-type: none"> <li data-bbox="906 602 1495 804">• Valuation reports prepared by the independent property valuation institutions assigned by the Group are obtained and the property valuation accreditations and licences of these institutions granted by the Capital Markets Board are checked based on Independent Audit Standards. <li data-bbox="906 835 1446 898">• Deeds and ownership ratios of investment properties were tested on a sample basis. <li data-bbox="906 930 1495 1134">• We compared the consistency of the inputs which have a significant impact on the property value determined and were stated in the valuation reports, such as unit sales value, against observable market prices, and then tested whether the appraised values are within an acceptable range. <li data-bbox="906 1165 1495 1373">• Fair values stated in the valuation reports were compared with the disclosures in the consolidated financial statements to assess if the values in the disclosures and accounting records are consistent with the valuation report and the disclosures are sufficient based on the requirements of TFRS. <p data-bbox="894 1402 1490 1520">As a result of our work, we had no material findings in our audit procedures related to the investment properties accounted for using the fair value method.</p>



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

The Group 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.

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

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in 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.
- Assess the 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 consolidated 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 independent 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 consolidated 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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also 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 Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 27 February 2020.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

A handwritten signature in blue ink, appearing to read "Gökhan Yüksel", with a stylized flourish at the end.

Gökhan Yüksel, SMMM
Partner

Istanbul, 27 February 2020

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

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DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY, expressed in thousands unless otherwise indicated.)

ASSETS	Notes	USD(*) Current Period 31 December 2019	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
Current assets		1,176,433	6,988,247	7,017,592
Cash and cash equivalents	6	551,973	3,278,832	3,817,966
Financial investments	7	198,264	1,177,726	423,682
Trade receivables				
- Due from related parties	34	588	3,495	6,800
- Due from non-related parties	9	288,210	1,712,023	1,819,334
Other receivables				
- Due from related parties	34	-	-	20,536
- Due from non-related parties	10	3,033	18,016	11,048
Inventories	11	104,674	621,783	645,246
Prepaid expenses	21	11,280	67,006	80,783
Derivative instruments	22	3,197	18,993	51,834
Biological assets	12	2,217	13,167	21,174
Other current assets	20	9,793	58,172	119,189
Non-current assets classified as held for sale	31	3,204	19,034	-
Non-current assets		715,859	4,252,344	3,932,218
Trade receivables				
- Due from non-related parties	9	4,391	26,083	45,055
Financial investments	7	34,148	202,845	196,084
Investments accounted for by the equity method	4	21,642	128,557	121,287
Investment properties	13	228,472	1,357,167	1,214,680
Property, plant and equipment	14	185,568	1,102,314	1,033,430
Intangible assets				
- Other intangible assets	15	100,939	599,600	683,234
- Goodwill	15	10,820	64,274	34,476
Rights of use assets	16	39,883	236,915	-
Prepaid expenses	21	9,811	58,281	136,235
Deferred tax asset	32	16,463	97,796	67,306
Other non-current assets	20	63,720	378,512	400,431
Total assets		1,892,292	11,240,591	10,949,810

The consolidated financial statements as of and for the year end period 31 December 2019 have been approved by the Board of Directors on 27 February 2020.

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

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY, expressed in thousands unless otherwise indicated.)

LIABILITIES	Notes	USD(*) Current Period 31 December 2019	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
Current liabilities		476,603	2,831,115	2,987,910
Short-term borrowings				
- Short-term borrowings from non-related parties				
- Bank borrowings	8	269,999	1,603,847	1,437,919
- Issued debt instruments	8	23,015	136,713	57,541
- Other short-term borrowings	8	6	36	14,745
- Lease borrowings	8	70	414	3,964
Short-term portion of long-term borrowings				
- Short-term portion of long term borrowings from related parties				
- Lease borrowings	8.34	1,050	6,238	-
- Short-term portion of long term borrowings from non-related parties				
- Bank borrowings	8	11,964	71,071	348,659
- Lease borrowings	8	6,184	36,734	-
Trade payables				
- Due to related parties	34	61	363	308
- Due to non-related parties	9	125,538	745,720	819,403
Payables related to employee benefits	23	3,243	19,267	16,510
Deferred income (Except obligations arising from customer contracts)				
- Deferred income from non-related parties (Except obligations arising from customer contracts)	21	6,665	39,593	63,084
Derivative instruments	22	57	339	69,084
Other payables				
- Due to non-related parties	10	21,351	126,831	125,157
Current income tax liability	32	1,243	7,381	7,692
Short-term provisions				
- Short-term provisions for employment benefits	23	3,433	20,395	15,855
- Other short-term provisions	18	1,697	10,083	7,989
Other short term liabilities		1,025	6,090	-
Non-current liabilities		130,995	778,136	960,009
Long-term borrowings				
- Long-term borrowings from related parties				
- Lease borrowings	8.34	3,183	18,906	-
Long-term borrowings from non-related parties				
- Bank borrowings	8	68,539	407,133	622,216
- Lease borrowings	8	28,689	170,416	3,597
Investments accounted for by the equity method	4	-	-	151,108
Other payables				
- Due to non-related parties	10	324	1,923	56,145
Deferred income (Except obligations arising from customer contracts)				
- Deferred income from non-related parties (Except obligations arising from customer contracts)	21	837	4,970	6,047
Long-term provisions				
- Long-term provisions for employment benefits	23	7,227	42,930	34,071
- Other long term provisions		258	1,531	1,277
Other long term liabilities		243	1,442	-
Deferred tax liability	32	21,697	128,885	85,548
EQUITY		1,284,694	7,631,340	7,001,891
Equity attributable to equity holders of the parent company		1,201,409	7,136,609	6,661,678
Share capital	24	440,547	2,616,938	2,616,938
Adjustments to share capital	24	24,162	143,526	143,526
Repurchased shares (-)	24	(1,191)	(7,073)	(2,080)
Share premiums (discounts)	24	5,919	35,159	35,159
Other comprehensive income (losses) that will not be reclassified in profit or loss				
- Actuarial gains (losses) on defined benefit plans	24	(1,886)	(11,202)	(8,502)
Shares not classified as profit or loss from other comprehensive income of investments accounted for by equity method	4	98	581	(892)
Other comprehensive income (losses) that will be reclassified in profit or loss				
- Change in currency translation reserves	24	77,663	461,331	414,530
- Gain (loss) on revaluation and reclassification of financial assets held for sale	24	7,651	45,451	(20)
Restricted reserves	24	121,558	722,081	246,914
Retained earnings or accumulated losses		423,054	2,513,028	(416,991)
Net profit or loss for the period		103,833	616,789	3,633,096
Non-controlling interests		83,285	494,731	340,213
Total liabilities		1,892,292	11,240,591	10,949,810

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

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2019 AND 2018

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY, expressed in thousands unless otherwise indicated.)

	Notes	USD ^(*) Current Period 1 January - 31 December 2019	Audited Current Period 1 January - 31 December 2019	Audited Prior Period 1 January - 31 December 2018
Profit or Loss				
Revenue	25	2,235,043	13,276,601	12,146,438
Cost of Sales (-)	25	(2,053,926)	(12,200,730)	(11,131,912)
Gross Profit (Loss)	25	181,117	1,075,871	1,014,526
General Administrative Expenses (-)	26	(49,734)	(295,431)	(278,656)
Marketing Expenses (-)	26	(70,309)	(417,647)	(363,295)
Other Income From Operating Activities	28	139,823	830,575	1,390,038
Other Expenses From Operating Activities (-)	28	(31,734)	(188,506)	(305,540)
Share of Gain (Loss) on Investments Accounted for by the Equity Method	4	4,503	26,748	(192,532)
Operating Profit/(Loss)		173,666	1,031,610	1,264,541
Income from Investment Activities	29	32,390	192,405	3,962,592
Expenses from Investment Activities (-)	29	(2,527)	(15,010)	(947,674)
Operating Profit (Loss) Before Finance (Expense)/Income		203,529	1,209,005	4,279,459
Finance Income		1,596	9,479	194
Finance Expenses (-)	30	(83,239)	(494,455)	(642,964)
Profit (Loss) Before Taxation From Continued Operations		121,886	724,029	3,636,689
Tax Expense From Continued Operations	32	(22,069)	(131,096)	1,768
Tax Income/(Expense) for the Period		(21,659)	(128,656)	(123,498)
Deferred Tax Income/(Expense)		(411)	(2,440)	125,266
Profit/(Loss) For The Period From Continued Operations		99,817	592,933	3,638,457
Profit/(Loss) For The Period From Discontinued Operations		-	-	(71,333)
Profit/(Loss) For The Period From Discontinued Operations		-	-	(71,333)
Profit/(Loss) For The Period		99,817	592,933	3,567,124
Allocation of Profit/(Loss) For The Period				
Attributable to Non-Controlling Interests		(4,016)	(23,856)	(65,972)
Attributable to Equity Holders of the Parent Company		103,833	616,789	3,633,096
Gain/(Loss) Per Share Attributable to Equity Holders of the Parent Company	33	0.040	0.236	1.390

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

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR END PERIODS 1 JANUARY – 31 DECEMBER 2019 AND 2018

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY, expressed in thousands unless otherwise indicated.)

	<i>USD(*)</i> <i>Current Period</i> 1 January - 31 December 2019	<i>Audited</i> <i>Current Period</i> 1 January - 31 December 2019	<i>Audited</i> <i>Prior Period</i> 1 January - 31 December 2018
Profit For The Period	99,817	592,933	3,567,124
OTHER COMPREHENSIVE INCOME			
That will not be reclassified as profit or loss			
Defined benefit plans re-measurement gains / (losses)	(649)	(3,858)	(2,759)
Defined benefit plans re-measurement gains / (losses) of investments valued by equity method	310	1,841	(266)
Taxes on other comprehensive income that will not be reclassified in profit or loss			
- <i>Tax effect of gains (losses) on revaluation of property plant and equipments</i>	-	-	-
- <i>Tax effect of actuarial gains (losses) on defined benefit plans</i>	68	404	552
That will be reclassified as profit or loss			
Currency translation differences	8,313	49,383	119,153
Gain on revaluation and/or reclassification of financial assets available for sale	9,544	56,695	(42,020)
Other comprehensive income (loss) related with cash flow hedges			831
Taxes related to other comprehensive income that will be reclassified as profit or loss			
- <i>Tax effect of comprehensive loss related with cash flow hedges</i>	-	-	(166)
- <i>Tax effect on revaluation and/or reclassification of financial assets available for sale</i>	(1,889)	(11,224)	9,804
OTHER COMPREHENSIVE INCOME /(LOSS)	15,697	93,241	85,129
TOTAL COMPREHENSIVE INCOME /(LOSS)	115,514	686,174	3,652,253
Allocation of Total Comprehensive Income/(Loss)			
Attributable to Non-Controlling Interests	(3,646)	(21,660)	(66,348)
Attributable to Equity Holders of the Parent Company	119,160	707,834	3,718,601

(*) As explained in the Note 2.1.8 to the consolidated financial statements, USD amounts presented in these consolidated financial statements have been included solely for the convenience of the reader and are translated from TRY, as a matter of arithmetic computation only, at the Central Bank of the Republic of Turkey official TRY exchange rate. Thus, USD amounts do not form a part of the consolidated financial statements prepared in accordance with generally accepted accounting standards issued by the Capital Market Board (“CMB”) as of 31 December 2019.

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

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY, expressed in thousands unless otherwise indicated.)

	Notes	Accumulated other comprehensive income or loss that will not be reclassified to profit or loss		Accumulated other comprehensive income or loss that will be reclassified to profit or loss		Retained earnings		Equity attributable to equity holders of the parent company		Non-controlling interest		Equity				
		Share Capital	Adjustments to share capital	Repurchased shares	Gain/loss on revaluation of property plant and equipment	Shares not classified as profit or loss from other comprehensive income of investments accounted for by equity method	Share premiums/ discounts	Gain/(loss) on revaluation and/or reclassification of financial assets available for sale	Currency translation differences	Restricted reserves	Retained earnings/ accumulated losses	Net profit/ (loss) for the period	Equity			
Balances at 1 January 2019	24	2,616,938	143,526	(2,080)	-	(8,502)	(892)	35,159	(20)	414,530	246,914	(416,991)	3,633,096	6,661,678	340,213	7,001,891
Transfers		-	-	-	-	-	-	-	-	-	475,167	3,157,929	(3,633,096)	-	-	-
Dividends		-	-	-	-	-	-	-	-	-	-	(260,995)	-	(260,995)	(3,322)	(264,317)
Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	180,865	180,865
Acquisition or disposal of subsidiary		-	-	-	-	-	-	-	-	-	-	3,685	-	3,685	(3,685)	-
- Effects of ownership rate change of subsidiaries		-	-	-	-	-	-	-	-	-	-	3,685	-	3,685	(3,685)	-
- Acquisition or disposal of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with non-controlling interest shareholders		-	-	-	-	-	-	-	-	-	-	29,400	-	29,400	2,320	31,720
Increase (decrease) due to repurchase transactions of shares		-	-	(4,993)	-	-	-	-	-	-	-	-	-	(4,993)	-	(4,993)
Total comprehensive income/(loss)		-	-	-	-	(2,700)	1,473	-	45,471	46,801	-	-	616,789	707,834	(21,660)	686,174
Profit (loss) for the period		-	-	-	-	-	-	-	-	-	-	-	616,789	707,834	(23,856)	592,933
Other comprehensive income (loss)		-	-	-	-	(2,700)	1,473	-	45,471	46,801	-	-	-	91,045	2,196	93,241
Currency translation differences		-	-	-	-	-	-	-	-	46,801	-	-	-	46,801	2,582	49,383
- Defined benefit plans re-measurement gains/(losses)		-	-	-	-	(2,700)	1,473	-	-	-	-	-	-	(1,227)	(386)	(1,613)
- Change in financial asset revaluation fund		-	-	-	-	-	-	-	45,471	-	-	-	-	45,471	-	45,471
Balances at 31 December 2019	24	2,616,938	143,526	(7,073)	-	(11,202)	581	35,159	45,451	461,331	722,081	2,513,028	616,789	7,136,609	494,731	7,631,340

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

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY, expressed in thousands unless otherwise indicated.)

	Notes	Share capital	Adjustment to share capital	Repurchased shares	Accumulated other comprehensive income or loss that will not be reclassified to profit or loss			Accumulated other comprehensive income or loss that will be reclassified to profit or loss				Retained earnings			Equity attributable to equity holders of the parent company	Non-controlling interest	Equity
					Gain/loss on revaluation of property plant and equipment	Actuarial gains/(losses) on defined benefit plans	Shares not classified as profit or loss from other comprehensive income of investment accounted for by equity method	Gain/(loss) on revaluation and/or reclassification of financial assets available for sale	Currency translation differences	Gain/(losses) from hedge reserves	Restricted reserves	Retained earnings/ accumulated losses	Net profit/(loss) for the period				
Balances at 1 January 2018	24	2,616,938	143,526	(2,080)	34,820	(41,613)	(626)	35,159	32,196	295,272	(665)	312,427	(345,446)	(471,545)	2,608,363	391,703	3,000,066
Effects of mergers of entities under common control	-	-	-	-	-	-	-	-	-	-	-	-	204,457	148,346	352,803	-	352,803
Revised balances as of 1 January 2018	24	2,616,938	143,526	(2,080)	34,820	(41,613)	(626)	35,159	32,196	295,272	(665)	312,427	(140,989)	(323,199)	2,961,166	391,703	3,352,869
Adjustments related to mandatory changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect on changing policy of TFRS 9, net	-	-	-	-	-	-	-	-	-	-	-	-	(765)	-	(765)	-	(765)
Transfers	-	-	-	-	-	-	-	-	-	-	-	(65,513)	(257,686)	323,199	-	-	-
Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38,648	38,648
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(224)	(224)
- Dividend payment of subsidiaries to non-group companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(224)	(224)
Acquisition or disposal of subsidiary	-	-	-	-	(34,820)	35,047	-	-	-	-	-	-	(45)	-	182	(28,641)	(28,459)
- Effect of sale of subsidiary (Note 31)	-	-	-	-	(34,820)	35,047	-	-	-	-	-	-	(227)	-	-	(28,657)	(28,657)
- Transactions with subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Effects of ownership rate change of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	182	182	(182)
- Acquisition or disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	198	198
Transactions with non-controlling interest shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(3,340)	-	(3,340)	16,078	12,738
Effect of mergers involving undertakings or businesses subject to joint control	-	-	-	-	-	-	-	-	-	-	-	-	(25,169)	-	(25,169)	-	(25,169)
Increase/decrease due to changes in shareholding ratio which do not result in loss of control in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	11,003	-	11,003	(11,003)	-
Total comprehensive income/(loss)	-	-	-	-	-	(1,936)	(266)	-	(32,216)	119,258	665	-	-	3,633,096	3,718,601	(66,348)	3,652,253
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	3,633,096	3,633,096	(65,972)	3,567,124
Other comprehensive income (loss)	-	-	-	-	-	(1,936)	(266)	-	(32,216)	119,258	665	-	-	-	85,505	(376)	85,129
Currency translation differences	-	-	-	-	-	-	-	-	-	119,258	-	-	-	-	119,258	(105)	119,153
- Defined benefit plans re-measurement gains/(losses)	-	-	-	-	-	(1,936)	(266)	-	-	-	-	-	-	-	(2,202)	(271)	(2,473)
- Change in hedge fund	-	-	-	-	-	-	-	-	-	-	665	-	-	-	665	-	665
- Change in financial asset revaluation fund	-	-	-	-	-	-	-	-	(32,216)	-	-	-	-	-	(32,216)	-	(32,216)
Balances at 31 December 2018		2,616,938	143,526	(2,080)	-	(8,502)	(892)	35,159	(20)	414,530	-	246,914	(416,991)	3,633,096	6,661,678	340,213	7,001,891

The accompanying notes are an integral part of these consolidated financial statements

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2019 AND 2018

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY, expressed in thousands unless otherwise indicated.)

Notes	<i>USD</i> ^(*) Current Period 1 January - 31 December 2019	Audited Current Period 1 January - 31 December 2019	Audited Prior Period 1 January - 31 December 2018
A. Net Cash From Operating Activities	151,238	898,384	(1,253,381)
Profit/(loss) for the period	99,817	592,933	3,567,124
Profit/(Loss) for the period from continued operations	99,817	592,933	3,638,457
Profit/(Loss) for the period from discontinued operations	-	-	(71,333)
Adjustments regarding reconciliation of net profit (loss) for the period	15,137	89,915	(2,955,625)
Adjustments related to depreciation and amortization	11,14,15,16 53,190	315,958	348,862
Adjustments related to provision (reversal) of impairment	29		
- <i>Adjustments related to other provisions (reversals)</i>	-	-	302,376
- <i>Adjustments for goodwill impairment</i>	-	-	7,996
Adjustments related to provisions			
- <i>Adjustments related to provisions for (reversal of) employee benefits</i>	23 2,652	15,755	9,668
- <i>Adjustments related to provisions (reversal) for lawsuits and/or penalty</i>	18 343	2,036	3,706
- <i>Adjustments related to other provisions (reversals)</i>	(1,654)	(9,828)	32,575
Adjustments related to interest (income) and expenses			
- <i>Adjustments related to interest income</i>	28,29 (35,993)	(213,803)	(218,787)
- <i>Adjustments related to interest expenses</i>	29,30 63,806	379,020	271,504
- <i>Deferred financial expense due to purchases with maturity</i>	28 8,498	50,477	82,956
- <i>Unearned financial income due from sales with maturity</i>	28 (17,202)	(102,186)	(132,117)
Adjustments related to changes in unrealised foreign exchange differences	(64,396)	(382,526)	(427,328)
Adjustments related to fair value (gains) losses	(11,012)	(65,413)	472,492
Adjustments related to losses (gains) on disposal of non-current assets	(660)	(3,923)	(7,330)
Adjustments related to undistributed profits of investments accounted for by the equity method	4 (4,503)	(26,748)	192,532
Adjustments related to tax income (expense)	32 22,069	131,096	(1,768)
Adjustments related to losses (gains) on disposal of associates, joint ventures and financial investments	29 -	-	(3,892,962)
Changes in working capital	19,559	116,187	(2,084,895)
Adjustments for decrease/(increase) in inventories	4,007	23,801	(304,375)
Adjustments for decrease/(increase) in trade receivables			
- <i>(Increase)/decrease in trade receivables from related parties</i>	556	3,305	3,427
- <i>(Increase)/decrease in trade receivables from non-related parties</i>	36,890	219,135	(193,233)
Increase (decrease) in payables due to employee benefits	464	2,757	3,990
Adjustments regarding decrease/(increase) in other receivables on operations			
- <i>Increase)/decrease in other receivables regarding operations with related parties</i>	3,457	20,536	(10,786)
- <i>Increase)/decrease in other receivables regarding operations with non-related parties</i>	(1,173)	(6,968)	12,233
Adjustments regarding increase (decrease) in trade payables			
- <i>Increase)/(decrease) in trade payables to related parties</i>	9	55	(25,835)
- <i>Increase)/(decrease) in trade payables to non-related parties</i>	(21,037)	(124,965)	258,278
Adjustments regarding increase (decrease) in other payables on operations			
- <i>Increase)/(decrease) in other payables to related parties</i>	-	-	(850,000)
- <i>Increase)/(decrease) in other payables to non-related parties</i>	(28,793)	(171,034)	113,389
Adjustments for other increase (decrease) in working capital			
- <i>(Increase)/decrease in other assets regarding operations</i>	36,456	216,556	(260,760)
- <i>Increase)/(decrease) in other liabilities regarding operations</i>	(11,278)	(66,991)	(831,223)
Net Cash From Operating Activities	134,513	799,035	(1,473,396)
Employee termination benefits paid	23 (1,046)	(6,214)	(8,934)
Income tax refunds (payments)	(19,848)	(117,904)	(129,916)
Other cash inflows/(outflows)	528	3,136	-
Interest received	37,092	220,331	358,865

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

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2019 AND 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY, expressed in thousands unless otherwise indicated.)

		<i>USD^(*)</i> <i>Current Period</i> 1 January - 31 December 2019	<i>Audited</i> <i>Current Period</i> 1 January - 31 December 2019	<i>Audited</i> <i>Prior Period</i> 1 January - 31 December 2018
	Notes			
B. Net Cash From Investing Activities		(178,959)	(1,063,050)	2,918,216
Cash outflows regarding capital increase and/or share purchase of associates and/or joint ventures	4	(11,480)	(68,193)	(5,346)
Cash inflow due to capital reduction or sale of shares in associates and / or joint ventures		2,562	15,221	-
Cash inflow due to sale of property, plant, equipment and intangible assets		4,857	28,850	86,441
Cash outflows from purchase of property, plant, equipment and intangible assets	14, 15	(28,790)	(171,020)	(538,681)
Cash inflows from sale of investment property		12	70	-
Cash outflows from purchase of investment property	13	(1,644)	(9,765)	(12,737)
Cash outflows for the acquisition of shares of other enterprises or funds or borrowing instruments		(131,401)	(780,550)	(391,725)
Cash inflows related to sales resulting in loss of control of subsidiaries	31	-	-	4,100,976
Cash inflows related to sales that do not result in loss of control of subsidiaries		5,340	31,720	38,356
Cash outflows from derivative instruments		(7,012)	(41,650)	-
Other cash inflows/(outflows)		(11,402)	(67,733)	(359,068)
C. Net Cash from Financing Activities		(133,790)	(794,737)	(589,634)
Proceeds from borrowings				
<i>Cash inflows from borrowings</i>		459,594	2,730,082	3,121,509
<i>Cash inflows from issued debt instruments</i>		25,836	153,470	48,041
Cash outflows on debt payments				
<i>Cash outflows due to payments of bank borrowings</i>		(569,406)	(3,382,383)	(3,465,289)
Cash outflows on debt payments due to leasing		(14,281)	(84,833)	-
Interest paid		(21,203)	(125,950)	(293,895)
Dividends paid		(43,937)	(260,995)	-
Other cash inflows/(outflows)		30,448	180,865	-
Cash outflows from the purchase of the company's own shares and other equity instruments		(841)	(4,993)	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION RESERVES (A+B+C)		(161,510)	(959,403)	1,075,201
D. THE EFFECT OF CURRENCY TRANSLATION RESERVES ON CASH AND CASH EQUIVALENTS		71,849	426,797	1,026,146
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(89,661)	(532,606)	2,101,347
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6	641,285	3,809,364	1,708,017
F. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	6	551,624	3,276,758	3,809,364

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

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY, expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Doğan Şirketler Grubu Holding A.Ş. (“Doğan Holding”, “Holding” or the “Group”) was established on 22 September 1980 and is registered in Turkey. Main operating activity of the Holding is to invest in various sectors via associates, to provide all necessary support to its subsidiaries and joint ventures in order to develop their activities.

Doğan Holding is registered with the Capital Markets Board (“CMB”) and its shares have been quoted on Borsa İstanbul (“Borsa İstanbul”) since 21 June 1993. Within the frame of Resolution No, 21/655 dated 23 July 2010 of CMB with the decision on 30 October 2014 numbered 31/1059; according to the records of Central Registry Agency (“CRA”), 35.84% shares of Doğan Holding are to be considered in circulation as of 31 December 2019 (31 December 2018: 35.93%). As of 26 February 2020, circulation rate of shares are 35.84%.

The address of Holding is as follows:

Burhaniye Mahallesi Kısıklı Caddesi No: 65
Üsküdar 34676 İstanbul

As of 31 December 2019, the total number of personnel in the domestic and abroad subsidiaries and associates of the Group, that are consolidated, is 3,250 (domestic 2,955) (31 December 2018: 3,232; domestic 2,952). Holding has 44 employees (31 December 2018:43 employees).

The Board of Directors of the Group have signed the Share Sales Agreement for the sales and transfer of its shares in the capitals of its direct or indirect subsidiaries, which operate in publishing, broadcasting and retail segment and the details of which are explained in Note 31, and to authorize the management for this purpose. The details on such transactions for the sales and transfer of shares are presented in Note 2.1.3.

The natures of the business, segment and countries of the subsidiaries (“Subsidiaries”) and joint ventures (“Joint Ventures”) of Doğan Holding are as follows:

Fuel Retail

Subsidiaries	Nature of business	Country
Aytemiz Akaryakıt Dağıtım A.Ş. (“Aytemiz Akaryakıt”)	Energy	Turkey
Aytemiz Petrolcülük Ticaret Limited Şirketi (“Aytemiz Petrolcülük”)	Energy	Turkey
İstasyon Petrol Ticaret Limited Şirketi (“İstasyon Petrolcülük”)	Energy	Turkey
D&A Energy B.V. (“D&A Energy”)	Energy	Holland
Joint Ventures	Nature of business	Country
Gas Plus Erbil Ltd. (“Gas Plus Erbil”)	Energy	Jersey

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY, expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Electricity Production and Trade

Subsidiaries	Nature of business	Country
Doğan Enerji Yatırımları Sanayi ve Ticaret A.Ş. (“Doğan Enerji”)	Energy	Turkey
Galata Wind Enerji A.Ş. (“Galata Wind”)	Energy	Turkey
Sunflower Solar Güneş Enerjisi Sistemleri Ticaret A. Ş. (“Sunflower”)	Energy	Turkey
Doel Elektrik Enerjisi Toptan Satış A.Ş. (“Doel Elektrik”)	Energy	Turkey

Joint ventures	Nature of business	Country
Boyabat Elektrik Üretim ve Ticaret A.Ş. (“Boyabat Elektrik”)	Energy	Turkey
Aslancık Elektrik Üretim A.Ş. (“Aslancık Elektrik”)	Energy	Turkey

Industry

Subsidiaries	Nature of business	Country
Çelik Halat ve Tel Sanayi A.Ş. (“Çelik Halat”)	Production	Turkey
Celik Halat Netherlands B.V. (“Çelik Halat Netherlands”)	Trade	Holland
Ditaş Doğan Yedek Parça İmalat ve Teknik A.Ş. (“Ditaş Doğan”)	Production	Turkey
Ditas America LLC (“Ditas America”)	Trade	USA
D Stroy Limited (“D Stroy”)	Trade	Russia

Automotive Trade and Marketing

Subsidiaries	Nature of business	Country
Suzuki Motorlu Araçlar Pazarlama A.Ş. (“Suzuki”)	Trade	Turkey
Trend Motosiklet Pazarlama A.Ş. (“Trend Motosiklet”)	Trade	Turkey

Financing and Investment

Subsidiaries	Nature of business	Country
Öncü Girişim Sermayesi Yatırım Ortaklığı A.Ş. (“Öncü Girişim”)	Investment	Turkey
Doruk Faktoring A.Ş. (“Doruk Faktoring”)	Factoring	Turkey
Doruk Finansman A.Ş. (“Doruk Finansman”)	Finance	Turkey
İlke Turistik Yatırımları A.Ş. (“İlke Turistik”)	Investment	Turkey
DHI Investment B.V. (“DHI Investment”)	Investment	Holland

Internet and Entertainment

Subsidiaries	Nature of business	Country
Dogan Media International S.A. (“Kanal D Romanya”)	TV publishing	Romania
Rapsodi Radyo ve Televizyon Yayıncılık A.Ş. (“Rapsodi Radyo”)	Radio publishing	Turkey
Doğan Müzik Yapım ve Ticaret A.Ş. (“DMC”)	Music and entertainment	Turkey
Glokal Dijital Hizmetler Pazarlama ve Ticaret A.Ş. (“Glokal”)	Internet services	Turkey
Proje Land Dijital Hizmetler Pazarlama ve Ticaret A.Ş. (“Proje Land”)	Internet services	Turkey
DMC Invest B.V. (“DMC Invest”)	Investment	Holland
Dogan Media Invest B.V. (“Dogan Media Invest”)	Investment	Holland
Glocal Invest B.V. (“Glocal Invest”)	Investment	Holland
NetD Müzik Video Dijital Platform ve Ticaret A.Ş. (“NetD Müzik”)	Internet services	Turkey
İnnobil Bilişim Teknolojileri ve Danışmanlık Ltd. Şti. (“İnnobil”) ⁽¹⁾	Technology and informatics	Turkey

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY, expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Real Estate Investments

Subsidiaries	Nature of business	Country
Milpa Ticari ve Sınai Ürünler Pazarlama Sanayi ve Ticaret A.Ş. (“Milpa”)	Trade	Turkey
D Gayrimenkul Yatırımları ve Ticaret A.Ş. (“D Gayrimenkul”)	Real estate management	Turkey
SC D-Yapı Real Estate, Investment and Construction S.A. (“D Yapı Romanya”)	Real estate	Romania

Other

Subsidiaries	Nature of business	Country
Milta Turizm İşletmeleri A.Ş. (“Milta Turizm”)	Tourism	Turkey
Marlin Otelcilik ve Turizm A.Ş. (“Marlin Otelcilik”)	Tourism	Turkey
Neta Yönetim Danışmanlık Havacılık Hizmetleri A.Ş. (“Neta Yönetim”)	Tourism	Turkey
M Investment 1 LLC (“M Investment”)	Real estate	USD
Kelkit Doğan Besi İşletmeleri A.Ş. (“Kelkit Doğan Besi”)	Husbandry	Turkey
Değer Merkezi Hizmetler ve Yönetim Danışmanlığı A.Ş. (“Değer Merkezi”)	Management consultancy	Turkey
Doğan Dış Ticaret ve Müessellik A.Ş. (“Doğan Dış Ticaret”)	Import and export	Turkey
Falcon Purchasing Services Ltd. (“Falcon”)	Foreign trade	England

Joint ventures	Nature of business	Country
Kandilli Gayrimenkul Yatırımları Yönetim İnşaat ve Ticaret A.Ş. (“Kandilli Gayrimenkul”)	Real estate	Turkey
Ultra Kablolu Televizyon ve Telekomünikasyon Sanayi ve Ticaret A.Ş. (“Ultra Kablolu”)	Telecommunication	Turkey
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. (“Doğan Burda”)	Magazine publishing	Turkey
Doğan ve Egmont Yayıncılık ve Yapımcılık Ticaret A.Ş. (“Doğan Egmont”)	Magazine publishing	Turkey
Dergi Pazarlama Planlama ve Ticaret A.Ş. (“DPP”) ⁽²⁾	Planning	Turkey

⁽¹⁾ Purchase of related subsidiary was completed on 18 January 2019

⁽²⁾ As of 27 September 2019, the related joint venture has been started to be recognized under investments accounted for by the equity method.

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY, expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Preparation and Presentation of Financial Statements

Adopted Financial Reporting Standarts

The accompanying consolidated financial statements are prepared in accordance with 2019 TAS Taxonomy based on the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets” and Turkish Financial Reporting Standarts (“TFRS”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”), which is developed by POA and announced to the public by the decision of the POA on 15 April 2019 in accordance with paragraph 9(b) of Decree Law No. 660.

The Group maintains their legal books of accounts in Turkish Lira in accordance with the Tax Legislation, and the Uniform Chart of Accounts (General Communiqué on Accounting System Implementation) issued by the Ministry of Finance.

These consolidated financial statements, except for the financial assets and investment properties that are presented at fair value, are prepared on the basis of historical cost.

Adjustment to the financial statements in hyperinflationary periods

In accordance with the decision of CMB dated as 17 March 2005 and numbered 11/367, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with TFRS. Accordingly, No: 29, “Financial Reporting in Hyperinflationary Economies” (“TAS 29”), has not been applied commencing from 1 January 2005.

Functional and Presentation Currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Turkish Lira, which is the functional and presentation currency of Doğan Holding.

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY, expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.2 Financial statements of subsidiaries and joint ventures operating in foreign countries

Financial statements of subsidiaries and joint ventures operating in foreign countries are prepared in accordance with the laws and regulations in force in the countries in which they are registered and required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Group’s accounting policies.

If the group entities’ functional currency is different from the presentation currency; it is translated into the presentation currency as below:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of profit or loss are translated at average exchange rates in the accounting period; and all resulting exchange differences are recognised as a separate component of equity and statements of other comprehensive income (currency translation differences).

When a foreign operation is partially disposed of or sold, exchange differences recorded in equity are recognised in the consolidated statement of profit or loss as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.1.3 Consolidation and equity method accounting principles

The consolidated financial statements include the accounts of the parent company, Doğan Holding, its Subsidiaries and its Joint Ventures (collectively referred as the “Group”) on the basis set out in sections (a) to (c) below. The financial statements of the companies included in the consolidation are based on historical cost of the statutory records and for the purpose of fair presentation in accordance with the accounting policies described in Note 2.1.1 and Note 2.1.2 and application of uniform accounting policies and presentations; adjustments and reclassifications. Financial statements of consolidated entities are restated in accordance with the TAS considering the accounting policies and presentation requirements applied by the Group.

(a) *Subsidiaries*

Subsidiaries comprise of the companies directly or indirectly controlled by Doğan Holding.

Control is achieved when the Group:

- Has power over the company/asset;
- Is exposed, or has rights, to variable returns from its involvement with the company/asset; and
- Has the ability to use its power to affect its returns.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.3 Consolidation and equity method accounting principles (Continued)

(a) Subsidiaries (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are indicators of a situation or an event that may cause any changes to at least one of the elements of control listed above.

When the Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in the relevant 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 Group, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities (including voting patterns at previous shareholders’ meetings).

Subsidiaries are consolidated by the date the Group takes the control and from the date the control is over, subsidiaries are excluded from the consolidation scope. Proportion of ownership interest represents the effective shareholding of the Group through the shares held by Doğan Holding and/or indirectly by its subsidiaries. In the consolidated financial statements, interests owned by Doğan family members are treated as non-controlling interests and excluded from net asset and profit of the Group.

Intercompany transactions and balances are eliminated on consolidation. The dividends arising from shares held by Doğan Holding in its subsidiaries are eliminated from equity and income for the period.

Subsidiaries acquired or disposed of during the accounting period are included in the consolidation from the date at which the control of operations are transferred to the Group and excluded from the consolidation when the control is lost. Even if non-controlling interests result in a deficit balance, total comprehensive income is attributed to the owners and to the non-controlling interests.

Income and expenses of a subsidiary, acquired or disposed of the 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.

Changes in ownership interests

The group assesses transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their indirect interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity of Doğan Holding.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.3 Consolidation and equity method accounting principles (Continued)

(a) Subsidiaries (Continued)

The table below sets out the proportion of voting power held by Doğan Holding, Doğan Family and its subsidiaries and effective ownership interests as of 31 December 2019 and 31 December 2018:

Fuel Retail

Subsidiaries	Proportion of voting power held by Doğan Holding and its subsidiaries (%)		Proportion of voting power held by Doğan family members (%)		Total proportion of voting power held (%)		Proportion of effective ownership interest (%)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Aytemiz Akaryakıt	50.00	50.00	-	-	50.00	50.00	50.00	50.00
Aytemiz Petrolcülük	100.00	100.00	-	-	100.00	100.00	50.00	50.00
İstasyon Petrolcülük	100.00	100.00	-	-	100.00	100.00	50.00	50.00
D&A Energy ⁽¹⁾	100.00	100.00	-	-	100.00	100.00	50.00	50.00

Electricity Production and Trade

Subsidiaries	Proportion of voting power held by Doğan Holding and its subsidiaries (%)		Proportion of voting power held by Doğan family members (%)		Total proportion of voting power held (%)		Proportion of effective ownership interest (%)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Doğan Enerji	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Galata Wind	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Sunflower ⁽²⁾	100.00	55.00	-	-	100.00	55.00	100.00	55.00
Doel Elektrik	100.00	100.00	-	-	100.00	100.00	100.00	100.00

Industry

Subsidiaries	Proportion of voting power held by Doğan Holding and its subsidiaries (%)		Proportion of voting power held by Doğan family members (%)		Total proportion of voting power held (%)		Proportion of effective ownership interest (%)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Çelik Halat	77.65	77.65	-	-	77.65	77.65	77.65	77.65
Çelik Halat Netherlands	100.00	100.00	-	-	100.00	100.00	77.65	77.65
Ditaş Doğan	72.62	72.62	-	-	72.62	72.62	72.62	72.62
Ditas America	100.00	100.00	-	-	100.00	100.00	72.62	72.62
Ditas Trading (Shanghai) Co. Ltd. ⁽³⁾	-	100.00	-	-	-	100.00	-	72.62
D Stroy	100.00	100.00	-	-	100.00	100.00	72.62	72.62

- (1) The related subsidiary was liquidated on 7 January 2020.
- (2) Proportion of effective interest changed due to acquisition of all shares of 45% of the share capital of the related subsidiary by Doğan Enerji on 19 December 2019 and as a result of this transaction Doğan Enerji has become the controlling shareholder.
- (3) The related subsidiary was liquidated on 25 December 2019.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.3 Consolidation and equity method accounting principles (Continued)

(a) Subsidiaries (Continued)

Automotive Trade and Marketing

Subsidiaries	Proportion of voting power held by Doğan Holding and its subsidiaries (%)		Proportion of voting power held by Doğan family members (%)		Total proportion of voting power held (%)		Proportion of effective ownership interest (%)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Suzuki	100.00	100.00	-	-	100.00	100.00	100.00
Trend Motosiklet	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Glokal Motorlu Araçlar Pazarlama A.Ş. ⁽⁴⁾	-	100.00	-	-	-	100.00	-	100.00

Financing and Investment

Subsidiaries	Proportion of voting power held by Doğan Holding and its subsidiaries (%)		Proportion of voting power held by Doğan family members (%)		Total proportion of voting power held (%)		Proportion of effective ownership interest (%)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Öncü Girişim	100.00	100.00	-	-	100.00	100.00	100.00
Doruk Faktoring	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Doruk Finansman	97.02	97.02	2.98	2.98	100.00	100.00	97.02	97.02
İlke Turistik	100.00	100.00	-	-	100.00	100.00	100.00	100.00
DHI Investment	100.00	100.00	-	-	100.00	100.00	100.00	100.00
DH Upside Invest B.V. ⁽⁵⁾	-	100.00	-	-	-	100.00	-	100.00

⁽⁴⁾ The related subsidiary was dissolved due to merger within Suzuki on 22 July 2019.

⁽⁵⁾ The related subsidiary was liquidated on 11 December 2019.

Internet and Entertainment

Subsidiaries	Proportion of voting power held by Doğan Holding and its subsidiaries (%)		Proportion of voting power held by Doğan family members (%)		Total proportion of voting power held (%)		Proportion of effective ownership interest (%)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Glokal ⁽⁶⁾	100.00	100.00	-	-	100.00	100.00	79.22
Proje Land ⁽⁷⁾	86.00	86.00	-	-	86.00	86.00	68.13	86.00
D Yapım Reklamcılık ve Dağıtım A.Ş. ⁽⁸⁾	-	100.00	-	-	-	100.00	-	100.00
Kanal D Romanya	99.99	99.99	-	-	99.99	99.99	99.99	99.99
Rapsodi Radyo	100.00	100.00	-	-	100.00	100.00	100.00	100.00
DMC	100.00	100.00	-	-	100.00	100.00	100.00	100.00
DMC Invest	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Doğan Media Invest	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Glokal Invest ⁽⁹⁾	79.22	100.00	-	-	79.22	100.00	79.22	100.00
NetD Müzik	100.00	100.00	-	-	100.00	100.00	100.00	100.00
İnnobil ⁽¹⁰⁾	85.00	-	-	-	85.00	-	67.34	-

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.3 Consolidation and equity method accounting principles (Continued)

(a) Subsidiaries (Continued)

Real Estate Investments

Subsidiaries	Proportion of voting power held by Doğan Holding and its subsidiaries (%)		Proportion of voting power held by Doğan family members (%)		Total proportion of voting power held (%)		Proportion of effective ownership interest (%)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Milpa ⁽¹¹⁾	83.09	83.04	0.16	0.16	83.25	83.19	83.09	83.04
D Gayrimenkul	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Etkin Gayrimenkul Geliştirme Yönetim ve Dan. A.Ş. ⁽¹²⁾	-	100.00	-	-	-	100.00	-	100.00
D-Yapı Romanya	100.00	100.00	-	-	100.00	100.00	100.00	100.00

- (6) Proportion of effective ownership interest changed due to the transfer of the shares of 20.78% of the share capital of Glocal Invest B.V., controlling shareholder of the related subsidiary, to The Goldman Sachs Group, Inc. (GLQ Holdings Ltd.) which took place on 14 February 2019.
- (7) Proportion of effective ownership interest changed due to the transfer of the shares of 20.78% of the share capital of Glocal Invest B.V., indirect controlling shareholder of the related subsidiary, to The Goldman Sachs Group, Inc. (GLQ Holdings Ltd.) which took place on 14 February 2019.
- (8) The related subsidiary was dissolved due to the merger within Galata Wind on 30 July 2019.
- (9) The Goldman Sachs Group, Inc. (GLQ Holdings Ltd.) acquired a 20.78% stake in the share capital of the related subsidiary on 14 February 2019 by participating in the capital increase.
- (10) The acquisition of the related subsidiary was realized on 18 January 2019.
- (11) In the capital increase of the related subsidiary that was completed on 7 March 2019, the shares with a nominal value of TRY111,539.074 (exact) remaining after the use of the right to buy new shares were purchased for TRY165,747.06 (exact) within the “commitment of purchase”, therefore proportion of the effective ownership interest has changed.
- (12) The related subsidiary was dissolved on 31 December 2019 due to the merger within D Gayrimenkul.

Other

Subsidiaries	Proportion of voting power held by Doğan Holding and its subsidiaries (%)		Proportion of voting power held by Doğan family members (%)		Total proportion of voting power held (%)		Proportion of effective ownership interest (%)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Milta Turizm	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Marlin Otelcilik	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Neta Yönetim	100.00	100.00	-	-	100.00	100.00	100.00	100.00
M Investment	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Kelkit Doğan Besi	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Değer Merkezi	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Doğan Dış Ticaret	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Falcon	100.00	100.00	-	-	100.00	100.00	100.00	100.00

(b) Non-Controlling Interests

Non-controlling interests of shareholders over the net assets and operational results of subsidiaries are classified as non-controlling interest and non-controlling profit/loss in the consolidated statement of financial position and consolidated statement of income.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.3 Consolidation and equity method accounting principles (Continued)

(c) Joint Ventures

According to TFRS-11 Joint Agreements, investments under joint agreements are classified as joint activities or joint ventures. The classification is based on contractual rights and obligations of all investors, rather than the legal structure of the joint agreement.

Joint Ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

2.1.4 Offsetting

Financial assets and liabilities are offset and the net amount is reported when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.1.5 Comparative information and restatement of prior period financial statements

The consolidated financial statements of the Group are prepared comparatively with the previous period to identify the financial position and performance trends. The Group presents comparatively its consolidated statement of financial position as of 31 December 2019 with 31 December 2018. Consolidated statement of profit or loss and consolidated other comprehensive income, consolidated statement of cash flow and consolidated statement of changes in equity for the period ended 1 January -31 December 2019, are presented comparatively with the consolidated financial statements as of the period 1 January - 31 December 2018.

In the current period, in case of a necessity, prior period financial statements are reclassified in order to comply with the presentation of its current period consolidated financial statements and significant changes are explained.

Group completed the sales and transfer of shares in the 1 January - 31 December 2018 period following the signing of the share sale contracts related to the sale and transfer of shares in the capitals of the direct and indirect subsidiaries operating in the publishing, broadcasting and retail segments disclosed in Note 31. Details of share sales and transfer transactions are disclosed in Public Disclosure Platform as of 6 April 2018, 16 May 2018 and 29 May 2018. As of 31 December 2018, these transactions of the related subsidiaries, realized in 1 January - 31 December 2018 period were reclassified as discontinued operations. In this context, Group has presented the related activities as discontinued operations in order to ensure consistency with the consolidated statement of profit or loss and related notes and statement of cash flows for the period 1 January - 31 December 2018

“Financial Income” which was amounting to TRY52,510 in the consolidated statement of profit or loss for the period ended 31 December 2018 have been reclassified to “Financial Expenses” in the related period in order to comply with the consolidated profit or loss statement prepared as of 31 December 2019.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.6 Significant accounting policies and changes in accounting estimates and errors and restatement of prior period financial statements

Changes of accounting policies resulting from the first time implementation of the TAS are implemented retrospectively or prospectively in accordance with the transition provisions. Major accounting mistakes detected are applied retrospectively and the financial statements of previous period are revised. If the changes in accounting estimates only apply to one period, then they are applied in the current period when the change occurs; if the changes apply also to the future periods, they are applied in both the period of change and in the future period.

The Group has applied accounting policy changes arising from the first time implementation of the “IFRS 16 Leases” standard one of the new standards, amendments and interpretations that are effective from 1 January 2019, in accordance with the transitional provisions of the relevant standard.

The effects of this standard-led accounting policy change and the effects of the first time implementation of relevant standard are as follows:

Group - as a lessee

If a contract regulates the right to control the use of an asset that is defined in the contract for a certain period and for a specific price, this contract is considered as a lease in its nature or includes a lease transaction. At the beginning of a contract, the Group assesses whether the contract is a lease or include a lease transaction. The Group considers the following conditions when assessing whether or not a contract transfers the right to control the use of a defined asset for a specified period of time:

- a) The existence of a clearly or implicitly identifiable asset that constitutes the subject of the lease.
- b) The lessee has the right to obtain almost all of the economic benefits from the use of the defined asset that constitutes the subject of the lease.
- c) The lessee has the right to manage the use of the defined asset that constitutes the subject of the lease. According to circumstances listed below, the tenant is deemed to have the right to manage the defined asset constituting the subject of the lease;
 - i. The lessee has the right to operate the property for the duration of its use (or to direct others to operate the property in its own way) and the lessor does not have the right to change these operating instructions or
 - ii. Designing the asset (or certain features of the asset) in advance in a manner of how and for what purpose the asset will be used during its occupancy by the lessee.

In case that the contract fulfills these conditions, the Group reflects a right of use asset and a lease liability to the consolidated financial statements at the date of the lease's actual start.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.6 Significant accounting policies and changes in accounting estimates and errors and restatement of prior period financial statements (Continued)

Group - as a lessee (Continued)

The right of use asset

The right-of-use asset is initially recognized by the cost method and includes the followings:

- a) The first measurement amount of the lease liability to be recognized as the right of use asset,
- b) Deduction of all leasing incentives related to the lease, from the first measurement amount of the lease liability recorded as a right of use asset,
- c) All direct costs, that are related to the lease, incurred by the Group to be added to the first measurement amount of the lease liability, which will be recognized as a right of use asset, and
- d) Estimated costs to be incurred by the Group shall be added to the initial measurement amount in relation to the dismantling and transporting of the defined asset constituting the subject of the lease, the restoration of the area in which it is placed, or the restoration of the defined asset as required by the terms and conditions of the lease.

In applying the cost method, the Group measures the right of use asset by:

- a) deducting the accumulated depreciation and accumulated impairment losses and
- b) measuring the cost of the lease in accordance with the re-measurement of the lease liability.

The Group applies depreciation provisions in “TAS 16 Property, Plant and Equipment” while depreciating the right of use asset. In order to determine whether the right of use asset has been impaired or not and to recognize any impairment losses the “TAS 36 Impairment of Assets” standard is implemented.

Lease liability

At the effective date of the lease, the Company measures its leasing liability at the present value of the lease payments not realized at that date. If the interest rate on the lease can be easily determined, this rate is used in discount; if the implied interest rate cannot be easily determined, the payments are discounted by using the alternative borrowing interest rate of the lessee.

Lease payments that are included in the measurement of the lease liability of the Group and the payments that have not occurred on the date when the lease is actually started consist of the following:

- a) Amount deducted from all types of rental incentive receivables from fixed payments;
- b) Lease payments based on an index or a rate, lease payments made using an index or a rate at the time the initial measurement was actually started.
- c) The penalty for termination of the lease in cases the lessee shows a sign of it will use an option to terminate the lease.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.6 Significant accounting policies and changes in accounting estimates and errors and restatement of prior period financial statements (Continued)

Group - as a lessee (Continued)

Lease liability (Continued)

After the effective date of the lease, the Group measures its lease liability as follows:

- a) Increasing the book value by reflecting interest on lease liability
- b) Reducing the book value by reflecting the lease payments made
- c) Re-measures the book value to reflect any re-evaluations and reconfigurations, if any. The Group reflects the remeasured amount of the lease obligation to the consolidated financial statements as adjustment in the use of right.

Extension and early termination options

A lease obligation is determined by considering the extension of the contracts and early termination options. Most of the extension and early termination options included in the contracts consist of options that are jointly applicable by the Company and the lessor. However, if such extension and early termination options are at the Company's discretion in accordance with the contract and the use of the options is reasonably certain, the lease term shall be determined by taking this issue into account. If there is a significant change in the conditions, the evaluation is reviewed by the Company.

Facilitative applications

Contracts related to IT equipment leases (mainly printer, laptop, mobile phone, etc.), which are determined by the Company as low value, short-term lease agreements with a period of 12 months and less, have been assessed under the exemption granted by the TFRS 16 Leases Standard, and payments for these contracts are recognized as an expense in the period in which they are incurred.

First transition to TFRS 16 Leases Standard

The TFRS 16 “Leases” standard replaces the TAS 17 “Leasing Operations”, as of 1 January 2019, and the Group retrospectively (“cumulative effect method”) recognized the cumulative effect of applying the standard on its consolidated financial statements at once. Within the scope of the simplified transition application defined in the related standard, the comparative information of the consolidated financial statements and retained earnings have not been restated.

Under the first implementation of TFRS 16 “Leases”, before 1 January 2019, the lease commitments are accounted for as a “lease obligation” in accordance with TAS 17 in consolidated financial statements. This lease liability has been measured at the present value of the lease payments, which have not been realized as of the date of transition, discounted using the alternative borrowing interest rate at the date of initial application of the Group. The right of use assets are accounted for an amount equal to the lease obligations (adjusted for the amount of prepaid or accrued lease payments) within the scope of simplified transition application in the related standard.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.6 Significant accounting policies and changes in accounting estimates and errors and restatement of prior period financial statements (Continued)

First transition to TFRS 16 Leases Standard (Continued)

The reconciliation of operating lease commitments followed under TAS 17 prior to the first implementation date and the lease obligations recognised in consolidated financial statements under TFRS 16 as of 1 January 2019 are as follows:

Operating lease commitments under TAS 17	370,818
Contracts evaluated outside the scope of the service	(86,090)
Total lease obligation under TFRS 16 (not amortized)	284,727
Total lease obligation under TFRS 16 (after amortization and consolidation elimination)	222,082
Short term lease obligation	48,627
Long term lease obligation	173,455

As of 1 January 2019 and 31 December 2019, the details of right of use assets accounted for in the consolidated financial statements on the basis of asset groups are as follows:

	1 January 2019 (*)	31 December 2019
Buildings	227,523	191,299
Motor vehicles	36,029	16,332
Offices	4,849	11,960
Lands	16,780	15,995
Warehouses	3,527	1,067
Machinery and equipment	1,958	138
Frequency	819	124
Total right of use assets	291,485	236,915

(*) As of 1 January 2019, the right of use assets were adjusted at the amount of TRY28,837 by adding the amounts declared in the consolidated financial statements due to the revision of the interest rates used in the discount transaction.

2.1.7 New and revised Turkish Financial Reporting Standards (“TFRS”)

In the current period there is no such standard or interpretation affecting the Group’s financial performance, statement of financial position, presentation or note disclosures. However, the details of standards and interpretations effective in the current period but have no effect on the consolidated financial statements and standards and interpretations not yet effective and have not been early adopted by the Group are set out below.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.7 New and revised Turkish Financial Reporting Standards (“TFRS”) (Continued)

a) New standards applicable as of 31 December 2019 and amendments to existing previous standards and interpretations:

- Amendment to TFRS 9, “Financial instruments”; effective from periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The relevant amendment does not have a material impact on the financial position or performance of the Group.
- Amendment to TAS 28, “Investments in associates and joint venture”; effective from periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.
- TFRS 16, “Leases’ standard”; effective from periods beginning on or after 1 January 2019. This standard replaces the current guidance in TAS 17. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. For lessors, the accounting stays almost the same. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration
- TFRS 23, “Uncertainty over income tax treatments”; effective from periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that not TAS 12, however TAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.7 New and revised Turkish Financial Reporting Standards (“TFRS”) (Continued)

a) New standards applicable as of 31 December 2019 and amendments to existing previous standards and interpretations: (Continued)

- Annual improvements 2015-2017; effective from periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - TFRS 3, “Business combinations”; - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - TFRS 11, “Joint arrangements”; - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - TAS 12, “Income taxes”; - a company accounts for all income tax consequences of dividend payments in the same way.
 - TAS 23, “Borrowing costs”; - a company treats any borrowing originally made to develop an asset when the asset is ready for its intended use or sale, as part of the general borrowings.
 -
- Amendments to TAS 19, “Employee benefits” on plan amendment, curtailment or settlement; effective from periods beginning on or after 1 January 2019. These amendments require an entity to:
 - Use updated assumptions to determine current service cost and net interest for the remaining period after a plan amendment, curtailment or settlement; and,
 - Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

b) Standards and amendments that are issued but not effective as at 31 December 2019:

- Amendments to TAS 1 and TAS 8 on the definition of materiality; effective from periods beginning on or after 1 January 2020. These amendments to TAS 1, “Presentation of financial statements”; and TAS 8, “Accounting policies, changes in accounting estimates and errors”, and consequential amendments to other TFRSs are as follows:
 - i) Use a consistent definition of materiality throughout TFRSs and the Financial Reporting framework;
 - ii) Clarify the explanation of the definition of materiality; and
 - iii) Incorporate some of the guidance in TAS 1 about immaterial information.
- Amendments to TFRS 3 - definition of a business; effective from periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.7 New and revised Turkish Financial Reporting Standards (“TFRS”) (Continued)

b) Standards and amendments that are issued but not effective as at 31 December 2019 (Continued):

- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect all companies in the industry.
- TFRS 17, “Insurance contracts”; effective from periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The Group has not determined the effects that may occur in the consolidated financial statements as a result of the application of the aforementioned standards but has not anticipated that these differences will have a significant impact on the consolidated financial statements.

2.1.8 US Dollar convenience translation

US Dollar (“USD”) amounts presented in the consolidated financial statements have been included solely for the convenience of the reader and are translated from Turkish Lira (“TRY”), as a matter of arithmetic computation only, at the Central Bank of the Republic of Turkey official TRY exchange rate of TRY 5.9402 = USD 1,00 as of 31 December 2019. Thus, USD amounts do not form a part of the consolidated financial statements prepared in accordance with the generally accepted accounting standards issued by the CMB. Such translations should not be construed as a representation that the TRY amounts have been or could be converted into USD at this or any other rate.

2.2 Summary of Significant Accounting Policies

Related parties

Related parties are people or entities that are related to the entity (reporting 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.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Related parties

- (b) An entity is related to a reporting entity if any of the following conditions apply:
- (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 is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is 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)

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.

Under the guidance of the explanations mentioned above and also in compliance with TAS 24, Doğan Şirketler Grubu Holding A.Ş. directly or indirectly has participation, including any entities under common control; real persons and/or legal entities that have direct or indirect individual or joint control over the company and their close family members (relatives up to second-degree) and legal entities having direct or indirect individual or joint control by them and legal entities having significant effect over the Company or their key management personnel; Company’s subsidiaries and members of the Board of Directors, key management personnel and their close family members (relatives up to second-degree) and real persons and/or legal entities that are directly or indirectly controlled individually or jointly (Note 34).

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments without a significant risk over the change in their value, whose maturity at the time of purchase is three months or less (Note 6).

Sales and repurchase agreements

Funds given in return for financial assets purchase with the requirement of selling back (“Reverse repo”) are recognized as reverse repurchase agreements at consolidated financial statements (Note 6). Income discount is calculated for the difference between the buying and selling prices, determined with aforementioned reverse repo agreements, accrued for the period according to internal discount rate method and recognized by the adding to the cost of reverse repos. Funds provided in return for financial assets reverse repurchase are recognized under cash and cash equivalents in the consolidated financial statements.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Trade receivables and provision for doubtful receivables

The Group’s trade receivables from providing goods or services to customers are carried at net of unrealized finance income (“unearned financial income due to sales with maturity”). Trade receivables, net of unrealized finance income, are calculated by discounting future cash inflows of receivables carried at the original invoice amount using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Effective interest method is calculating the present value in accordance with the compound interest basis. The rate determined by compound interest basis and applied in this method is named “effective interest rate”. Short term receivables with indefinite interest rate are carried at cost unless the effect of imputing interest is significant (Note 9).

When calculating the impairment of trade receivables, which are recognised based on the cost amortised in financial statements and do not include an important financing component, Group preferred to adopt “simplified approach” in TFRS 9 standard.

According to “simplified approach” of TFRS 9 Standard, loss provisions concerning trade receivables are calculated equal to “lifetime expected credit loss” if trade receivables are not impaired due to valid reasons as stated in TFRS 9.

TAS 39, “Financial Instruments” valid before 1 January 2018: Instead of “realised credit losses model” in Accounting and Measurement Standard, “expected credit loss model” was defined in TFRS 9 “Financial Instruments” Standard. Expected credit loss is estimated by weighting credit losses, expected to occur throughout the expected life of financial instruments, based on previous statistics. When calculating the expected credit losses, credit losses in the previous years and forecasts of the Group are considered.

The Group decides to allocate provision for doubtful receivables, whose payment was not made within the ordinary commercial activity cycle of the Group, considering whether the trade receivable is subject to administrative and/or legal proceeding, whether or not they have a guarantee and there is an objective finding. The amount of such provision is the difference between the book value of the receivable and the collectible amount. The collectible amount is the current value of the expected cash flow, including the amounts to be collected from guarantees and collaterals, which is discounted based on the original effective interest rate of the initial receivable.

When trade receivables are not impaired for certain reasons along with realised impairment losses, Group recognises expected credit loss provision equal to lifetime expected credit loss for trade receivables as per TFRS 9. Expected credit loss is calculated by expected credit loss rates determined based on previous credit loss experiences of the Group and prospective macroeconomic indicators. Changes in expected credit loss provisions are recognised under other income and expenses from operating activities (Note 28).

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 from operating activities following the write-down of the total provision amount (Note 9, 28).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are valued at the lower of cost or estimated selling price less estimated costs necessary to make a sale (net realizable value). Cost elements included in inventory are purchasing costs and other costs necessary to prepare the asset for its intended use. Cost elements included in inventories are materials, labor and production overheads. The unit cost of inventories is determined on the moving weighted average basis (Note 11).

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 the consolidated statement of profit or 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 the changing economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the initial impairment.

Financial Assets

Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value through profit or loss, financial assets carried at fair value through other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

(a) Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group’s financial assets carried at amortized cost comprise “trade receivables”, “other receivables” and “cash and cash equivalents” in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision is not provided to the trade receivables as a result of a specific event, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectation based on the macroeconomic indications.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Financial Assets (Continued)

(b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the statement of consolidated financial position, they are classified as non-current assets. Group makes a choice that cannot be changed later for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of “derivative instruments” in consolidated statement of financial position and “financial asset”, which are acquired to benefit from short-term price or other fluctuations in the market or which are a part of a portfolio aiming to earn profit in the short-run, irrespective of the reason of acquisition, and kept for trading purposes. Derivative instruments are recognised as asset if their fair value is positive and as liability if their fair value is negative. Group’s derivative instruments consist of transactions concerning future contracts. Financial assets that are measured by their fair value and associated with the profit or loss statement are initially reflected on the consolidated statement of financial position with their costs including the transaction cost. These financial assets are valued based on their fair value after they are recognised. Realised or unrealised profit and losses are recognised under “financing income/(expense)”. Dividends are recognised as dividend income in consolidated profit or loss statement. Financial assets including the derivative products not determined as hedging instruments are classified as financial assets whose fair value difference is reflected as profit or loss (Note 22).

ii) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income consist of equities and certain debt securities held by the Group and listed in a stock exchange of an active market and they are recognised under “financial investments” in consolidated statement of financial position. Impairment in these assets, which are recognised with their fair value, and unrealised profit or loss, which arise from changes other than changes in profit or loss concerning exchange rate differences in interest and monetary assets calculated by efficient interest method are tracked under consolidated other comprehensive income statement and under financial asset shall be recognized in equity, through the investment revaluation reserve until the financial asset is removed from consolidated financial statements. If the assets whose fair value difference is recognised under consolidated other comprehensive income statement are sold, valuation differences classified under consolidated other comprehensive income statement are classified under “Retained Earnings/(Losses)”

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Derivative financial instruments and hedge accounting

Derivative financial instruments, predominantly foreign currency and interest swap agreements, commodity exchange contracts and foreign currency forward agreements are comprised. Derivative financial instruments are subsequently remeasured at their fair value. Fair values of derivative financial instruments are obtained from quoted market prices or discounted cash flow models as appropriate. Based on positive or negative fair value, derivative financial instruments are carried as assets or liabilities in the statement of financial position respectively (Note 22).

In the case of future cash flows being subject to cash flow hedges and related transactions being effective, the effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in equity directly whereas the ineffective portion is recognized immediately in the statement of profit or loss.

If the cash flow hedge of a firm commitment or an expected forward transaction result in the recognition of an asset or liability, at the initial recognition of this asset or liability the gain or loss previously recognized under equity related to derivatives is included in the measurement of the initial amount of the asset or liability. In a hedge accounting that does not result in the recognition of an asset or a liability, the amounts previously recognized under equity are transferred to statement of profit or loss in the period in which the hedged item has an effect on profit or loss. The changes in the fair value of derivatives that do not meet the criteria for hedge accounting are recognized in the statement of profit or loss.

The Group utilizes foreign exchange derivatives to protect future significant transactions and cash flows from financial risk. Group has signed various forward exchange contracts regarding the management of fluctuations in exchange rates and fuel prices. The derivative instruments purchased are mainly denominated in foreign currencies in which the Group operates.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in equity remains in equity until the forecast transaction or firm commitment affects profit or loss. If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognized in equity are transferred to the profit/(loss) statement.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. As of the date of the report, the properties held for a currently undetermined future use by the Group management, have been classified as investment properties.

Subsequent to initial recognition, at the end of each year when there is an indication of impairment, in accordance with the appraisal reports obtained from licensed real estate appraisal organizations under the Capital Market Legislation, investment properties are stated at fair value which reflects the market conditions as of the statement of financial position date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated profit or loss in the period in which they arise. Deferred tax (liability)/asset has been calculated from all the temporary differences from investment properties.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Investment properties (Continued)

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in consolidated profit or loss in the period in which the property is derecognized.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The difference between cost value and fair value at the date of the change is recognized as revaluation fund in consolidated statement of other comprehensive income (Note 13).

Property, plant and equipment

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses (Note 14). Depreciation is provided on property, plant and equipment on a straight-line basis (except land). Lands are not subject to depreciation due to their unlimited useful life. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	<u>Years</u>
Land improvements	5 - 50
Buildings	10 - 50
Machinery and equipment	2 - 28
Motor vehicles	2 - 20
Furniture and fixtures	2 - 15
Development costs of leased tangible assets	2 - 39
Other tangible assets	2 - 50
Leasehold improvements	2 - 25

Expected useful life, residual value and depreciation method are reviewed annually for possible effects of changes in estimates and are recognized prospectively if there is a change in estimates.

An item of property, plant and equipment is derecognized in the consolidated statement of financial position upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any 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 as income or expenses from investing activities in consolidated profit or loss.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount provided to allocate provision. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset plus the residual value of the related assets as of the consolidated statement of financial position date.

Repair and maintenance expenses are charged to the consolidated statement of profit or loss as they are incurred. Capital expenditures that increase the present value of the future cash flows expected to be derived from property, plant and equipment by increasing its capacity is added to the cost of tangible fixed asset.

Gain and losses regarding sale of property, plant and equipment are accounted as other income and expenses from investing activities.

Intangible assets and related amortization

Intangible assets excluding goodwill and assets with infinite useful lives comprise brand names, customer lists, terrestrial broadcasting permissions and licenses (frequency rights), other identified rights, computer software and television programme rights which are further discussed in Note 2.2. Brand names, customer lists and domain names are determined based on the independent valuation on business combinations. Useful lives of certain brand names are determined to be infinite. Assets that have infinite useful life are not subject to amortization and are tested for impairment at least once a year (Note 15). Related accounting policy has been applied from 1 January 2018 to the date of completion of subsidiary sale transactions detailed in Note 31.

Prepaid dealer agreement amounts have been recognized under intangible assets within the context of dealer agreements made with certain fuel oil and LPG dealers to guarantee product sales by Aytemiz Akaryakit and the duration of these dealer agreements is 5 years.

Intangible assets with estimated useful life are accounted for at acquisition costs and amortized on a straight-line method (Note 15).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Intangible assets and related amortization (Continued)

Estimated useful lives of intangible assets are as follows:

	<u>Years</u>
Electricity production licenses	45 - 47
Trademark	20 - 25
Customer lists	9 - 25
Domain names	3 - 20
Computer software and rights	3 - 15
Dealer agreements	5
Subscriber acquisition costs	3
Other intangible rights	5 - 49

Intangible assets with estimated useful lives are tested to determine whether there is an indication that the intangible assets may be impaired and if the carrying value of the intangible asset is higher than the recoverable amount, the carrying value of the intangible asset is written down to its recoverable amount provided to allocate provision. The amount recoverable from an intangible asset is either the discounted net cash flows generated from the use of that intangible asset or the net sales value of that intangible asset depending whether the former or the latter being higher. Provision for impairment is recognised under the statement of profit or loss in the related period.

Marina utilization right which is held by the Group’s subsidiary Milta Turizm and classified in other intangible rights, is being amortized for a period of 49 years regarding the transfer agreement on 13 November 1997 with the Privatization Administration (Note 15)

Development costs

Development costs for the design and testing of detectable and unique products controlled by the Group are recognized as intangible assets when the following conditions are met:

- It is technically possible to complete the product to be ready for use;
- Management intends to complete and use or sell the product;
- Possibility to use and sell the product;
- Certainty on how the product is likely to provide future economic benefits;
- Availability of sufficient technical, financial and other resources to complete the development phase and to use or sell the product; and
- Reliable measurement of expenses related to the product during the development process.

Capitalized development costs are recognized as intangible assets and are amortized beginning from the date the asset is ready for use.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Broadcasting programme rights

Television programme rights (foreign series, foreign films and Turkish films) are initially recognised at acquisition cost of the license when the Group controls, in substance, the respective assets and the risks and rewards attached to them. Television programme rights are evaluated to determine if expected revenue is sufficient to cover the unconsumed portion of the program. To the extent that expected revenue is insufficient, the programme rights are written down to their net realizable value.

Consumption is based on the transmission of the expected number of runs (vary from two to unlimited) purchased. Amortization of these rights is determined according to release order and number of runs. The appropriateness of the consumption profiles is reviewed regularly by the management. A maximum of 5 runs is applied for the unlimited run purchases. License periods, remaining run rights, sector dynamics and sales forecasts are taken into consideration when determining impairment of programme rights. (Note 15).

The Group has decided to recognize Turkish Series, which were evaluated as program stocks in the previous periods, as program rights starting from 1 January 2016 according to which does not have any limitation about the right to sell, have been broadcasted at least six episodes or committed to be broadcasted at least six episodes and have potential to be sold to overseas. Turkish Series classified as program rights are amortized within 5 years (2018: 5 years) The related accounting policy has been applied from 1 January 2018 to the date of completion of subsidiary sale transactions explained in detail on Note 31.

Impairment of assets excluding goodwill and intangible assets with infinite useful lives

At each statement of financial position date, the Group evaluates whether there are any indications that an asset other than goodwill or infinite life intangible assets may be impaired. When an indication of impairment exists, carrying value of the assets is compared with the net realizable value which is the higher of value in use and fair value less costs to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment exists if the carrying value of an asset or a cash generating unit including that asset is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Impairment losses are recognized in the consolidated statement of profit or loss (Note 15).

Taxation

Taxation on income includes current period income taxes and deferred taxes. Current year tax liability consists of tax liability on period income calculated according to currently enacted tax rates and tax legislation in force as of statement of financial position date and includes adjustments related to the previous year’s tax liabilities. Turkish tax legislation does not permit a parent company to file a consolidated tax return for its subsidiary and its joint venture. Therefore, tax provisions, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred income tax is provided, using the liability method, on temporary differences arising between the statutory tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises 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 subsidiaries 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.

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 (Note 32).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they are related to income taxes levied by the same taxation authority (Note 32).

Current and deferred tax

Tax is included in the statement of profit or loss, unless it is related to an operation that is accounted directly under equity. Otherwise, tax is accounted under equity as well as the related transaction (Note 32).

Repurchased shares

The Group's redeemed shares (repurchased own shares) are not considered as a separate financial asset as a financial instrument based on the Group's equity, regardless of any reason. In the case of repurchase of financial instruments based on equity, the Company recognizes such instruments by deducting them from equity, in accordance with the related legal regulations, legal reserves are allocated over the acquisition cost equal to the share amount received and the legal reserves are accounted under “restricted reserves” account under shareholders' equity (Note 24).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Financial borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the profit or loss as finance expense over the period of the borrowings (Note 8). The borrowing costs which are directly related with the acquisition, manufacturing or production of a specialty good (means that a long period of time is required to make available for sale and use as purposed) are capitalized as a part of the related asset. The Group pays some of its trade payables through the letter of credit agreements signed with the banks. Accordingly, such letters of credit are recognized in financial liabilities in exchange for the payment of trade payables.

Financial liabilities regarding to put options of non-controlling interests

Under the terms of certain share purchase agreements, the Group may commit to acquire the interests owned by non-controlling shareholders in subsidiaries, upon the request of non-controlling interest holders. TAS 32, “Financial Instruments: Disclosure and Presentation” requires the value of such put option to be presented as a financial liability on the statement of financial position for the discounted value of the expected exercise price of this option, notwithstanding the ability of the Company to settle part of these obligations with its own shares and not cash. In addition, the share of non-controlling shareholders in the net asset of the company subject to the put option is presented in “other financial liabilities” instead of “non-controlling interests” in the consolidated statement of financial position. The Group presents, at initial recognition, the difference between the exercise price of the option and the carrying value of the non-controlling interests first as a reduction of non-controlling interest and then as addition to the Group’s equity. The discount amount and any subsequent change in the fair value of the commitment are recognized in profit or loss as finance income or expense in subsequent periods (Note 8).

Employment termination benefits

The provision for employment termination benefit represents the present value of the estimated total reserves of the future probable liability of the Group arising from the retirement of the employees measured in accordance with the Turkish Labour and Press Labour Laws (Note 23).

According to the amendment in TAS 19, the Group calculated employment benefit in accordance with the report prepared by the actuarial firm and recognised all actuarial loss and gains in the other comprehensive statement of profit or loss as of the statement of financial position date.

Provisions, contingent assets and liabilities

Provisions are recognized when the Group has a present legal or constructive obligation or a result of past events, it is probable that an 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.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Provisions, contingent assets and liabilities (Continued)

Contingent liabilities are assessed continually to determine whether an outflow of resources comprising economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously treated as a contingent liability, a provision is recognized in the financial statements of the period in which the change in probability occurs except in the extremely rare circumstances where no reliable estimate can be made.

If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised by the Group in the financial statements of the period in which the change occurs.

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 financial tables and are treated as contingent assets or liabilities. A contingent asset is disclosed where an inflow of economic benefit is probable.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably (Note 18).

Share capital and dividends

Ordinary shares are classified as equity. Dividend income is recognized as income by the Group when right to obtain of dividend is generated in the consolidated financial statements. Dividend distribution to the Company’s shareholders is recognized as a liability in the Group’s consolidated financial statements in the period in which the dividends are approved by the General Assembly (Note 24).

Revenue recognition

When the Group meets its performance obligation by transferring a product or service that is committed before, the revenue is recognised in consolidated financial statements. When the the client takes over the control of an asset, the asset is deemed transferred.

The Company transfers the revenue to the financial statements based on the following five principles:

- Determining client agreements,
- Determining performance obligations in agreements,
- Determining transaction price in agreements,
- Distributing transaction price to performance obligations in agreements,
- Recognising the revenue as each performance obligation is met.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

If all the below-mentioned conditions are met, Group recognises an agreement made with the client as revenue:

- Parties to the agreement approved the agreement (in writing, orally or in other means in line with commercial practices) and committed to meet their respective obligations,
- Group can define the rights of each party concerning the goods or services to be transferred,
- Group can define payment conditions concerning the goods or services to be transferred,
- The agreement is commercial in essence.
- It is possible that the Group will collect money in return for goods and services to be transferred to the client.

When determining whether the money can be collected, Group only considers its client’s ability and intention to pay the money in time.

At the beginning of the agreement, Group evaluates the goods or services committed to the client in the agreement and defines each commitment to transfer goods or services as performance obligation.

At the beginning of the agreement, Group evaluates the goods or services committed to the client in the agreement and defines each commitment to transfer goods or services as performance obligation as follows:

- a) Different goods or service (goods or service packages) or
- b) A group of different goods or services which are similar in a great extent and transferred to the client with the same method.

A group of different goods or services are subject to the same transfer method if the below conditions are met:

- a) Each different product or service that the Group committed to transfer to the client must meet required conditions and constitute a performance obligation to be met in time and
- b) As per the relevant paragraph of the standard, using the same method to measure the progress of the Group in meeting its obligation to transfer each product or service included in the group to the client.

Group sells different products and services as a package and also can sell them separately. Each product and service which are determined through agreement and Group transferred to its clients in a package are described as different goods and services. Additionally, because clients can benefit from these services separately, these services can be described independently from other commitments in the agreement. Based on this, each service in a package is recognised as a separate performance.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

If a third party is involved in the process where goods or services are provided to client, when the Group determines its performance liability it assess whether its commitment is about providing (primary) the good or service by itself or mediating (agent) the sale of the goods or services provided by other parties. According to this, if the Group checks the goods or services before delivering them to client, the Group is in the primary position related to sale of good or services. When (or as long as) the Group meets its performance liability, it recognises the revenue equal to gross amount of price, which it expects to earn in return for transferred goods or services, in the consolidated financial statements. If the Group mediates the process where other parties provide the goods and services, it is in the agent position and cannot include the revenue for the performance liability in the consolidated financial statements.

Group acts as a representative with a framework in accordance with the convenient time period between 1 January 2018 and the completion of the sale of its subsidiary stated on Note 31, on “Yakala.co” agreements and where it brings together the firms with which it has agreements in line with its clients’ digital marketing strategies, and in some products and services it offers in “Hürriyetemlak.com” agreements which provide digital classified advertisement service. When Group meets its performance liability for these agreements where it is determined as an agent, it includes the price or revenue equal to commission, which it expects to earn, in the consolidated financial statements. Group’s price or commission is the remaining net amount after paying the price it collects in return for goods and services provided to portals. For cinema tickets only sold on “Yakala.co” website operating in e-trade field, Group acts as primary because it bears inventory risk and has discretionary power for determining price for this service. Income from tickets sales is not a commission income and is recognised as gross amount in financial statements.

Group takes into account agreement provisions and commercial customs in order to determine transaction price. Transaction price is the price, which the Group expects to deserve in return for goods and services Group committed to provide to client, excluding amounts (e.g. some sales taxes) collected on behalf of third parties. A committed price in an agreement with a client can include both the fixed amounts and variable amounts. There are variable amounts because the agreements Group made with clients have scores from turnover-based discounts, returns and customer loyalty programs. If the price the Group commits in the agreement is variable, the Group determines the price it deserves in return for goods and services committed to client through estimation. For the Group to include some or all of cancellation in cumulative revenue in the financial statements when the uncertainty about variable price is eliminated. When assessing whether or not there will be an important cancellation in cumulative revenue in the financial statements when the uncertainty about variable price is eliminated, the Group must take into account both realisation possibility and impact of revenue cancellation.

Turnover-based premiums the Group provided to vendors and other clients for retrospective service purchase represent variable prices. Turnover-based discount amounts the Group determined through estimation are accounted as “agreement liability” in the statement of financial position.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Group provides advertisement services with respect to the time period between 1 January 2018 and the completion of the sale of its subsidiary stated on Note 31, in return for advertisement and other product and services. While exchanging services or goods with similar features and value are not described as income-generating transactions, exchanging services or goods with different features and value are described as income-generating transactions. The Group measures non-cash price (or non-cash price commitment) using fair value in order to determine transaction price related to agreements which include client’s commitment to pay price except for cash. In the cases where provided goods or services’ fair value cannot be determined fairly, income is valued as reasonable value of goods or services by taking into account transferred cash and cash equivalents.

If a company offers its client in an agreement a choice to receive additional good or services, this choice leads to a performance liability if the choice gives the client a tangible right that client cannot use as long as the client does not sign the agreement as a party. If the choice gives client a tangible right, the client makes prepayment to the company for the goods and service it will receive in the future. The company includes this revenue in the financial statements when these future goods and services are transferred or this choice expires.

If independent sale price related to client’s choice to receive additional good or service cannot be observed, the company determines this through estimation. If client chooses to receive good or service, this estimation reflects the discount the client will get based on the followings:

- (a) Discount if the client does not choose to receive good or service,
- (b) Possibility of using the choice.

After receiving pre-payment from client, the company includes an agreement liability equal to pre-payment in return for performance liability related to transferring goods or services in the future or making them ready to be transferred. When the company completes transfer of goods or services and therefore meets its performance liability, it removes this agreement liability from financial statements (and the revenue is included in the financial statements).

Because the awards related to “Vendor Loyalty Project”, which the Group applies for sales transactions with vendors and end-sellers, and card loyalty programs (Aytemiz card etc.) the Group provides to its clients give clients a tangible right that client cannot use as long as it does not sign the agreement as a party, the amounts the relevant client earns are recognised as agreement liability in the consolidated financial statements. When these awards from “Vendor Loyalty Project” are used, they are recognised by deducting from gross revenue in the financial statement by deducting from agreement liability.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

When the Group expects to collect a price and accepts to pay some or all of this price back to client, it includes the return liability in the financial statements. Return liability is measured based on the collected (or receivable) price (in other words, amounts which are not included in the transaction price) the company does not expect to deserve. Return liability (change in the transaction price and agreement liability) is updated at the end of every reporting period by considering the changes in the conditions.

The Group includes the following things in the financial statement in order to recognise the transfer transaction of products which can be returned (along with some delivered services, on condition with being subject to return):

- (a) Revenue in return for products transferred at the value which the company expects to deserve (therefore the revenue related to product that are expected to be returned is not included in the financial statements)
- (b) A return liability and
- (c) An asset in return for a right to get the products back from client after the company meets its return liability (based on this, an adjustment in sales cost).

An asset, recorded in financial statements in scope of the right to take the products back from the client to carry out refund liability, should be evaluated considering the resulting amount after the costs (including the potential decrease of value of the returned product from the perspective of the business) to be made in scope of taking back these products at previous book value (if available). The group updates its refund liability measure in a manner that it reflects the changes in the expected refund amounts and reflects the necessary adjustments in consolidated financial statements as revenue (or discounts from revenue).

A good or service’s contractually specified price is its independent sale price. If there is more than one good or service to transfer in the contract, the Group allocates the transaction price to each performance liability (or different good or service) in an amount that shows the amount which the client expects to have a right to in return for transfer of the goods or services committed to the client. To reach its distribution target, the Group allocates the transaction price to each performance liability specified in the contract at a proportional independent sale price. To allocate the transaction price to each performance liability on a basis of a proportionate individual sale price, the Group determines the individual sale price of different goods or services that make up the basis of each performance liability in the contract at the beginning date of the contract and allocates transaction price in proportion to these individual sale prices.

When a party carries out the contract, the Group reflects the contract as a contract asset or contractual liability in the statement of financial position, depending on the relationship between the business performance and client payment. The Group records its unconditional rights related to the price as a receivable. If the sum of sale prices of the individual goods and services committed in the contract exceeds the amount committed for them in the contract, it means that the client received a discount in return for purchasing goods or a service package. Except for the cases where there are observable indications that the discount is related to one or a few of the performance liabilities regulated in the contract and not all of them, the Group allocates the discount directly proportional to all performance liabilities.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Advertisement revenue

The Group’s advertisement income is made up of income gained from the advertisements that were published on written, visual and digital media. If the client simultaneously gets the benefits of performance as the advertisement is published and consumes it, that means the Group has transferred the service’s control over time. Therefore, as performance liability is carried out (as the advertisement is published), revenue is recognised over time and depending on the output method. The unpublished portion of the ads are recognised in the financial statement as contractual liability. The aforementioned accounting principles have been applied with respect to the time period between 1 January 2018 and the completion of the sale of its subsidiary as stated on Note 31.

Revenues from circulation, magazine sales, distribution and press income

Circulation income includes income earned by the distribution company and, wholesale and newspaper sales. The income generated in scope of this service is recognised when the newspapers are shipped “at a specific time.

Contract press income includes press services provided to group companies and other companies through the use of the Group’s press facility. The income generated in scope of this service is recognised when the newspaper is delivered to be distributed “at a specific time”. The aforementioned accounting principles have been applied with respect to the time period between 1 January 2018 and the completion of the sale of its subsidiary as stated on Note 31.

Subscription and membership income

Subscription and membership income includes revenues from real estate site, digital platform and internet subscriptions. The Group monitors the membership of real estate sites individually and institutionally. As explained in Note 31, the activities of digital platform and internet subscriptions are classified into discontinued operations within the interim period 1 January - 31 March 2018.

The Group may sell subscriptions and memberships by combining sold products and services in packages. (Example: Publishing a listing through a real estate site, highlighting service and mobile phone may be sold as a package.) Each product and service included in the package is recognised as a separate performance. For each performance, independent sale price is determined considering observable prices. When the control of the performance is passed over to the client, it is recorded as income. The clients can benefit from publishing listings and highlighting service simultaneously, so it is recognised “over time” and through output method. When the physical ownership of packaged products is transferred to the client, the income is recognised.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Fuel sale income

Fuel sale income is the amount remaining when the Group has deducted estimated client refunds, discounts and provisions from fuel sales that it has carried out through dealerships or from its own stations. The revenue gained through fuel sales is recognised at a specific point in time in case control concerning the property is transferred to the client, the income amount is reliably calculated, it is possible that economic benefits concerning the transaction flows to the business and the costs arising out of the transaction may be reliably calculated.

Electricity sale revenues

The group earns electric sales income through generating electricity from hydroelectric plants, solar energy plants and wind energy plants and selling it. Since electricity is a service provided as a series that the client gets and consumes simultaneously, it is recognised as one performance, over time and through output method that has been presented as trade income and wind power plant income in the related note disclosures.

Retail sale revenues

Book, music, film, electronics and souvenir products sale income is recorded at a specific point in time in line with periodicity principle after the refunds and discounts are deducted from the invoiced value at the date the said goods are delivered to the client (considering material rights provided in scope of loyalty card program) As explained in Note 31, retail sales activities are classified into discontinued operations within the interim period 1 January - 31 March 2018.

Industry income

The Group’s industrial income is made up of income that the Group gets through the activities of its subsidiaries Çelik Halat and Ditaş. This income gained through product sales is recognised when the client takes over the control of the committed asset, “at a specific point in time”.

Real estate sales income

The revenue gained from Milpa’s (a subsidiary of the group) residence construction projects is realized “at a specific point in time” after the Group carries out all duties specified in the contract fully and the buyer confirms the delivery report and control arising from owning legally an asset are transferred to the buyer of the property.

Rent income

The rent income gained from real estates is recognised throughout the relevant rent agreement, over time and with output method.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Factoring income

Interest and commissions arising from factoring transactions are reflected to the statement of profit or loss on an accrual basis depending on the duration of the factoring contracts.

Financial income

Interest income and expenses are recognized on an accrual basis. Interest income is deducted from the records as soon as the management decides that the loans and advances given to customers cannot be repaid, and the accruals recorded until that date are cancelled and not recorded as revenue until the collection is made.

Other income

The Group’s other income includes tourism income, vehicle sales income and other income. These incomes are explained below:

Tourism income

Consisted of hotel accommodation, agency, and marina income. The hotel accommodation and agency income are recognised once the service is provided to the client, “at a specific point in time”. Marina income is consisted of accommodation of sea vehicles and store rent incomes. The said rent income is recorded during the rent contracts over time and based on the output method.

Vehicle sales income

The control after paying special consumption tax and issuing a registration for the sold vehicles is accepted to have been transferred to the client. It is recognised as income “at a specified moment in time” through reliable calculation of income amount.

Before the group transfers a good or a service to the client, if the said client pays the price or the business has an unconditional receivable on the price, it reflects the contract as a contractual liability on the date the payment is made or when the payment is due (whichever is earlier). Contract liability is the liability of the business to transfer goods or services to the client in return for the amount it has collected (or earned the right to collect). In cases where the customer does not pay the cost or the performance obligation is met by transferring the goods or services to the customer before the due date, the Group presents the contract as a contract asset except the amounts presented as receivable.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Leases

If a contract regulates the right to control the use of an asset that is defined in the contract for a certain period and for a specific price, this contract is considered as a lease in its nature or includes a lease transaction. At the beginning of a contract, the Group assesses whether the contract is a lease or include a lease transaction. The Group considers the following conditions when assessing whether or not a contract transfers the right to control the use of a defined asset for a specified period of time:

- a) The existence of a clearly or implicitly identifiable asset that constitutes the subject of the lease,
- b) The lessee has the right to obtain almost all of the economic benefits from the use of the defined asset that constitutes the subject of the lease,
- c) The lessee has the right to manage the use of the defined asset that constitutes the subject of the lease. According to circumstances listed below, the tenant is deemed to have the right to manage the defined asset constituting the subject of the lease;
 - i. The lessee has the right to operate the property for the duration of its use (or to direct others to operate the property in its own way) and the lessor does not have the right to change these operating instructions or
 - ii. Designing the asset (or certain features of the asset) in advance in a manner of how and for what purpose the asset will be used during its occupancy by the lessee.

In case that the contract fulfills these conditions, the Group reflects a right of use asset and a lease liability to the consolidated financial statements at the date of the lease's actual start.

The right of use assets

The right-of-use asset is initially recognized by the cost method and includes the followings:

- a) The first measurement amount of the lease liability to be recognized as the right of use asset,
- b) Deduction of all leasing incentives related to the lease, from the first measurement amount of the lease liability recorded as a right of use asset,
- c) All direct costs, that are related to the lease, incurred by the Group to be added to the first measurement amount of the lease liability, which will be recognized as a right of use asset, and
- d) Estimated costs to be incurred by the Group shall be added to the initial measurement amount in relation to the dismantling and transporting of the defined asset constituting the subject of the lease, the restoration of the area in which it is placed, or the restoration of the defined asset as required by the terms and conditions of the lease.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

The right of use assets (Continued)

In applying the cost method, the Group measures the right of use asset by:

- a) Deducting the accumulated depreciation and accumulated impairment losses and
- b) Measuring the cost of the lease in accordance with the re-measurement of the lease liability.

The Group applies depreciation provisions in “TAS 16 Property, Plant and Equipment” while depreciating the right of use asset. In order to determine whether the right of use asset has been impaired or not and to recognize any impairment losses the “TAS 36 Impairment of Assets” standard is implemented.

Lease liability

At the effective date of the lease, the Company measures its leasing liability at the present value of the lease payments not realized at that date. If the interest rate on the lease can be easily determined, this rate is used in discount; if the implied interest rate cannot be easily determined, the payments are discounted by using the alternative borrowing interest rate of the lessee.

Lease payments that are included in the measurement of the lease liability of the Group and the payments that have not occurred on the date when the lease is actually started consist of the following:

- a) Amount deducted from all types of rental incentive receivables from fixed payments;
- b) Lease payments based on an index or a rate, lease payments made using an index or a rate at the time the initial measurement was actually started.
- c) The penalty for termination of the lease in cases the lessee shows a sign of it will use an option to terminate the lease.

After the effective date of the lease, the Group measures its lease liability as follows:

- a) Increasing the book value by reflecting interest on lease liability
- b) Reducing the book value by reflecting the lease payments made
- c) Re-measures the book value to reflect any re-evaluations and reconfigurations, if any. The Group reflects the remeasured amount of the lease obligation to the consolidated financial statements as adjustment in the use of right.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Extension and early termination options

A lease obligation is determined by considering the extension of the contracts and early termination options. Most of the extension and early termination options included in the contracts consist of options that are jointly applicable by the Company and the lessor. However, if such extension and early termination options are at the Company's discretion in accordance with the contract and the use of the options is reasonably certain, the lease term shall be determined by taking this issue into account. If there is a significant change in the conditions, the evaluation is reviewed by the Company.

Facilitative applications

Contracts related to IT equipment leases (mainly printer, laptop, mobile phone, etc.), which are determined by the Company as low value, short-term lease agreements with a period of 12 months and less, have been assessed under the exemption granted by the TFRS 16 Leases Standard, and payments for these contracts are recognized as an expense in the period in which they are incurred.

Business combinations

The acquisition of businesses is accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquire. Acquisition-related costs are generally recognised as cost as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with TAS 12 *Income Taxes* and TAS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with TFRS 2 *Share-based Payment* at the acquisition date;
- Assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after revaluation, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another TAS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with if it is found to be within the standart of TFRS 9 Financial Instruments: Recognition and Measurement, the mentioned conditional price is measured at its fair value and the gain or loss arising out of the change is recognised under profits, losses or other comprehensive income. Those not covered under the scope of TFRS 9, is recognized in profit or loss as per TAS 37 Provisions or other suitable “TAS”

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Business combinations (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date (Note 3).

Legal mergers between entities controlled by the Group are not considered within the scope of TFRS 3 “Business Combinations”. Therefore, goodwill is not calculated in such mergers. Besides, transactions occurring between the parties in legal mergers are subject to amendments during the preparation of the consolidated financial statements. In the accounting of share transfers under common control, assets and liabilities subject to business combination are included in the consolidated financial statements with their carrying values. Mergers between entities under common control are recognized by “Pooling of Interests” method. In applying the “Pooling of Interests” method, the consolidated financial statements are adjusted as if the acquisition was performed as of the beginning at the relevant reporting period in which the common control is carried out and they are presented comparatively as of the beginning of the relevant reporting period. As a result of these transactions, no goodwill or negotiable purchase effect is calculated (Note 3). Business combinations subject under common control are not within the scope of TFRS 3 “Business Combinations” and the Group does not recognize any goodwill with respect to such transactions. If the carrying amount of the acquired net assets on the date of the merger exceeds the transferred value, the difference is considered as the additional capital contributions of the shareholders and reflected to the Share Premiums. On the contrary, namely as a difference that occurs when the net value of the transferred assets exceeds the carrying amount of the net assets of the Company, on the date of the merger, the difference is reflected in the section “Effects of Mergers of Entities Under Common Control”.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

The cash-generating unit, where the goodwill is allocated, is tested for impairment annually. If there is any indication that the unit is impaired, the impairment test is performed more frequently.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated financial statements. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Goodwill (Continued)

Gains or losses resulting from the sale or purchase of subsidiaries under the control of Doğan Holding (transactions that do not result in a change in control) are recognised under equity. TAS 27 (Revised) requires ownership decreases or increases which do not result in a change in control to be recorded under equity for accounting periods beginning on or after 1 July 2009. For accounting periods beginning prior to 1 July 2009, the difference resulted in favor of acquisition value in connection with sale or purchase of subsidiaries under the control of the Group which does not result in a change in control was recognised as goodwill.

Foreign currency transactions

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, under finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis under other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised under other comprehensive income.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency (none of which has the currency of a hyperinflationary economy) are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each income statement are translated at average exchange rates unless this average is not reasonable approximate of the cumulative effect of the prevailing on the transaction dates in which case income and expenses are translated at the rate on the dates of the transactions, and
- All resulting exchange differences are recognized in other comprehensive income.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Foreign currency transactions (Continued)

Group companies (Continued)

A significant portion of the Group’s foreign operations is performed in Russia, Europe and Slovenia (“Russia and Eastern Europe (“EE”)). Foreign currencies and exchange rates at 31 December 2019 and 31 December 2018 are summarized below. The Group's foreign operations in Russia and Slovenia are classified as discontinued operations for the period 1 January - 31 December 2018, as explained in Note 31.

<u>Country</u>	<u>Currency</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Eurozone	Euro	6.6506	6.0280
Russia	Ruble	0.0955	0.0753
USA	USD	5.9402	5.2609
Romania	Romanian Leu	1.3832	1.2866

Assets Held for Sale

Fixed assets (or groups of assets to be disposed of) are classified as held for sale because their book values can be regained through sale rather than ongoing use, and when it’s accepted that the possibility for sale is high. Deferred tax assets, assets gained as a result of employee benefits, financial assets, investment properties moved at their fair value and those rights other than the rights arising out of the contracts on insurance policies have been specifically excluded. Assets such as these held for sale are measured with whatever is lower, the book value or the sales-cost-deducted fair value.

If the value of an impairment of an asset (or group of assets to be disposed of) is lowered to its sales-cost-deducted fair value at the beginning or later, the impairment loss is recognised. If it does not exceed the accumulated impairment losses recognised beforehand, any increase to the sales-cost-deducted value of an asset (or group of assets to be disposed of) is recognised as income. Income or loss of an asset (or group of assets to be disposed of) that was not recognised before the day it was sold is recognised as of the day when the said asset is left out of the statement of financial position

Fixed assets classified as held for sale (a fixed asset which is part of an asset group to be disposed of) cannot be depreciated or amortised. Interest or other expenses of debts related to the asset group classified as held for sale or to be disposed of continue to be recognised.

A fixed asset recognised as held for sale, and assets in a group of assets to be disposed of classified as held for sale, are shown separately from other assets in the statement of financial position. Debts related to an asset group classified as held for sale are shown separately from other debts in the statement of financial position

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Segment Reporting

Industrial segment which is an asset and operation group producing goods and services is exposed to different risks and rewards from other industrial segments. The Group operations were monitored and reported as eight main segments, “Fuel Retail”, “Electricity Production and Trade”, “Industry”, “Automotive Sales and Marketing” “Financing and Investment”, “Internet and Entertainment”, “Real Estate Investment” and “Other” by the management. The Group management may change the structure of segment reporting, if they reach the conclusion that new structure may affect financial statement users’ decisions and/or it will be useful during the review of financial statements. As the sales and the purchases of the Group are made and the assets of the Group are located mainly in Turkey, no geographic segmental information is considered necessary (Note 5).

In segment reporting, intra-segmental operations are recognised at segment level and inter-segmental operations are recognised as eliminations at consolidation level.

Earnings/(loss) per share

Earnings/(loss) per share is determined by dividing net income/(loss) by the weighted average number of shares that have been outstanding during the period concerned.

In Turkey, companies can increase their issued capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus share issuances are regarded as issued shares for all of the periods presented in the financial statements. Therefore, the weighted average number of shares used in earnings per share computations are made with regards to the distribution of shares occurred in the prior years (Note 33)

Government grants

Government grants are not recognized in the financial statements until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants which are financial assets, should be recognized as deferred revenue in the consolidated statement of financial position rather than recognised in the statement of profit or loss to clarify the expenditure item that is financed and transferred to profit or loss on a systematic and rational basis over the useful lives of the related asset.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates (Note 17).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Subsequent events

In the case that events requiring a correction to be made occur subsequent, the Group makes the necessary corrections to the consolidated financial statements.

In the case that events not requiring a correction to be made occur subsequent, those events are disclosed in the notes of consolidated financial statements (Note 38).

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 activities.

The cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (investments in property, plant and equipment 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

2.3 Critical Accounting Estimates, Assumptions and Decisions

2.3.1 Critical accounting estimates and assumptions

a) *VAT amount subject to discount within the scope of law no: 6111*

As of November 2011, the Group management considered the VAT principle amounting to TRY454,281 imposed as a consequence of share exchanges and transfers recognised in the statutory accounts of Doğan TV Holding, D Yapım, Doğan Prodüksiyon (the related subsidiary merged with D Yapım in 2013 and dissolve without liquidation) and Alp Görsel (the related subsidiary merged with Doğan TV in 2014 and dissolved without liquidation) and restructured within the scope of Law no: 6111 in the year 2011 as input VAT through issuance of “recourse VAT invoice” by each entity who transfers the shares to the respective entity, sequentially with the amount of corresponding VAT imposed. In this context, input VAT amounting to TRY367,990 and TRY86,291 have been recognised in the statutory records of D Yapım and Doğan TV Holding respectively. This amount has been included in the financial statements of Galatawind as a result of the merger of D Yapım and Galatawind at the date of 30 July 2019. Due to the specific nature of the transaction and considering precautionary principle, the Group management adopted the policy that such “Deductible VAT” should not be recorded as an asset in the consolidated financial statements based on its actual utilization in subsequent taxation periods. However, the Group management has adopted the application of accounting in line with the opinion it formed considering the previous actual utilization performance of such “Deductible VAT” asset as per the applicable legislation and relevant declaration and audit applications, and recognized TRY278,083 in “other non-current assets”.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Critical Accounting Estimates, Assumptions and Decisions (Continued)

2.3.1 Critical accounting estimates and assumptions (Continued)

b) Deferred tax assets

The Group recognises deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with TAS published by POAASA and their statutory financial statements. The fully or partially recoverable amount of deferred tax assets are estimated under available circumstances. The future income projections, unused losses and expiration dates of other tax assets and tax planning strategies that can be used when necessary are considered during the evaluation of estimations. The Group has recognized deferred tax assets amounting to TRY69,865 (31 December 2018: TRY50,460) arising from unused tax losses amounting to TRY317,568 (31 December 2018: TRY231,598) as of 31 December 2019, considering the future profit projections (Note 32).

c) Provision for doubtful trade receivables

When there is an indicator that the collection of receivables will be impossible, provision is provided for the receivables. The amount of the provision is determined based on the assessment of the Group based on the aging of receivables and the payment performance of the customers. The provision for doubtful receivables is an accounting estimate determined based on the past payment performance and financial situations of the customers. Considering the ordinary course of trade cycle of the Group, provision for doubtful receivables for the trade receivables is considered for the trade receivables for which the collection period is over the ordinary course of trade cycle considering the fact that trade receivable is in the administrative and/or legal proceedings, with or without guarantee, objective evidence etc. When trade receivables are not impaired along with realised impairment losses for certain reasons, the Group recognises an expected credit loss provision equal to the expected lifetime credit loss for these trade receivables as per TFRS 9. Expected credit loss is calculated using expected credit loss rates determined based on previous credit loss experiences of the Group and prospective macroeconomic indicators. Changes in expected credit loss provisions are recognised under other income and expenses from main activities. As of 31 December 2019, doubtful provision is TRY99,648 (31 December 2018: TRY92,574) (Note 9).

d) Investment properties

Important assumptions of the Group Management regarding investment properties are disclosed in Note 13.

e) Impairment of subsidiaries

The Group decided to end up its prospective investments in Gas Plus Erbil and book a provision for already existing investments based on the “prudence” principle of accounting, considering the following facts: there is a strong expectation of the Group management that the planned productivity from Gas Plus Erbil’s fields will not be sustained and the only way of producing oil from the wells is using “heavy oil” production technology which leads to a high level of production cost; accordingly, neither a commercial benefit nor another gain is expected. On the other hand, the political uncertainties at that area were also considered by the Group management. In this context, the Group has decided to terminate the related contracts and leave the sites it operates and no provision has been set as the amount of expenses to be incurred cannot be measured reliably yet. In addition to this, it is not expected that the costs incurred will have a significant impact on the consolidated financial statements (Note 4)

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NOTE 3 - BUSINESS COMBINATIONS

Business combinations as of 31 December 2019:

Merging solar energy companies through acquisition

The Group purchased and acquired the shares representing 100% of the capitals of Baroj Elektrik Üretim Sanayi ve Ticaret A.Ş., Alaköy Elektrik Üretim Sanayi ve Ticaret A.Ş., Mor Güneş Enerji A.Ş., Mir Güneş Enerji A.Ş., Uranus Güneş Enerjisi Üretim A.Ş., Prospero Güneş Enerjisi Üretim A.Ş., Ser Güneş Enerji A.Ş., Pir Güneş Enerji A.Ş., Sarı Güneş Enerji A.Ş., Jupiter Güneş Enerji Üretim A.Ş., Oberon Güneş Enerji Üretim A.Ş., Plüton Güneş Enerji Üretim A.Ş., Bianca Güneş Enerji Üretim A.Ş., Cordelia Güneş Enerji Üretim A.Ş., Sun Güneş Enerji A.Ş., Venus Güneş Enerjisi Üretim A.Ş., Merkür Güneş Enerji Üretim A.Ş. on 29 March 2019 for TRY17,941 (USD3,204). As of the acquisition date, goodwill amounting to TRY19,526 between the paid amount and the net liabilities corresponding to the Group is accounted for in the consolidated financial statements. The merger of these companies within Galata Wind was registered on 29 March 2019.

Acquisition of Radio Impuls

The rights (brand, publishing licenses, internet domain names, social media accounts, etc.), fixed assets, other ownership rights, and rights and obligations arising from existing contracts belonging to Radio Impuls of Adway Direction S.R.L were acquired by Kanal D Romania, a subsidiary of the Group, for EUR1,700 in February 2019 and goodwill amounting to TRY10,272 related to purchase transaction has been accounted in consolidated financial statements.

Acquisition of Innobil

On 18 January 2019, Glokal, a subsidiary of the Group, purchased Innobil for TRY1,400

Business combinations as of 31 December 2018:

Transaction including entities under common control

On 3 October 2018, D Gayrimenkul, a subsidiary of the Group, acquired the real estate on the parcel no. 3 2524 Island, Mecidiyeköy Mahallesi, İstanbul, Şişli, for a consideration of 850,000,000 (exact) Turkish Liras, excluding VAT. This acquisition is considered as “transactions including entities under common control” and the difference between the purchase price and the net equity at the date of purchase is accounted for under the “Effect of Mergers of Entities under Common Control” under “Retained earnings”.

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NOTE 4 - INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

Joint ventures of Doğan Holding are presented below. Joint venture’s nature of businesses, segments, registered countries and entrepreneurial partners are summarized as following:

Joint venture	Country	Nature of business	Entrepreneurial partner
Aslancık Elektrik Üretim A.Ş. (“Aslancık Elektrik”)	Turkey	Energy	Doğuş Holding A.Ş. and Anadolu Endüstri Holding A.Ş.
Boyabat Elektrik Üretim ve Ticaret A.Ş. (“Boyabat Elektrik”)	Turkey	Energy	Unit Investment N.V. Doğuş Holding A.Ş.
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. (“Doğan Burda”)	Turkey	Magazine publishing	Burda GmbH
Doğan ve Egmont Yayıncılık ve Yapımcılık Ticaret A.Ş. (“Doğan Egmont”)	Turkey	Magazine publishing	Egmont
Gas Plus Erbil Ltd. (“Gas Plus Erbil”)	Jersey	Energy	Newage Alzarooni Limited
Kandilli Gayrimenkul Yatırımları Yönetim İnşaat ve Ticaret A.Ş. (“Kandilli Gayrimenkul”)	Turkey	Real Estate	Rönesans Gayrimenkul Yatırım A.Ş.
Ultra Kablolu Televizyon ve Telekomünikasyon Sanayi ve Ticaret A.Ş. (“Ultra Kablolu”)	Turkey	Telecommunication	Koç Holding A.Ş.
Dergi Pazarlama Planlama ve Ticaret A.Ş. (“DPP”)	Turkey	Planning	Burda GmbH

The table below sets out the Joint Ventures, Doğan Holding and its subsidiaries and Doğan family voting power and effective ownership interests at 31 December 2019 and 31 December 2018:

Joint Ventures	Proportion of voting power held by Doğan Holding and its subsidiaries (%)		Proportion of voting power held by Doğan family members (%)		Total proportion of voting power held (%)		Proportion of effective ownership interest (%)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Aslancık Elektrik	33.33	33.33	-	-	33.33	33.33	33.33	33.33
Boyabat Elektrik	33.00	33.00	-	-	33.00	33.00	33.00	33.00
Doğan Burda	45.02	45.02	-	0.27	45.02	45.29	45.02	45.02
Doğan Egmont	50.00	50.00	-	-	50.00	50.00	50.00	50.00
Gas Plus Erbil	50.00	50.00	-	-	50.00	50.00	50.00	50.00
Kandilli Gayrimenkul	50.00	50.00	-	-	50.00	50.00	50.00	50.00
Ultra Kablolu ⁽¹⁾	50.00	50.00	-	-	50.00	50.00	50.00	50.00
DPP ⁽²⁾	56.00	-	-	-	56.00	-	56.00	-

⁽¹⁾ The related joint venture has ceased its operations as of November 2006.

⁽²⁾ As of 27 September 2019, the related joint ventures has been started to be recognized under investments accounted for by the equity method.

Profit and loss arising from the transactions between the Group’s subsidiaries and its joint ventures are eliminated in accordance with the Group’s share in its related subsidiary or its joint venture. The summary of the Group’s share of the financial statements of the investments accounted for by the equity method as of 31 December 2019 and 31 December 2018 are as follows:

31 December 2019	Total assets	Total liabilities	Net assets	Group’s share on net assets/ liabilities	Net sales	Profit/(loss) for the period	Group’s share on net profit (loss)
Kandilli Gayrimenkul	192,896	13,604	179,292	89,646	-	4,435	2,218
Doğan Burda	59,425	37,522	21,903	9,861	84,978	(2,481)	(1,117)
Doğan Egmont	84,074	44,783	39,291	19,646	45,806	2,794	1,397
Ultra Kablolu	7,051	27	7,024	3,512	-	(168)	(84)
DPP	417	224	193	108	2,271	111	62
Total	343,863	96,160	247,703	122,773	133,055	4,691	2,476
Boyabat Elektrik ⁽³⁾	1,828,364	4,012,718	(2,184,354)	-	329,717	(431,372)	32,403
Aslancık Elektrik ⁽²⁾	481,722	464,369	17,353	5,784	139,764	(24,396)	(8,131)

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NOTE 4 - INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD (Continued)

31 December 2018	Total assets	Total liabilities	Net assets	Group’s share on net assets/ liabilities	Net sales	Profit/(loss) for the period	Group’s share on net profit (loss)
Gas Plus Erbil ⁽¹⁾	795,706	1,629	794,077	-	-	(850)	-
Kandilli Gayrimenkul	188,867	12,510	176,357	88,178	-	14,285	7,143
Doğan Burda	52,090	27,071	25,019	11,264	86,519	2,480	1,116
Doğan Egmont	68,734	32,236	36,498	18,249	59,187	(1,932)	(966)
Ultra Kablolü	7,216	25	7,191	3,596	-	(430)	(215)
Total	1,112,613	73,471	1,039,142	121,287	145,706	13,553	7,078
Boyabat Elektrik ⁽³⁾	1,785,930	4,503,120	(2,717,190)	(96,830)	141,509	(1,386,940)	(158,705)
Aslancık Elektrik ⁽²⁾	462,768	625,619	(162,851)	(54,278)	113,984	(122,727)	(40,905)

(1) The Group decided to end up its prospective investments in Gas Plus Erbil and book a provision for already existing investments based on the “prudence” principle of accounting, considering the following facts: there is a strong expectation of the Group management that the planned productivity from Gas Plus Erbil’s fields will not be sustained and the only way of producing oil from the wells is using “heavy oil” production technology which leads to a high level of production cost; accordingly, neither a commercial benefit nor another gain is expected. On the other hand, the political uncertainties at that area were also considered by the Group management. In this context, the Group has decided to terminate the related contracts and leave the sites it operates and no provision has been set as the amount of expenses to be incurred cannot be measured reliably yet. In addition to this, it is not expected that the costs incurred will have a significant impact on the consolidated financial statements. Financial information of Gas Plus Erbil has not been included since the Group has no future expectations regarding its activities.

(2) Aslancık Elektrik completed the negotiations with the creditors regarding the restructuring of the loan contracts in 2019, and signed the Amendment and Participation Agreement dated 24 January 2011 with the creditors as of 30 December 2019. As a prerequisite before restructuring, Aslancık Elektrik performed a capital increase of TRY141,000,000 (exact) and the capital was paid in cash by the shareholders. In addition, as of 27 December 2019, a total amount of EUR7,933,896 (exact) of the loan was paid to the Alternative Bank for a loan amounting to EUR23,363,594 (exact) through the performed capital increase, and for the remaining EUR15,429,698 (exact) loan, Euro loan was closed with USD17,218,000 (exact) which were obtained from the same bank. The newly purchased loan amounting to USD17,218,000 (exact) is included in the consortium loans, the first interest and principal payment after the effective date is 30 June 2020 and the interest rate is Libor + 3.95. With the related restructuring, USD53,333,333 (exact) and EUR20,863,594 (exact) loan liability has been reduced to USD69,482,000 (exact).

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NOTE 4 - INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD (Continued)

The movements of investments accounted for by the equity method for the related period are as follows:

	2019	2018
1 January	(29,821)	48,073
Currency translation differences	-	53,090
Share of gain (loss) on investments accounted for by the equity method	(79,177)	(192,532)
Capital increase	68,193	5,346
Guarantee payments ⁽³⁾	64,427	358,844
Capital decrease	(750)	-
Actuarial gains (losses) on defined benefit plans	(286)	(266)
Joint venture acquisition	46	-
Impairment of joint venture ⁽¹⁾	-	(302,376)
Unrecognized provisions ⁽³⁾	105,925	-
31 December	128,557	(29,821)

- ⁽³⁾ The Amendment Agreements were signed on 21 June 2019 and the credit agreements were concluded between Boyabat and the banks on 26 June 2013 and 26 June 2015 were amended. The entry into force of the Amendment Agreements is subject to the payment of the interest accrued under the Main Loan Agreement and the inclusion of the interest accrued under the Consecutive Credit Agreement and the BSMV to the principal amount. It is accepted that the effective date of the contracts is 8 July 2019. The first interest payment after the effective date will be made on 21 June 2020 and the second will be made on 31 December 2020, and the each of the following payments will be made within twelve-month periods after 31 December 2020. Effective interest rate until 21 June 2020 will be 4.25% and after it will be 5.25%. As a result of these developments, the aforementioned provision has been reversed due to the disappearance of the uncertainties mentioned above. In addition, the Group, as a guarantor, made the payment of interest accrued for existing loans but not yet paid by Boyabat amounting to USD 8,650,073 (exact) and EUR 2,482,125 (exact) in full and in cash which was on its own share within 11 business days following the date of the Amendment Agreements were signed. This amount includes 2,854,524 (exact) US Dollars and 819,101 (exact) Euro which belongs to the share of one of the shareholders and which cannot be paid and corresponds to Doğan Enerji's share, in addition expense accrual is accounted in the consolidated financial statements as of the balance sheet date for these amount. (31 Aralık 2018: As a result of failing to make installment payments of the long-term project loan by Boyabat Elektrik on 29 December 2017 and 29 June 2018, the Group paid its own share of the loan installments as the guarantor. In addition, as a result of the recall of the Consecutive Credit Agreement signed by Boyabat Elektrik and Akbank T.A.Ş, the Group has paid its own share of the loan installment. The Group has become creditor for Boyabat Elektrik due to aforementioned payments made as a guarantor and an impairment loss is accounted in the consolidated financial statements).

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NOTE 4 - INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD (Continued)

Condensed financial information after consolidation adjustments of Joint Ventures is as follows:

Condensed statement of financial position information:

31 December 2019	Boyabat Elektrik	Aslancık Elektrik	Kandilli Gayrimenkul	Doğan Burda	Ultra Kablolu	Doğan Egmont	DPP	Total
Cash and cash equivalents	139,848	5,139	25	21,797	113	2,517	4	169,443
Other current assets	22,789	5,933	72	26,451	6,894	74,831	403	137,373
Other non-current assets	1,665,727	470,650	192,799	11,177	44	6,726	10	2,347,133
Total assets	1,828,364	481,722	192,896	59,425	7,051	84,074	417	2,653,949
Short-term borrowings	313,132	19,759	-	4,432	-	6,500	-	343,823
Other short-term liabilities	19,819	48,677	79	22,563	10	38,283	224	129,655
Long-term borrowings	3,553,987	395,596	-	2,552	-	-	-	3,952,135
Other long-term liabilities	125,780	337	13,525	7,975	17	-	-	147,634
Total liabilities	4,012,718	464,369	13,604	37,522	27	44,783	224	4,573,247
Net assets:	(2,184,354)	17,353	179,292	21,903	7,024	39,291	193	(1,919,298)
<i>Group's share</i>	<i>0.33</i>	<i>0.33</i>	<i>0.50</i>	<i>0.45</i>	<i>0.50</i>	<i>0.50</i>	<i>0.56</i>	
Group's net asset share	-	5,784	89,646	9,861	3,512	19,646	108	128,557

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NOTE 4 - INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD (Continued)

Condensed statement of financial position information (Continued):

31 December 2018	Boyabat Elektrik	Aslancık Elektrik	Kandilli Gayrimenkul	Gas Plus Erbil	Doğan Burda	Ultra Kablolu	Doğan Egmont	Total
Cash and cash equivalents	6,275	8,278	392	7,365	21,803	207	2,061	46,381
Other current assets	49,323	5,705	1,554	-	25,481	6,922	60,031	149,016
Other non-current assets	1,730,332	448,785	186,921	788,341	4,806	87	6,642	3,165,914
Total assets	1,785,930	462,768	188,867	795,706	52,090	7,216	68,734	3,361,311
Short-term borrowings	4,276,713	240,784	-	-	-	-	3,000	4,520,497
Other short-term liabilities	31,562	103,856	103	360	18,761	8	29,236	183,886
Long-term borrowings	-	280,581	-	-	-	-	-	280,581
Other long-term liabilities	194,845	398	12,407	1,269	8,310	17	-	217,246
Total liabilities	4,503,120	625,619	12,510	1,629	27,071	25	32,236	5,202,210
Net assets:	(2,717,190)	(162,851)	176,357	794,077	25,019	7,191	36,498	(1,840,899)
<i>Group's share</i>	<i>0.33</i>	<i>0.33</i>	<i>0.50</i>	<i>0.50</i>	<i>0.45</i>	<i>0.50</i>	<i>0.50</i>	
Group's net asset share	(96,830)	(54,278)	88,178	-	11,264	3,596	18,249	(29,821)

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NOTE 4 - INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD (Continued)

1 January - 31 December 2019	Boyabat Elektrik	Aslancık Elektrik	Kandilli Gayrimenkul	Doğan Burda	Ultra Kablolu	DPP	Doğan Egmont
Revenue	329,717	139,764	-	84,978	-	2,271	45,806
Operating profit/(loss)	144,406	38,354	5,525	(931)	(167)	112	(2,398)
Net financial income/(expense)	(652,058)	(104,473)	27	(1,932)	(1)	-	(1,069)
Profit/(loss) before income tax	(507,652)	(66,119)	5,552	(2,857)	(168)	111	4,353
Total comprehensive income/(loss)	(431,372)	(24,396)	4,435	(2,481)	(168)	111	2,794
<i>Group's share</i>	0.33	0.33	0.50	0.45	0.50	0.56	0.50
Group's net share on profit/(loss)	32,403	(8,131)	2,218	(1,117)	(84)	62	1,397
1 January - 31 December 2018	Boyabat Elektrik	Aslancık Elektrik	Kandilli Gayrimenkul	Gas Plus Erbil	Doğan Burda	Ultra Kablolu	Doğan Egmont
Revenue	141,509	113,984	-	-	86,519	-	59,187
Operating profit/(loss)	7,351	44,585	17,527	(812)	3,658	(90)	(3,509)
Net financial income/(expense)	(1,369,174)	(205,689)	601	(38)	(224)	(364)	(599)
Profit/(loss) before income tax	(1,361,823)	(161,104)	17,858	(850)	3,443	(430)	(4,107)
Foreign currency translation difference	-	-	-	94,826	-	-	-
Total comprehensive income/(loss)	(1,386,940)	(122,727)	14,285	93,977	2,480	(430)	(1,932)
<i>Group's share</i>	0.33	0.33	0.50	0.50	0.45	0.50	0.50
Group's net share on profit/(loss)	(158,705)	(40,905)	7,143	-	1,116	(215)	(966)

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NOTE 5 - SEGMENT REPORTING

a) External revenue

	1 January - 31 December 2019	1 January - 31 December 2018
Fuel retail	8,578,030	8,106,761
Electricity production and trade	2,791,755	2,194,063
Industry	426,566	427,460
Automotive trade and marketing	296,052	284,683
Financing and investment	232,269	275,717
Internet and entertainment	366,846	316,936
Real estate investments	75,253	75,252
Other	509,830	465,566
	13,276,601	12,146,438

b) Profit/(loss) before income tax

	1 January - 31 December 2019	1 January - 31 December 2018
Fuel retail	(73,029)	(506,849)
Electricity production and trade	63,647	70,718
Industry	(13,456)	30,893
Automotive trade and marketing	(11,275)	(35,312)
Financing and investment	550,891	4,499,406
Internet and entertainment	28,736	2,919
Real estate investments	160,656	(429,449)
Other	17,859	62,073
	724,029	3,694,399
Profit/(Loss) of discontinued operations before income taxes	-	(57,710)
	724,029	3,636,689

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NOTE 5 - SEGMENT REPORTING (Continued)

c) Segmental analysis for the period ended as of 1 January - 31 December 2019:

	Fuel Retail	Electricity Production and Trade	Industry	Automotive Trade and Marketing	Financing and Investment	Internet and Entertainment	Real Estate Investments	Other	Inter Segment Elimination	Total
External revenue	8,578,030	2,791,755	426,566	296,052	232,269	366,846	75,253	509,830	-	13,276,601
Inter segment revenue	9,653	7,150	-	263	20,824	87	9,429	69,061	(116,467)	-
Total revenue	8,587,683	2,798,905	426,566	296,315	253,093	366,933	84,682	578,891	(116,467)	13,276,601
Revenue	8,587,683	2,798,905	426,566	296,315	253,093	366,933	84,682	578,891	(116,467)	13,276,601
Cost of sales	(8,227,782)	(2,580,615)	(367,410)	(244,385)	(130,565)	(178,348)	(30,441)	(455,012)	13,828	(12,200,730)
Gross profit/(loss)	359,901	218,290	59,156	51,930	122,528	188,585	54,241	123,879	(102,639)	1,075,871
General administrative expenses	(34,708)	(27,287)	(29,991)	(16,422)	(131,799)	(53,187)	(7,139)	(89,505)	94,607	(295,431)
Marketing expenses	(234,388)	(21,925)	(33,375)	(24,721)	-	(96,297)	(3,317)	(12,750)	9,126	(417,647)
Share of gain/(loss) on investments accounted for by the equity method	-	(8,131)	-	-	32,403	-	-	2,476	-	26,748
Other income/(expenses) from operating activities, net	66,792	6,640	5,697	563	437,579	(5,287)	118,385	22,181	(10,481)	642,069
Income/(expenses) from investment activities, net	2,775	3,964	100	1,708	175,392	(1,666)	(293)	(4,585)	-	177,395
Financial income/(expense), net	(233,401)	(107,904)	(15,043)	(24,333)	(85,212)	(3,412)	(1,221)	(23,837)	9,387	(484,976)
Profit/(loss) before taxation from continued operations	(73,029)	63,647	(13,456)	(11,275)	550,891	28,736	160,656	17,859	-	724,029

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NOTE 5 - SEGMENT REPORTING (Continued)

c) Segmental analysis for the period ended as of 1 January - 31 December 2018:

	Fuel Retail	Electricity Production and Trade	Industry	Automotive Trade and Marketing	Financing and Investment	Internet and Entertainment	Real Estate Investments	Other	Inter Segment Elimination	Total
External revenue	8,106,761	2,194,063	427,460	284,683	275,717	316,936	75,252	465,566	-	12,146,438
Inter segment revenue	9,150	7,743	-	218	4,255	20,479	2,262	71,048	(115,155)	-
Total revenue	8,115,911	2,201,806	427,460	284,901	279,972	337,415	77,514	536,614	(115,155)	12,146,438
Revenue	8,115,911	2,201,806	427,460	284,901	279,972	337,415	77,514	536,614	(115,155)	12,146,438
Cost of sales	(7,791,960)	(2,026,758)	(329,274)	(237,368)	(170,529)	(184,739)	(28,588)	(376,046)	13,350	(11,131,912)
Gross profit/(loss)	323,951	175,048	98,186	47,533	109,443	152,676	48,926	160,568	(101,805)	1,014,526
General administrative expenses	(23,084)	(14,698)	(25,707)	(17,087)	(103,111)	(46,082)	(30,827)	(56,621)	38,561	(278,656)
Marketing expenses	(209,684)	(21,513)	(23,624)	(16,968)	-	(83,532)	(4,768)	(11,148)	7,942	(363,295)
Share of gain/(loss) on investments accounted for by the equity method	-	(40,905)	-	-	(158,705)	-	-	7,078	-	(192,532)
Other income/(expenses) from operating activities, net	(11,329)	97,313	1,070	(47)	1,010,088	(6,554)	961	(204)	(6,800)	1,084,498
Income/(expenses) from investment activities, net	(296,043)	36,327	920	320	3,716,916	(7,475)	(439,146)	3,099	-	3,014,918
Financial income/(expense), net	(290,660)	(160,854)	(19,952)	(49,063)	(75,225)	(6,114)	(4,595)	(40,699)	4,392	(642,770)
Profit/(loss) before taxation from continued operations	(506,849)	70,718	30,893	(35,312)	4,499,406	2,919	(429,449)	62,073	(57,710)	3,636,689
Loss before taxation from discontinued operations									57,710	

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NOTE 5 - SEGMENT REPORTING (Continued)

d) Segment assets

	31 December 2019	31 December 2018
Total assets		
Fuel retail	2,035,220	1,805,448
Electricity production and trade	1,697,100	1,257,741
Industry	330,902	293,455
Automotive trade and marketing	116,852	289,287
Financing and investment	9,412,966	8,670,647
Internet and entertainment ⁽¹⁾	403,177	665,262
Real estate investments	1,441,158	1,270,852
Other ⁽¹⁾	679,078	743,539
Total	16,116,453	14,996,231
Less: Segment elimination ⁽³⁾	(4,875,862)	(4,046,421)
Total assets per consolidated financial statements	11,240,591	10,949,810
Equity	31 December 2019	31 December 2018
Fuel retail ⁽¹⁾	(125,272)	(99,454)
Electricity production and trade	270,277	177,466
Industry	34,006	58,372
Automotive trade and marketing	(41,001)	(30,203)
Financing and investment	12,096,787	11,556,844
Internet and entertainment ⁽²⁾	(68,363)	(285,588)
Real estate investments	103,461	(39,491)
Other ⁽²⁾	275,559	238,093
Total	12,545,454	11,576,039
Less: Segment elimination ⁽⁴⁾	(5,408,845)	(4,914,361)
Total shareholders' equity per consolidated financial statements	7,631,340	7,001,891
Non-controlling interests	494,731	340,213
Equity attributable to equity holders of the parent company	7,136,609	6,661,678

(1) Shareholders' equity amounts to TRY177,104 (31 December 2018: TRY202,922), excluding impairment, related to Gas Plus Erbil, one of the Group's joint ventures, details of which are disclosed in Note 4.

(2) As explained in Note 31, after the sale and transfer of the shares of the direct or indirect subsidiaries operating in the broadcasting, publishing and retail segments, the Group's segment reporting structure is revised. As of 31 December 2018, the financial statements of the companies subject to sale are presented under the segment “Other”.

(3) Segment elimination amount consists of the elimination of mutual payables and receivables balances between the Group's operating segments.

(4) Segment elimination amount represents the reciprocal elimination of the adjusted capital amounts in each segment's total equity amount with participation amounts.

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NOTE 5 - SEGMENT REPORTING (Continued)

e) **Purchase of property, plant and equipment, intangible assets and investment properties and depreciation and amortization charge**

	1 January - 31 December 2019	1 January - 31 December 2018
<u>Purchases</u>		
Fuel retail	111,037	218,428
Electricity production and trade	12,659	6,508
Industry	24,880	38,517
Automotive trade and marketing	9,359	2,745
Financing and investment	11,838	7,394
Internet and entertainment	54,455	48,870
Real estate investments	2,973	4,809
Other	12,076	40,564
Purchases related to sold companies	-	183,583
Total	239,277	551,418

	1 January - 31 December 2019	1 January - 31 December 2018
<u>Depreciation and amortization</u> ⁽¹⁾		
Fuel retail	152,863	138,004
Electricity production and trade	37,613	30,581
Industry	17,488	11,493
Automotive trade and marketing	7,484	7,594
Financing and investment	3,125	2,011
Internet and entertainment	51,448	29,368
Real estate investments	2,096	1,610
Other	43,841	10,125
Depreciation and amortization related to sold companies	-	118,076
Total	315,958	348,862

(1) Depreciation expense related to industry segment amounting to TRY408 has been recognised under inventory account (31 December 2018: TRY284).

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NOTE 6 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Cash	1,990	7,184
Banks		
- Demand deposits	144,505	276,370
- Time deposits	3,125,308	3,524,297
Other liquid assets	7,029	10,115
	3,278,832	3,817,966

As of 31 December 2019 the gross effective interest rates of USD, EUR and TRY denominated time deposits of the Group are between 0.95% and 2.45% (31 December 2018: 2.00% and 5.80%), 0.25% and 0.30% (31 December 2018: 1.10% and 3.40%) and 1.91% and 10.50% (31 December 2018: 14.00% and 27.00%) and the maturity of the time deposits is shorter than 3 months.

As of 31 December 2019 other liquid assets consist of credit card slip receivables amounting to TRY7,029 (31 December 2018: TRY10,115). There are blocked deposits amounting to TRY645 (31 December 2018: TRY76,565).

Cash and cash equivalents disclosed in the consolidated statements of cash flows as of 31 December 2019, 31 December 2018 and 31 December 2017 are as follows:

	31 December 2019	31 December 2018	31 December 2017
Cash and cash equivalents	3,278,832	3,817,966	1,708,658
Accrued interest (-)	(2,074)	(8,602)	(641)
Cash and cash equivalents	3,276,758	3,809,364	1,708,017

As explained in Note 31, Group provided TRY4,100,976 cash inflow due to asset sales.

NOTE 7 - FINANCIAL INVESTMENTS

a) Short-term financial investments

The Group’s financial assets classified as short term financial investments are as follows:

	31 December 2019	31 December 2018
Private sector and government bonds and bills		
<i>Financial assets carried at fair value through other comprehensive income⁽¹⁾</i>	1,176,618	422,962
<i>Financial assets carried at fair value through profit or loss</i>	1,108	720
	1,177,726	423,682

(1) Private sector and government bonds and bills consist of highly liquid financial investments that can easily be converted into cash and do not carry significant risk of value changes. 29% of these financial investments consist of government and 71% private sector bonds and bills.

Bonds and bills are dominated in TRY, USD and EUR and their weighted average interest rates range are annually between 24.02% - 30.02%, 2.38% - 8.50%, 2.38% and 5.20%, respectively (31 December 2018: 3.92% - 20.50%, 4.00% - 8.75% and 5.20%).

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NOTE 7 - FINANCIAL INVESTMENTS (Continued)

b) Long-term financial investments

The Group’s financial assets classified as long term financial investments are as follows:

	<u>31 December 2019</u>		<u>31 December 2018</u>	
	<u>TRY</u>	<u>(%)</u>	<u>TRY</u>	<u>(%)</u>
Financial assets carried at fair value through other comprehensive income				
<i>Lexin Nassau L.P.</i> ⁽¹⁾⁽²⁾	157,891	22.15	142,165	22.15
Financial assets carried at fair value through profit or loss				
<i>Mediterra Capital Partners I LP</i>	11,128	1.88	9,419	1.88
<i>Insider SG PTE Limited</i>	9,772	3.28	8,718	3.28
<i>Mediterra Capital Partners II LP</i>	8,231	2.23	7,095	2.23
<i>GRI Gıda Sanayi ve Ticaret A.Ş.</i> ⁽³⁾	7,407	1.71	20,813	5.79
<i>Düş Yeri Bilişim Teknolojileri ve Animasyon A.Ş.</i>	7,874	3.75	7,874	3.75
<i>Collective Spark Fund BV</i>	542	1.13	-	-
	202,845		196,084	

(1) Nassau L.P. is included in the long-term investments of M Investment, a subsidiary of the Group. The related investment is accounted for as an available-for-sale financial asset and the fair value of the asset according to valuation report is TRY157,891 (equivalent of USD26,580) as of 31 December 2019. Accordingly, the foreign currency translation difference amounting to TRY18,158 has been accounted in the other comprehensive income statement for the year ended 31 December 2019. The Group has participated in Lexin Nassau L.P.’s capital increase in 2019 by TRY199 (equivalent of USD 35) in the ratio of its share.

(2) As the following situations are not present, the Group does not carry out any significant activities on the subsidiary:

- Being represented by the board of directors or similar executive body of the invested entity,
- Participating in the entity’s policy determination processes including dividends or other distribution decisions,
- Carrying out important transactions between the investor and invested entities,
- Providing know-how required for business operations or administrative officer exchange between entities

(3) Öncü Girişim transferred 3,673,579 (exact) shares out of a total of 5,211,572 (exact) shares on 27 May 2019 under the purchase option specified in the share transfer agreement signed on 16 November 2018 for a consideration of TRY16,621 (EUR2,520).

The movements of long-term financial investments for the related period are as follows:

	2019	2018
1 January	196,084	125,137
Purchase of available for sale financial assets	2,472	26,670
Change in fair value		
<i>Recognized in equity</i>	-	8,157
<i>Recognized in the statement of income</i>	3,236	4,991
Financial investment disposal	(14,670)	-
Subsidiary disposal effect	-	(6,798)
Capital increase	199	7,227
Currency translation differences	18,158	30,700
Impairment	(2,634)	-
31 December	202,845	196,084

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NOTE 8 - SHORT AND LONG TERM FINANCIAL BORROWINGS

a) Financial borrowings

The details of financial borrowings at 31 December 2019 and 31 December 2018 are as follows:

Short-term borrowings:	31 December 2019	31 December 2018
Short-term bank borrowings	1,603,847	1,437,919
Financing bond ⁽¹⁾	136,713	57,541
Factoring borrowings	36	14,745
Lease borrowings from non-related parties	414	3,964
Total	1,741,010	1,514,169

(1) The Group’s subsidiary, Doruk Faktoring, issued and sold discounted bonds to qualified investors, without a public offering, on 26 August 2019. The nominal value of the bonds amounts to TRY68,000,000 (exact) with the maturity of 170 days. The bonds’ simple annual interest rate is 20.95% and the annual compound interest rate is 22.13%, and the bonds are redeemed on 12 February 2020.

On 19 September 2019, Doruk Finansman, a subsidiary of the Group, issued and sold discounted financing bonds at a nominal amount of TRY25,000,000 (exact) with 176 days maturity, an annual simple interest at a rate of 19.00% and annual compound interest rate of 19.94% to qualified investors without public offering. The maturity date of the bond with a nominal value of TRY25,000,000 (exact) is 13 March 2020.

On 9 August 2019, Aytemiz Akaryakıt, the subsidiary of the Group, issued a 50,000,000 (exact) Turkish Lira nominal bond with 350 days maturity, 4 coupon payments and a variable interest rate of 3 months TRYLIBOR + 1.5% annual simple additional interest to qualified investors without public offering. The maturity date of the bond with a nominal value of TRY50,000,000 (exact) is 24 July 2020 and the 1st coupon payment was paid on 8 November 2019 as 2,542,350 (exact). 2nd coupon payment date is 7 February 2020. A portion of TRY5,113,996 (exact) with the interest accrued and purchased by Doğan Holding is eliminated within the scope of consolidation.

Short-term portions of long-term borrowings:

	31 December 2019	31 December 2018
Short-term portions of long-term bank borrowings	71,071	348,659
Lease borrowings from non-related parties ⁽²⁾	36,734	-
Lease borrowings from related parties ⁽²⁾	6,238	-
Total	114,043	348,659

Long-term borrowings:	31 December 2019	31 December 2018
Long-term bank borrowings	407,133	622,216
Lease borrowings from non-related parties ⁽²⁾	170,416	3,597
Lease borrowings from related parties ⁽²⁾	18,906	-
Total	596,455	625,813

(2) As disclosed in Note 2.1.6, the amounts due as of 31 December 2019 consist of the balances resulting from the first-time adoption of “IFRS 16 Leases” standard.

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NOTE 8 - SHORT AND LONG TERM FINANCIAL BORROWINGS (Continued)

b) Bank borrowings and financing bonds

Details of the bank borrowings and financing bonds as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019			31 December 2018		
	Interest rate per annum (%)	Original currency	TRY	Interest rate per annum (%)	Original currency	TRY
Short-term bank borrowings:						
TRY denominated bank borrowings	5.00 - 27.95	1,437,175	1,437,175	15.40 - 37.45	1,095,303	1,095,303
USD denominated bank borrowings	6.10 - 6.10	4,300	25,543	5.00 - 5.90	29,627	155,867
EUR denominated bank borrowings	0.85 - 3.45	21,220	141,129	1.00 - 4.25	30,980	186,749
Subtotal			1,603,847			1,437,919
Short-term financing bonds:						
TRY denominated financing bonds			136,713			57,541
Subtotal			136,713			57,541
Short-term portion of long-term bank borrowings:						
TRY denominated bank borrowings	12.25 - 16.24	57,888	57,888	15.69 - 32.5	76,658	76,658
EUR denominated bank borrowings	0.65 - 4.22	1,982	13,183	0.65 - 4.69	39,290	236,843
USD denominated bank borrowings	-	-	-	5.98 - 6.40	6,683	35,158
Subtotal			71,071			348,659
Total short-term bank borrowings and financing bonds			1,811,631			1,844,119
Long term bank borrowings:						
TRY denominated bank borrowings	12.80 - 22.55	326,077	326,077	5.00 - 17.75	210,117	210,117
EUR denominated bank borrowings	0.65 - 2.63	12,188	81,056	0.65 - 4.69	50,848	306,513
USD denominated bank borrowings	-	-	-	5.98 - 6.00	20,070	105,586
Total long-term bank borrowings			407,133			622,216

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NOTE 8 - SHORT AND LONG TERM FINANCIAL BORROWINGS (Continued)

c) Lease borrowings

Details of the lease borrowings as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019			31 December 2018		
	Interest rate per annum (%)	Original currency	TRY	Interest rate per annum (%)	Original currency	TRY
Short-term lease borrowings:						
TRY denominated lease borrowings from non- related parties	-	-	-	29.79 - 33.31	1,812	1,812
EUR denominated lease borrowings from non-related parties	2.90 - 3.45	62	414	2.90 - 3.45	357	2,152
Subtotal			414			3,964
Short-term portion of long-term lease borrowings:						
TRY denominated lease borrowings from related parties	22.55 - 26.15	6,238	6,238	-	-	-
TRY denominated lease borrowings from non- related parties	22.55 - 26.15	16,386	16,386	-	-	-
USD denominated lease borrowings from non-related parties	12.41	347	2,063	-	-	-
EUR denominated lease borrowings from non-related parties	3.83 - 10.20	2,747	18,269	-	-	-
RUB denominated lease borrowings from non-related parties	6.25 - 7.00	177	16	-	-	-
Subtotal			42,972			-
Total short-term lease borrowings			43,386			3,964
Long-term lease borrowings:						
TRY denominated lease borrowings from related parties	22.55 - 26.15	18,906	18,906	-	-	-
TRY denominated lease borrowings from non- related parties	22.55 - 26.15	149,648	149,648	29.79 - 33.31	3,223	3,223
USD denominated lease borrowings from non-related parties	12.41	3,443	20,452	-	-	-
EUR denominated lease borrowings from non-related parties	3.83 - 10.20	48	316	2.90 - 3.45	62	374
Total long-term lease borrowings			189,322			3,597

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NOTE 8 - SHORT AND LONG TERM FINANCIAL BORROWINGS (Continued)

The movement table of the lease borrowings is as follows:

	31 December 2019
Beginning of the period	222,449
Additions	45,432
Payments	(84,522)
Interest expense (Note 30)	45,677
Currency translation differences	3,569
Early termination	(311)
	232,294

The reconciliation of the net financial borrowings as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Cash and cash equivalents (Note 6)	3,278,832	3,817,966
Short-term borrowings	(1,812,081)	(1,862,828)
Long-term borrowings	(407,133)	(625,813)
Short term lease borrowings ⁽¹⁾	(42,972)	-
Long term lease borrowings ⁽¹⁾	(189,322)	-
Net financial assets/(liabilities)	827,324	1,329,325

	Short and long term borrowings	Lease borrowings ⁽¹⁾	Cash and cash equivalents	Net financial liability
1 January 2019	2,488,641	-	(3,817,966)	(1,329,325)
TFRS 16 Opening effect	-	222,449	-	222,449
Cash flow effect	(498,831)	(39,401)	921,522	383,290
Currency translation adjustments	22,013	3,569	(384,462)	(358,880)
Interest accrual, net	207,391	45,677	2,074	255,142
31 December 2019	2,219,214	232,294	(3,278,832)	(827,324)

⁽¹⁾ As disclosed in Note 2.1.6, the amounts due as of 31 December 2019 consist of the balances resulting from the first-time adoption of “TFRS 16 Leases” standard.

	Short and long term borrowings	Cash and cash equivalents	Net financial liability
Balances as of 1 January 2018	4,031,109	(1,708,658)	2,322,451
Cash flow effect	(295,741)	(1,067,379)	(1,363,120)
Subsidiary purchase effect	20,032	735	20,767
Currency translation adjustments	(276,700)	(1,321,251)	(1,597,951)
Interest accrual, net	116,880	8,602	125,482
Subsidiary disposal effect (Note 31)	(1,106,939)	269,985	(836,954)
Balances as of 31 December 2018	2,488,641	(3,817,966)	(1,329,325)

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NOTE 8 - SHORT AND LONG TERM FINANCIAL BORROWINGS (Continued)

The redemption schedule of long-term bank borrowings as of 31 December 2019 and 31 December 2018 is as follows:

	31 December 2019	31 December 2018
2020	-	422,490
2021	337,853	98,428
2022	11,776	57,608
2023	9,300	7,282
2024 and after	48,204	36,408
Total	407,133	622,216

The floating rate short and long term bank borrowings of the Group denominated in EUR have interest rates fluctuating between Euribor + 0.65% and Euribor + 4.22% (31 December 2018: Euribor +0.65% and Euribor+4.69%).

Carrying value of the financial liabilities is considered to be same with the fair value since discount effect is not material. The Group borrows loans on fixed and floating interest rates.

Allocation of borrowings with fixed and floating interest rates of the Group excluding financial liabilities to be paid to the suppliers as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Financial borrowings with fixed interest rates (Note 35)	2,300,645	2,027,495
Financial borrowings with floating interest rates (Note 35)	150,863	461,146
Total	2,451,508	2,488,641

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables from non- related parties

	31 December 2019	31 December 2018
Trade receivables	1,634,234	1,643,345
Notes and cheques receivable	180,694	280,408
Income accruals	1,286	2,436
Total	1,816,214	1,926,189
Less: Unearned financial income due to sales with maturity	(4,543)	(14,281)
Less: Provision for expected credit losses (-)	(877)	(1,366)
Less: Provision for doubtful receivables (-)	(98,771)	(91,208)
Total	1,712,023	1,819,334

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

The average maturity of not overdue trade receivables of the Group that are followed up by Doruk Faktoring is between 52 to 87 days as of the statement of financial position date (31 December 2018:76 - 85 days). The maturity of the trade receivables of the Group varies and the effective interest rate applied for trade receivables is TRY13.83%, USD3.69%, and EUR1,68% (31 December 2018: TRY23.59%, USD4.82%, EUR2.92%). The rate used in this method is determined on the basis of compound interest called “effective interest rate”; which has been determined taking into consideration the data of the Central Bank of the Republic of Turkey.

Long-term trade receivables from non- related parties

	31 December 2019	31 December 2018
Notes and cheques receivable ⁽¹⁾	29,116	60,106
Unearned financial income due to sales with maturity	(3,033)	(15,051)
	26,083	45,055

⁽¹⁾ Long term notes receivables are mainly consisted of commercial activities related to fuel sales.

The movements of provisions for doubtful receivables for the related period are as follows:

	2019	2018
1 January	(92,574)	(257,243)
Opening effect of TFRS 9	-	(981)
Reported	(92,574)	(258,224)
Provision from continued operations in the current period (Note 28)	(25,009)	(41,593)
Expected credit loss, net	489	(1,366)
Written off uncollectible receivables ⁽¹⁾	14,310	1,965
Currency translation differences	-	(778)
Collections	3,136	-
Disposal of subsidiary	-	207,422
31 December	(99,648)	(92,574)

⁽¹⁾ The Group has decided to derecognise the receivables recorded as doubtful within prior periods, in accordance with the provisional article 7 of TCC, which are from the companies extracted from trade registry and the companies that have completed ordinary liquidation process and the companies dissolved by commercial courts' decision and the companies dissolved by bankruptcy estate and also determined as bad debts, from the statement of financial position.

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

Guarantees for trade receivables

As of 31 December 2019, although trade receivables amounting to TRY115,721 (31 December 2018: TRY119,977), were overdue, they were not assessed as doubtful receivable (Note 35). The Group does not foresee any collection risk regarding to overdue receivables by considering sector dynamics and circumstances as of the reporting date (Note 2).

As of 31 December 2019, the Group has collateral, pledge, mortgage and surety amounting to TRY1,530,294 (31 December 2018: TRY1,074,084) for trade receivables amounting to TRY1,738,106 (31 December 2018: TRY1,864,389) from non-related parties (Note 35).

Short term trade payables to non-related parties

	31 December 2019	31 December 2018
Trade payables	717,983	791,423
Provisions for liabilities and expenses	30,770	20,649
Cheques and notes payables	-	12,128
Less: Unrealized finance expense due to purchases with maturity	(3,033)	(4,797)
Total	745,720	819,403

The average maturity of trade payables is between 40 to 91 days as of 31 December 2019 (31 December 2018: 40 to 104 days). The maturity of the trade payables of the Group varies and the effective interest rate applied for trade payables is TRY 13.83%, USD 3.69%, and EUR 1.68% (31 December 2018: TRY 23.59%, USD 4.82%, EUR 2.92%). The rate used in this method is determined on the basis of compound interest called "effective interest rate"; which has been determined taking into consideration the data of the Central Bank of the Republic of Turkey.

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Other short-term receivables from non-related parties

	31 December 2019	31 December 2018
TEİAŞ power transmission line receivables	7,137	5,990
Deposits and guarantees given	5,787	-
Notes receivable	-	3,750
Other receivables	5,092	1,308
Total	18,016	11,048

Other short-term payables to non-related parties

	31 December 2019	31 December 2018
Taxes and funds payable	120,474	105,875
Other short-term payables ⁽¹⁾	6,357	19,282
Total	126,831	125,157

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NOTE 10 - OTHER RECEIVABLES AND PAYABLES (Continued)

	31 December 2019	31 December 2018
Other long-term payables to non-related parties		
Deposits and guarantees received	1,385	1,566
Other long-term payables ⁽¹⁾	538	54,579
Total	1,923	56,145

⁽¹⁾ A significant portion of the other short-term debts is due to the debts of the Group's subsidiaries Kanal D Romanya arising from transactions other than their commercial activities (31 December 2018: Other short-term other payables consist of the payables of the Group's subsidiaries related to dealer transfer contracts and the debt arising from the transactions other than the other commercial activities. Other long-term liabilities as of 31 December 2018 consist of the non-financial liabilities of Aytemiz Akaryakıt, one of the Group's subsidiaries.)

NOTE 11 - INVENTORIES

	31 December 2019	31 December 2018
Finished goods and merchandise	560,267	584,442
Raw materials and supplies	29,612	45,943
Semi-finished goods	14,511	15,308
Other inventories	19,455	1,545
Provision for impairment of inventory (-)	(2,062)	(1,992)
Total	621,783	645,246

Depreciation and amortization expenses amounting to TRY408 have been reflected to cost of inventories as of 31 December 2019 (31 December 2018: TRY284).

The movement of the provision for impairment of inventories for the periods ended 31 December 2019 and 2018 are as follows:

	2019	2018
1 January	(1,992)	(5,948)
Reversal of provision for impairment of inventories	130	11
Provision booked in the current period (Note 28)	(200)	(330)
Disposals from sale of subsidiary	-	4,275
31 December	(2,062)	(1,992)

NOTE 12 - BIOLOGICAL ASSETS

As of 31 December 2019, the amount of biological assets of the Group's subsidiary Kelkit Doğan Besi is TRY13,167 (31 December 2018: TRY21,174).

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NOTE 13 - INVESTMENT PROPERTIES

The movements of investment properties for the periods ended 31 December 2019 and 2018 are as follows:

	1 January 2019	Additions	Disposals	Disposal of subsidiary	Transfers	Currency translation differences	Fair value adjustment ⁽¹⁾	31 December 2019
Land	252,102	9,765	(70)	-	303	-	123,944	386,044
Buildings	962,578	-	-	-	-	8,275	270	971,123
Net book value	1,214,680	9,765	(70)	-	303	8,275	124,214	1,357,167

	1 January 2018	Additions	Disposals	Disposal of subsidiary	Currency translation differences	Fair value adjustment ⁽¹⁾	31 December 2018
Land	411,250	-	-	(137,053)	-	(22,095)	252,102
Buildings	1,441,717	12,737	(24,473)	(54,439)	28,030	(440,994)	962,578
Net book value	1,852,967	12,737	(24,473)	(191,492)	28,030	(463,089)	1,214,680

- (1) As of 31 December 2019, the Group has accounted for a fair value correction of TRY124,214 by considering the purchase and sale transactions in the current period in the appraisal value stated in the real estate appraisal report regarding buildings. Adjustment amounting to TRY111,834 relates to Ömerli land which is one of the Group's Investment properties (Note 18). (31 December 2018: The Group has accounted for a fair value correction of TRY463,089 in the purchase and sale transactions in the current period regarding the land and buildings considering the appraisal value in the real estate appraisal report. Adjustment amounting to TRY438,020 results from the restatement of the consolidated financial statements in accordance with the principle resolution of the POA published in the Official Gazette dated 21 July 2013 and 17 October 2018 “The Accounting of Business Combinations Subject to Common Control” as explained in detail in Note 3.

There is no collateral or mortgage on investment properties of the Group.

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NOTE 13 - INVESTMENT PROPERTIES (Continued)

As of 31 December 2019, the investment properties of the Group comprise of parts of buildings held to earn rentals, lands and properties.

Level reclassification of financial assets and liabilities measured at fair value

Investment properties of the Group, has been valued by the real estate valuation establishments those are in the CMB list by using the market comparison analysis approach, cost approach and direct capitalisation approach methods. As a result, it was determined that the values calculated from different approaches is similar and consistent with the market comparison method and value has been determined according to the market comparison method. Real estate valuation establishments are authorized by CMB and provide property valuation appraisal services in accordance with the capital markets legislation and have sufficient experience and qualifications regarding the fair value measurement of the real estate in related regions.

Some of the financial assets and financial liabilities of the Group are reflected at their fair values to the financial statements at every statement of financial position date. According to the accounting policies stated in Note 2.2, The Group's investment properties are valued.

As of 31 December 2019, the Group has accounted for a fair value correction of TRY124,214 in the purchase and sale transactions in the current period regarding investment properties considering the appraisal value in the real estate appraisal report.

The following table gives information on how the fair values of the related financial asset and liabilities were determined:

	Fair Value		Fair value level as of the reporting date		
			Level 1	Level 2	Level 3
	31 December 2019	31 December 2018			
Investment properties	1,357,167	1,214,680	-	1,357,167	-

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

Movements of the property, plant and equipment for the periods ended 31 December 2019 and 2018 are as follows:

	1 January 2019	Additions (*)	Disposals	Transfers	Acquisition of subsidiary (**)	Currency translation differences	31 December 2019
Cost:							
Land and land improvements	173,141	1,823	-	138	952	1	176,055
Buildings	85,129	2,436	(1,811)	236	-	22	86,012
Machinery and equipment	804,492	12,863	(6,451)	744	94,006	2,254	907,908
Motor vehicles	135,920	18,899	(12,980)	211	-	218	142,268
Furniture and fixtures	101,816	8,160	(6,029)	6,954	13,670	51	124,622
Development costs of leased tangible assets	77,203	7,529	(2,331)	22,245	-	525	105,171
Other tangible assets	145,881	14,829	(4,284)	3,060	-	-	159,486
Construction in progress	40,496	37,970	(9,957)	(39,466)	68	(377)	28,734
	1,564,078	104,509	(43,843)	(5,878)	108,696	2,694	1,730,256
Accumulated depreciation:							
Land and land improvements	5,011	623	-	-	-	-	5,634
Buildings	66,070	5,962	(23)	-	-	(2)	72,007
Machinery and equipment	288,349	50,163	(5,095)	-	2,158	1,612	337,187
Motor vehicles	40,377	19,400	(5,051)	-	-	147	54,873
Furniture and fixtures	48,243	9,116	(5,403)	-	40	43	52,039
Development costs of leased tangible assets	29,608	6,568	(398)	-	-	398	36,176
Other tangible assets	52,990	20,362	(3,327)	-	-	1	70,026
	530,648	112,194	(19,297)	-	2,198	2,199	627,942
Net book value	1,033,430						1,102,314

(*) In 2019, a significant portion of investments have been made by Aytemiz, Kanal D Romanya, Industry Firms and Galatawind. There is purchase amounting to TRY52,340 in Aytemiz due to new station and headquarter investments. Kanal D Romanya acquired a programme right amounting to TRY36,886. An increase of TRY24,832 has occurred in industrial companies due to new machine purchases, new software and capitalization of R&D spending. Galatawind has made a purchase of TRY9,349 due to power plant investment in Taspinar.

(**) A significant portion consists of solar energy investments acquired within the scope of the acquisition in Galatawind which are explained in Note 3.

As of 31 December 2019, there is no mortgage on property, plant and equipment. (31 December 2018: None). As of 31 December 2019, the Group has property, plant and equipment acquired by financial leasing amounting to TRY414 (31 December 2018: TRY7,561).

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2018	Additions	Disposals	Transfers	Acquisition of subsidiary (*)	Currency translation differences	Disposal of subsidiary (**)	31 December 2018
Cost:								
Land and land improvements	201,879	244	(234)	1,256	130	1,619	(31,753)	173,141
Buildings	126,411	21,271	(47)	1,875	-	7,713	(72,094)	85,129
Machinery and equipment	1,430,139	21,144	(9,283)	78,899	25,928	8,205	(750,540)	804,492
Motor vehicles	144,403	14,774	(14,875)	-	-	686	(9,068)	135,920
Furniture and fixtures	519,146	23,693	(3,821)	3,057	5,941	413	(446,613)	101,816
Development costs of leased tangible assets	141,537	5,447	(14)	-	-	1,635	(71,402)	77,203
Other tangible assets	164,081	30,318	(2,156)	98	-	238	(46,698)	145,881
Construction in progress	116,389	99,053	(41,134)	(87,690)	-	44	(46,166)	40,496
	2,843,985	215,944	(71,564)	(2,505)	31,999	20,553	(1,474,334)	1,564,078
Accumulated depreciation:								
Land and land improvements	4,974	453	(11)	-	-	-	(405)	5,011
Buildings	62,432	5,275	(23)	-	-	6,882	(8,496)	66,070
Machinery and equipment	941,701	44,711	(8,169)	-	371	6,506	(696,771)	288,349
Motor vehicles	39,439	13,013	(8,233)	-	-	541	(4,383)	40,377
Furniture and fixtures	323,833	15,815	(2,359)	-	157	359	(289,562)	48,243
Development costs of leased tangible assets	84,305	5,733	(7)	-	-	1,002	(61,425)	29,608
Other tangible assets	64,014	19,913	(1,305)	(88)	-	138	(29,682)	52,990
	1,520,698	104,913	(20,107)	(88)	528	15,428	(1,090,724)	530,648
Net book value	1,323,287							1,033,430

(*) Explained in Note 3.

(**) Explained in Note 31.

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NOTE 15 - INTANGIBLE ASSETS

Other intangible assets:

Movements of the intangible assets for the periods ended 31 December 2019 and 2018 are as follows:

	1 January 2019	Additions	Disposals	Currency translation differences	Transfers	Acquisition of subsidiary ⁽³⁾	31 December 2019
Cost							
Trade names	7,876	-	-	-	-	-	7,876
Electricity production license	354,644	-	-	-	-	-	354,644
Other	195,453	18,319	(824)	538	5,574	76	219,136
	557,973	18,319	(824)	538	5,574	76	581,656
Accumulated amortization:							
Trade names	5,906	1,575	-	-	-	-	7,481
Electricity production license	37,388	7,647	-	-	-	-	45,035
Other	129,826	15,761	(443)	498	-	63	145,705
	173,120	24,983	(443)	498	-	63	198,221
Dealer agreements	265,970						181,120
Television programme rights	32,411						35,045
	683,234						599,600

Movement of television programme rights and dealer agreements for the period ended 31 December 2019 is as follows:

	1 January 2019	Additions ⁽¹⁾	Amortization	Currency translation differences	TFRS 16 opening effect ⁽²⁾	31 December 2019
Dealer agreements	265,970	11,306	(54,396)	-	(41,760)	181,120
Television programme rights	32,411	36,886	(38,751)	4,499	-	35,045

(1) Kanal D Romanya, subsidiary of the Group purchased programme rights amounting to TRY36,886 during the period.

(2) Within the scope of the accounting policy change resulting from the first time adoption of TFRS 16 “Leases” Standard, dealer contracts amounting to TRY41,760 were classified to right of use assets.

(3) Explained in Note 3.

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NOTE 15 - INTANGIBLE ASSETS (Continued)

Other intangible assets (Continued):

	1 January 2018	Additions	Disposals	Currency translation differences	Transfers	Disposal of subsidiary ⁽¹⁾	31 December 2018
Cost							
Customer list	260,234	-	-	8,110	-	(268,344)	-
Trade names	7,876	-	-	-	-	-	7,876
Trade names related to media segment	44,156	-	-	986	-	(45,142)	-
Electricity production license	354,644	-	-	-	-	-	354,644
Other	625,503	30,291	(12,888)	3,972	2,503	(453,928)	195,453
	1,292,413	30,291	(12,888)	13,068	2,503	(767,414)	557,973
Accumulated amortization:							
Customer list	260,234	-	-	8,110	-	(268,344)	-
Trade names	4,331	1,575	-	-	-	-	5,906
Trade names related to media segment	38,832	4	-	747	-	(39,583)	-
Electricity production license	29,741	7,647	-	-	-	-	37,388
Other	472,574	20,837	(9,707)	4,245	88	(358,211)	129,826
	805,712	30,063	(9,707)	13,102	88	(666,138)	173,120
Dealer agreements	235,117						265,970
Television programme rights	225,877						32,411
	947,695						683,234

Movement of television programme rights and dealer agreements for the period ended 31 December 2018 is as follows:

	1 January 2018	Additions	Amortization	Currency translation differences	Disposal of subsidiary ⁽¹⁾	31 December 2018
Dealer agreements	235,117	130,022	(99,169)	-	-	265,970
Television programme rights	225,877	162,424	(115,001)	4,832	(245,721)	32,411

⁽¹⁾ Explained in Note 31.

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NOTE 15 - INTANGIBLE ASSETS (Continued)

Goodwill

Goodwill amounting to TRY29,798 was recognised in the consolidated statement of financial position due to the business combination the details of which were disclosed in Note 3 to the consolidated financial statements as of 31 December 2019. As of 31 December 2019 and 2018, goodwill movement is as follows:

	2019	2018
1 January	34,476	403,713
Additions (Note 3)	29,798	7,212
Impairment (Note 29)	-	(7,996)
Subsidiary disposal effect	-	(368,453)
31 December	64,274	34,476

NOTE 16 - RIGHT OF USE ASSETS

	1 January 2019	Additions	Disposals	31 December 2019
Cost:				
Buildings	227,523	47,387	(26,709)	248,201
Motor vehicles	36,029	1,002	-	37,031
Land	16,780	15	-	16,795
Offices	4,849	10,008	(296)	14,561
Warehouses	3,527	80	(15)	3,592
Machinery and equipment	1,958	-	-	1,958
Frequencies	819	-	-	819
	291,485	58,492	(27,020)	322,957
	1 January 2019	Additions	Disposals	31 December 2019
Accumulated amortisation:				
Buildings	-	(56,902)	-	(56,902)
Motor vehicles	-	(20,699)	-	(20,699)
Land	-	(800)	-	(800)
Offices	-	(2,601)	-	(2,601)
Warehouses	-	(2,525)	-	(2,525)
Machinery and equipment	-	(1,820)	-	(1,820)
Frequencies	-	(695)	-	(695)
	-	(86,042)	-	(86,042)
Net book value	291,485			236,915

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NOTE 17 - GOVERNMENT GRANTS

Ditaş, a subsidiary of the Group, benefits from the insurance premium incentive under the scope of Social Security and General Health Insurance Law (Law no: 5510), regional incentive (Law no: 56486), incentive of the social security institution and minimum wage (Law no: 56645) incentive. In this context, the incentive amounting to TRY1,004 (31 December 2018: TRY886) is recorded against the labor expense under cost of goods sold in the financial statements as of 31 December 2019.

NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other short-term provisions	31 December 2019	31 December 2018
Provision for lawsuits and indemnity	8,476	6,440
Other	1,607	1,549
	10,083	7,989

Movement of lawsuit provisions for the periods ended 31 December 2019 and 2018 is as follows:

	2019	2018
1 January	6,440	29,001
Additions in the current period (Note 28)	2,669	4,683
Disposal of subsidiary	-	(26,267)
Reversal of provisions booked in prior periods	(633)	(977)
31 December	8,476	6,440

The Group reserved provisions of TRY8,476 considering the legal opinions on ongoing lawsuits and similar lawsuits finalized in the past, which were brought against it and the details of which are given below (31 December 2018: TRY6,440).

(a) *Lawsuits*

The amount of lawsuits filed against the Group is TRY26,192 as of 31 December 2019 (31 December 2018: TRY30,868).

	31 December 2019	31 December 2018
Legal cases	13,322	16,423
Commercial cases	9,005	9,395
Business cases	2,490	2,977
Other	1,375	2,073
Total	26,192	30,868

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NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

(b) Other

Milpa

The Land of Ömerli

Shares acquired step by step with the agreement “Building Construction Shared Floor/Revenue in Return Arrangement Form Land Share and Real Estate Promise to Sell Agreement” (“Agreement”) signed between March 2000 - October 2003 and recognised under “investment properties” by the Group, and in addition to these shares, the balance of the shares acquired from the result of the tender in relation to the lawsuit opened by one of the shareholders corresponding to his/her share in the real estate, located at İstanbul Province, Pendik District, Kurtdoğan Village with an area of m² 2,238,207 which consist of two separate parcels with no:1154 (2,093,941 m²) and 1155 (144,266 m²), have been recognised at fair value which has been appreciated in the Real Estate Valuation Report dated 20 January 2020 prepared by the Real Estate Appraisal Company on the list of CMB. Because of the qualifications of farm land due to the legal uncertainties stated below, Ömerli land hasn't been recognised under normal business operations of Milpa (project development, construction and sale etc.), and has been recognised as “investment properties” in accordance with TAS 40 (“Investment Properties”), in the context of Paragraph 8/(b).

Milpa, has commitment to pay 25% of the revenue generated from the real estate project (the “Project”) by considering the share of the land owners who have assigned shares within the scope of revenue sharing constructions and/or flat for land basis contracts in accordance with the Contract verdicts that has been signed with the first acquisition of Ömerli Land which cannot be implemented due to the administrative and legal processes as described in detail below:

According to the İstanbul Environmental Recreation Plan, scale of 1/100,000 and dated 15 June 2009, a significant part of the land of which parcel no is 1154, is located partially within the borders of “Habitat Park Area”. The report on the Basin Location Information of the İstanbul Water Supply and Sanitation Administrative General Directory dated 30 January 2019 states that 2,586 m² of parcel no 1154 and 142,012 m² of parcel no 1155 are parts of the Forest Area. The related parcels are located in both the medium range(1000 m. - 2000 m.) protected area and the long range (2000 m. - 5000 m.) protected area of Ömerli Reservoir Basin. It was stated in the letter dated 20 January 2020 by General Directorate of Highways that the related parcels remain outside the expropriation area and are not subject to any expropriation process.

144,266 m² of the land parcel no: 1155 has been removed from the forest area with the court decision in year 2005. To this The Forestry Directorate appealed the decision at the Supreme Court of law No: 20 and the objection was accepted on 24 June 2008 and these decisions (removal from forest area) are sent to the Pendik First Civil Court for re-evaluation. The Court has reiterated its initial decision being right on 8 October 2009 in terms of content. The General Directorate of Forestry appealed the Court's decision again and the related file was re-sent to the Supreme Court of law No: 20. The related office has resent the file to Pendik First Civil Court by disrupting the court decision. The Court for which the lawsuit is held, has been divided into two and the lawsuit was continued to be heard at 29th. Civil Court. The aforementioned court has decided to cancel the land register of the aforementioned 144,266 m² and parcel No: 1155 of land belonging to Milpa and registered the land as forest title in the name of the treasury at 23 December 2014. In accordance with the Court decision for parcel No:1155 being registered as forestry land, it has been excluded from the financial statements as at 31 December 2014. Following the notification of the Court decision no 2013/320 at 9 January 2015, appeal to a superior court on 13 February 2015 has been made. Aforementioned appeal has not been accepted and the Company has been notified that Supreme Court No: 20 upheld the decision of 29th. Civil Court on 13 July 2017. On 20 July 2017, compensation lawsuit was opened due to civil wrong.

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NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

(b) Other (Continued)

Milpa (Continued):

The Land of Ömerli (Continued)

At the hearing held on 18 April 2019, the Court stated that in relation to the “Land” of 144,266 m², whose 98,702 m² (68.42%) belongs to Milpa, in the parcel no:1155 located at Pendik District, Kurtdoğmuş Village; It has been decided that a compensation in favor of Milpa in total amount of TRY85,117 is to be paid and the legal interest shall be calculated separately from the date of the case. The portion corresponding to Milpa's share of this amount is calculated as approximately TRY58,234 and the final amount will be determined after the legal processes are completed. It was previously declared to the public that the decision of the Court was appealed by the defendant, and it was decided to abolish the court decision summarized above and to re-see the case, according to the court's appeal decision, which evaluated the appeal request. In the justified decision of the court, it was stated that the right to compensation is found appropriate, but whether the immovable subject to the lawsuit has the characteristics of “land” or not and its value must be examined by expert witnesses through various methods. The hearing date of the case is 19 March 2020.

On the other hand in relation to 1154 parcel, the letter communicated from İstanbul Metropolitan Municipality dated 30 November 2016 to the real estate appraisal company, development plan proposal and report of a part of Yenişehir neighborhood of Pendik district numbered NİP-22054 Pin Number 1/5000 Scale including Pendik district Kurtdoğmuş neighborhood 1154 and 1155 parcels and Ballica, Emirli, Kurna and Kurtdoğmuş neighborhoods were referred to İstanbul Metropolitan Municipality Assembly to be evaluated and decided within the scope of 3194 and 5216 law and related regulations, and also is has been learnt that the mentioned plan has been scaled on 6 December 2017. When the mentioned “Master Development Plan” is analyzed, it is seen that 30% of the land in Ömerli is allocated as “Municipal Service Area,” and a large part of the remaining land is defined in the legend as “Sustainable Protection and Controlled Use Area,” and a relatively smaller part as “Areas Requiring Special Measures Geologically.” It is understood from the mentioned “Master Development Plan” that the part allocated as the sub-function of “Sustainable Protection and Controlled Use Area” legend was planned to be 23% “Arboretum,” 25% “Recreational Area,” 40% “Area to Be Protected through Forestation⁽¹⁾,” 2% “Fairground,” 5% “Hobby Gardens,” and 5% “Camping Areas,” and permission for maximum 1-floor prefabricated structuring with an average rate of 0.04 was granted for these areas. On the grounds that the legends and functions specified in the “Master Development Plan” include contradictions to law as well as planning and urban development procedures and principles, and that they violate the right of ownership, and with the request that “housing zone” legend is also accepted for the mentioned “Immovable,” necessary legal and formal objections to the “Master Development Plan” were raised on 2 January 2018 within the allowed period. The objections of Milpa were rejected by İstanbul Municipality Parliamentary Commission. Milpa filed a lawsuit with the request for cancellation of the decision regarding the amendment of the plan note and the case is in pendency. The case file is of administrative nature and there is no hearing date.

In this context, the uncertainty in the current development plan due to the appeal, will be continued to be assessed in subsequent periods in the legal process.

⁽¹⁾ In the 1 / 5,000 Master Development Plan, which was previously approved by IMM, “the value of the area to be protected through forestation” was declared as 10% by IMM as a result of a technical error, and it was later corrected as 40% by IMM.

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NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

(b) Other (Continued)

Milpa (Continued):

The Land of Ömerli (Continued)

The updated revaluation reports are obtained from CMB licensed real estate companies every year for the “investment properties” of Milpa that comprises of TRY292,489 (31 December 2018: TRY180,655) of Ömerli Land.

As per the information above, we have assessed Parcel No. 1154’s fair value determined as TRY 335,970 (without VAT) based on the Valuation Report dated 20 January 2020 of a real estate company, considering the reasons laid out in the Master Development Plan announced on 6 December 2017 with a scale of 1/5,000 the parcel's topography being very steep and bumpy, accession to the land is limited and difficult under current conditions but there being few other parcel of the same size in the region where the land is located, the land being located close to the TEM highway and settlement area of Sultanbeyli, the existence of scale of 1/5000 Master Development Plan regarding the parcel is located and the scale of 1/1000 implementation development plan being in the approval process, the positive effect of the opening of the Northern Marmara Motorway on real estate values in the region and a positive reflection of the expectation that the 1/1000 scale of implementation development plan will be implemented soon, the fact that new information has been reached from the public sources about the expropriation costs within the scope of North Marmara Motorway construction in the parcels adjacent to Ömerli Land. On the other hand, the above mentioned amount is the evaluation for the whole of the land Parcel No. 1154 (2,093,941 m²).

The share of Milpa in the Parcel No. 1154 is 1,720,521 m², which equals to 82.17% of the whole parcel, and amounts to TRY292,489 as of 31 December 2019. (As of 31 December 2018 the share of Milpa is 1,720,521 m², which equals to 82.17% of the whole parcel, and the share of Milpa amounts to TRY180,655). As mentioned above, lawsuit decision regarding the record decision on the Forest Land for Parcel no. 1155 was approved by Supreme Court of Law No:20.

There is no fair value determined for the Parcel No. 1155 which was priorly derecognized from the statements of financial position through full amount of provision as of 31 December 2014. For Ömerli Land, security expenses amounting to TRY503 has been recognised under operational expenses (31 December 2018: TRY456). Additionally, no rental income has been recognised from the related property (31 December 2018:None).

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NOTE 19 - COMMITMENTS

(a) Letters of guarantee and guarantee notes given

	31 December 2019					31 December 2018				
	TRY Equivalent	TRY	USD	EUR	Other	TRY Equivalent	TRY	USD	EUR	Other
A. CPM’s given in the name of its own legal personality										
Collateralst ⁽¹⁾	1,530,294	846,372	60,033	49,216	-	1,152,430	776,627	48,539	19,981	-
Pledge ⁽³⁾	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-
B. CPM’s given on behalf of the fully consolidated companies										
Collaterals ⁽¹⁾⁽²⁾	341,370	7,764	56,161	-	-	370,702	5,764	23,704	39,853	-
Pledge ⁽³⁾	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-
C. CPM’s given on behalf of 3rd parties for ordinary course of business	386	386	-	-	-	8,330	386	1,510	-	-
D. Total amount of other CPM’s given										
i) Total amount of CPM’s given on behalf of the majority shareholders	-	-	-	-	-	-	-	-	-	-
ii)) Total amount of CPM’s given on behalf of other group companies which are not in scope of B and C	-	-	-	-	-	-	-	-	-	-
iii) Total amount of CPM’s given on behalf of 3rd parties which are not in scope of C	-	-	-	-	-	-	-	-	-	-
Total	1,872,050				-	1,531,462				-

⁽¹⁾ The collaterals of the Group consist of letter of guarantees, guarantee notes and bails and the details are explained below.

⁽²⁾ Within the scope of the project of Aslancık Elektrik’s hydroelectric power plant, Doğan Holding has given collateral to the credit institutions amounting to USD23,161 (31 December 2018: USD 23,704, and there is a bail amounting to EUR 12,714 given on behalf of Galata Wind.) In addition, a bail amounting to USD 33,000 is given to credit institutions for Boyabat Elektrik’s refinancing loans..

⁽³⁾ 33.33% shares of Aslancık Elektrik, 33% shares of Boyabat Elektrik and 100% shares of Doel were given as pledges to financial institutions due to the Group’s long term borrowings and are not included in the table above

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NOTE 19 - COMMITMENTS (Continued)

(a) Letters of guarantee and guarantee notes given (Continued)

Other CPM’s given by the Group to equity ratio is 0% as of 31 December 2019 (31 December 2018: 0%). The details of letter of guarantees and guarantee notes given by the Group are as follows:

	31 December 2019		31 December 2018	
	Original Currency	TRY equivalent	Original Currency	TRY equivalent
Letters of guarantees - TRY	646,711	646,711	776,966	776,966
Letters of guarantees - USD	4,957	29,443	4,760	25,041
Letters of guarantees - EUR	49,006	325,920	19,650	118,450
Guarantee notes - USD	55,076	327,162	45,289	238,261
Guarantee notes - TRY	200,047	200,047	47	47
Guarantee notes - EUR	210	1,397	331	1,995
Total		1,530,680		1,160,760

(b) Bails and mortgages given

The details of guarantees given by the Group for the financial liabilities and trade payables of the Group companies and related parties as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		31 December 2018	
	Original Currency	TRY equivalent	Original Currency	TRY equivalent
Bails - EUR	-	-	39,853	240,234
Bails - USD	56,161	333,606	23,704	124,704
Bails - TRY	7,764	7,764	5,764	5,764
Total		341,370		370,702

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NOTE 20 - OTHER ASSETS

Other current assets	31 December 2019	31 December 2018
Value added tax (“VAT”) receivables	49,466	61,268
Prepaid tax and funds ⁽¹⁾	6,345	55,863
Personnel advances	1,207	1,098
Job advances	589	789
Other	565	592
	58,172	119,610
Provision for other doubtful receivables (-)	-	(421)
	58,172	119,189

⁽¹⁾ A significant portion of the prepaid taxes and funds are related to Doruk Faktoring; the remaining amount consists of prepaid taxes and funds related to the subsidiaries of the Group (As of 31 December 2018, TRY49,666 of the prepaid taxes and funds belong to Doğan Şirketler Grubu Holding A.Ş.)

Other non-current assets	31 December 2019	31 December 2018
Value added tax (“VAT”) receivables ⁽¹⁾	376,237	398,758
Other	2,275	1,673
	378,512	400,431

⁽¹⁾ TRY310,181 is related to VAT receivables of Galatawind.

NOTE 21 - PREPAID EXPENSES AND DEFERRED INCOME

The details of prepaid expenses and deferred income as of 31 December 2019 and 31 December 2018 are as follows:

Short term prepaid expenses	31 December 2019	31 December 2018
Advances given ⁽¹⁾	45,754	45,770
Prepaid expenses ⁽²⁾	21,252	35,013
	67,006	80,783

⁽¹⁾ The significant portion of advances given consists of advances related to the operations of the Group's subsidiaries DMC and Suzuki.

⁽²⁾ Significant portion of the prepaid expenses are comprised of the prepaid expense of Aytemiz one of the subsidiaries of the Group for the following months

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NOTE 21 - PREPAID EXPENSES AND DEFERRED INCOME (Continued)

Long term prepaid expenses	31 December 2019	31 December 2018
Advances given and prepayments ⁽¹⁾	50,404	126,385
Prepaid expenses for future years	7,877	9,850
	58,281	136,235

(1) As of 31 December 2018 advances given and prepayments amounting to TRY122,126 comprise of advances given regarding purchase of board of solar energy system, by Galata Wind, one of the subsidiaries of Group. As of 31 December 2019, the purchase was realized and the advance balance was closed.

Short-term deferred income	31 December 2019	31 December 2018
Deferred income ⁽¹⁾	33,141	46,984
Advances received ⁽²⁾	6,452	16,100
	39,593	63,084

Long-term deferred income	31 December 2019	31 December 2018
Deferred income	4,970	6,047
	4,970	6,047

- (1) A significant portion of deferred income consists of deferred income arising from the digital broadcasting rights of DMC, deferred income related to contracts with respect to advertising activities of Hürriyet Emlak and deferred income related to Milta Turizm's yacht tying income.
- (2) Significant amount of advances received consist of Doğan Dış Ticaret.

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NOTE 22 - DERIVATIVE INSTRUMENTS

Foreign currency derivative transactions

The Group utilizes foreign exchange derivatives and commodity derivatives to protect future significant transactions and cash flows from financial risk. Group has signed various forward exchange contracts and option contracts regarding the management of fluctuations in exchange rates and metal prices. The derivative instruments purchased are mainly denominated in foreign currencies in which the Group operates.

As of the statement of financial position date, the total nominal amount of the Group's foreign currency and option contracts with maturity that are not due and the Group is obliged to carry are as follows:

	<u>31 December 2019</u>		<u>31 December 2018</u>	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
Currency derivative transactions with maturity ⁽¹⁾	18,993	339	47,516	69,084
Commodity agreements ⁽²⁾	-	-	4,318	-
Toplam	18,993	339	51,834	69,084

⁽¹⁾ Doğan Holding, Galata Wind and Aytemiz Akaryakıt, the subsidiaries of the Group, make forward foreign exchange contracts with the banks in order to hedge their foreign exchange risk; on the date of the deal sells TRY and buys US Dollars and Euros.

⁽²⁾ Consists of commodity contracts signed by Aytemiz Akaryakıt, a subsidiary of the Group, to reduce the risk of fluctuation in fuel prices.

NOTE 23 - PROVISION FOR EMPLOYMENT BENEFITS

(a) Payables related to employee benefits

The details of payables related to employee benefits as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Payables to personnel	14,142	11,768
Social security payables	5,125	4,742
	19,267	16,510

(b) Short term provisions for employment benefits

The details of short term provisions for employment benefits as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Provision for unused vacation	20,395	15,855
	20,395	15,855

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NOTE 23 - PROVISION FOR EMPLOYMENT BENEFITS (Continued)

c) Long term provisions for employment benefits

Details of long term provisions for employment benefits as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Provision for employment termination benefits	42,930	34,071
	42,930	34,071

Except from the legal requirements other than Turkey in which the Group operates, there are no pension plans and benefits.

Under the Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies and achieves the retirement age. As of 31 December 2019, the maximum amount payable equivalent to one month of salary is TRY6,379.86 (exact) (31 December 2018: TRY5,434.42 (exact) for each year of service.) The retirement pay provision ceiling TRY6,730.15 (exact) which is effective from 1 January 2020, is taken into consideration in the calculation of provision for employment termination benefits (31 December 2018: TRY6,017.60 (exact) effective from 1 January 2019).

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of the Group.

The standard TAS 19 “Employee Benefits” envisages the development of actuarial valuation methods in order to estimate the provision of severance pay. According to this, following assumptions were used in the calculation of total liability based on the report prepared by the actuarial firm.

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 2019, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees.

Discount rate applied as 11.86%⁽¹⁾ (31 December 2018: 16.00%), inflation rate applied as 7.77% (31 December 2018: 11.30%) and increase in wages applied as 7.77% (31 December 2018: 11.30%) in the calculation⁽²⁾.

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NOTE 23 - PROVISION FOR EMPLOYMENT BENEFITS (Continued)

c) Long term provisions for employment benefit (Continued)

Age of retirement is based on considering the Company’s historical average age of retirement.

- (1) The gross discount rate used for calculation of the severance payment liability is determined by considering Government Bond with 10 years maturity compound interest rate and the swap rates with 10-15 years maturity. Based on this, the net discount rate was determined as 3.80% (31 December 2018:4,22%)
- (2) Calculation of employee termination benefits are determined by considering the 2020 inflation rate reports of the Central Bank of Republic of Turkey.

The movement of provision for employment termination benefits within the period is as follows:

	2019	2018
1 January	34,071	123,015
Current period service cost and net interest expense from continued operations	9,901	5,599
Payments during the period due to continued operations	(6,214)	(8,934)
Disposal of subsidiaries	-	(92,154)
Payment/reduction of benefits/dismissal gains and losses	1,314	3,786
Actuarial loss / (gain)	3,858	2,759
31 December	42,930	34,071

NOTE 24 - EQUITY

Doğan Holding adopted the registered paid-in capital system and set a limit on its registered paid-in capital representing registered type shares with a nominal value of TRY1.

Doğan Holding’s registered capital ceiling and issued capital at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Registered authorized capital ceiling	4,000,000	4,000,000
Issued capital	2,616,938	2,616,938

There are no privileged shares of Doğan Holding.

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NOTE 24 – EQUITY (Continued)

The ultimate shareholders of Doğan Holding are Aydın Doğan and Doğan Family (Işıl Doğan, Arzuhan Yalçındağ, Vuslat Sabancı, Hanzade V. Doğan Boyner and Y.Begümhan Doğan Faralyalı) and the shareholders of Holding and the historical values of shares in equity as of 31 December 2019 and 31 December 2018 are as follows:

Shareholder	Shares (%)	31 December 2019	Shares (%)	31 December 2018
Adilbey Holding A.Ş.	49.66	1,299,679	49.66	1,299,679
Doğan Family ⁽¹⁾	14.47	378,626	14.41	377,126
Publicly traded on Borsa İstanbul ⁽²⁾	35.87	938,633	35.93	940,133
Issued capital	100.00	2,616,938	100.00	2,616,938
Adjustment to issued capital		143,526		143,526
Repurchased shares (-)		(7,073)		(2,080)
Total		2,753,391		2,758,384

(1) On 7 January 2019, Y.Begümhan Doğan Faralyalı acquired 1,500,000 (exact) shares those traded in Borsa İstanbul and the share of Doğan Family in the issued capital increased to 14.47% after the acquisitions.

(2) In accordance with the “CMB” Resolution No: 31/1059 issued on 30 October 2014 and 21/655 issued on 23 July 2010, it is regarded that 35.84% of the shares (31 December 2018: 35.93%) are outstanding as of 31 December 2019 based on the Central Registry Agency’s (“CRA”) records.

Adjustment to share capital represents the difference between cash and cash equivalent contributions to the total amounts adjusted for inflation added to issued share capital and amounts before inflation adjustment.

Repurchased shares

With the decision of the Group’s Board of Directors dated 22 February 2019; “Share Buyback Program” that is prepared in accordance with the Turkish Commercial Code, Capital Markets Law, CMB’s Communiqué No: II-22.1 Repurchase of Shares adjustments published in the Official Gazette numbered 28871 and dated 3 January 2014 was accepted by the majority in the General Assembly meeting on 20 March 2019.

Within the framework of “Share Buyback Program”, the Company management has been authorized to perform the repurchase of its shares. In this context, it was decided that the maximum amount of funds allocated for repurchase would be TRY131,000,000 (exact) and that the maximum number of shares to be withdrawn would not exceed this amount.

Within the scope of the Share Buyback Program, the Company shares with a nominal value of TRY4,710,005 (exact) were purchased by the Company itself from Borsa İstanbul for an amount TRY4,993,398 (exact) as TRY1.060168 per share. As of 31 December 2019, the total nominal amount of Repurchased Shares has increased to TRY7,910,005 (exact). (As of 31 December 2018, total nominal amount of Repurchased Shares is TRY3,200,000 (exact)).

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NOTE 24 - EQUITY (Continued)

Share premiums/(discounts)

Share premiums/(discounts) represent the positive or negative differences resulting from the nominal value and sales value of public shares:

	31 December 2019	31 December 2018
Share premiums	163,724	163,724
Share discounts (-)	(128,565)	(128,565)
Total	35,159	35,159

Restricted reserves

Restricted reserves are reserved from the prior period profit due to legal or contractual obligations or for certain purposes other than the profit distribution (for example, to obtain the tax advantage of gain on sale of associates). Restricted reserves are in the scope of solo legal records in accordance with TCC and TPL.

General Statutory Legal Reserves are reserved in accordance with the article 519 of Turkish Commercial Code and used in accordance with the principles set out in this article. The afore-mentioned amounts should be classified in “Restricted Reserves” in accordance with the TAS.

The details of restricted reserves as of 31 December 2019 and 31 December 2018 are as follows:

Restricted reserves	31 December 2019	31 December 2018
General legal reserves	196,014	189,808
Gain on sale of subsidiary’s shares	442,349	-
Venture capital investment fund	83,718	57,106
Total	722,081	246,914

Accumulated Other Comprehensive Income and Losses that will not be Reclassified in Profit or Loss

The Company’s investment property revaluation reserves and actuarial losses of defined benefit plans that aren’t reclassified in accumulated other comprehensive income and expenses are summarized below:

i. Gain/(loss) on revaluation of property, plant and equipment

Real estates recognised as property, plant and equipment in prior periods, can be transferred to investment property due to changes in use. The Group has reclassified some of its properties as investment property and has chosen to account such investment properties at fair value. As of 31 December 2019, revaluation increase accounted under shareholders’ equity is reclassified under retained earnings or accumulated losses as a result of the subsidiary sales which is described in Note 31 (31 December 2018: None).

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NOTE 24 - EQUITY (Continued)

Accumulated Other Comprehensive Income and Losses that will not be Reclassified in Profit or Loss (Continued)

ii. Actuarial gains (losses) on defined benefit plans

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of the Group. The Group recognised all actuarial gains and losses in other comprehensive income. Remeasurement loss on defined benefit plans amounting to TRY11,202 is accounted under shareholders’ equity(31 December 2018: TRY8,502).

Accumulated Other Comprehensive Income and Losses that will be Reclassified in Profit or Loss

i. Revaluation and reclassification gains (losses)

Financial assets revaluation reserves are calculated by accounting on net book values after reflecting deferred tax impact of unearned gains and losses composed of changes of fair values of assets held for sale. The amount of revaluation increase of assets held for sale presented under equity in the statement of financial position is TRY45,451 in the current period (31 December 2018: TRY20 loss).

ii. Gain/(losses) from hedge reserve

In the case of future cash flows being subject to cash flow hedges and related transactions being effective, the effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in equity directly whereas the ineffective portion is recognized immediately in the statement of profit or loss. There is no gain or losses from cash flow hedge for the period ended as of 31 December 2019 (31 December 2018: None).

iii. Currency translation differences

Currency translation differences consist of currency translation differences of the Group’s subsidiaries and joint ventures financial statements located out of Turkey using a measurement currency other than TRY and classified under equity. The change in the currency translation difference attributable to parent is TRY46,801 and the change amounting to TRY2,582 is attributable to non-controlling interest (31 December 2018: Increase amounting to TRY119,258 is attributable to parent and decrease amounting to TRY105 is attributable to non-controlling interest).

Capital Reserves and Retained Earnings

Subsequent to the first inflation adjusted financial statements, equity items such as; “Capital, Emission Premiums, General Statutory Legal Reserves, Statutory Reserves, Special Reserves and Extraordinary Reserves” are carried at carrying value in the statement of financial position and their adjusted values based on inflation are collectively presented in equity accounts group.

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NOTE 24 - EQUITY (Continued)

Capital Reserves and Retained Earnings (Continued)

In accordance with the CMB regulations, “Issued capital”, “Restricted Reserves” and “Share Premiums” shall be carried at their statutory amounts. The valuation differences resulted due to the inflation adjustment shall be disclosed as follows:

- If the difference is due to the “Issued Capital” and not yet been transferred to capital, it should be classified under “Capital adjustment difference”;
- If the difference is due to “Restricted Reserves” and “Share Premium” and the amount has not been subject to dividend distribution or capital increase yet, it shall be classified under “Retained Earnings/(Losses)”.

Other equity items are carried at the amounts valued in accordance with TAS.

Capital adjustment differences have no other use than to be included to the share capital.

Dividend Distribution

The Company decides to distribute profit and makes profit distribution in accordance with the Turkish Commercial Code (“TCC”), Capital Market Law (“CML”), Capital Market Board (“CMB”) Regulations and Laws; Tax Legislations; other related statutory legislation and Articles of Association and Resolutions of General Assembly. Profit distribution is determined by Profit Distribution Policy.

On the other hand,

- a) Retained earnings derived from the reparation of comparative financial statements based on the first time adoption of TAS,
- b) “Equity inflation adjustment differences” derived from resources that do not have any restriction regarding profit distribution,
- c) Retained earnings derived from the first time inflation adjustment of financial statements, can be distributed to shareholders as cash dividends.

In addition, if the consolidated financial statements include the “Purchasing Impact on Equity” item under equity, the related item is not considered as a deductible or additional item when presenting net distributable profit for the period.

At the general shareholders meeting of the Company on 20 March 2019, the following legislation was considered: the Turkish Commercial Code (“TCC”), capital market legislation and Capital Markets Board (“CMB”) Regulations, corporate tax, income tax and other relevant legal legislation and the legislation relevant to the Main Agreement of the Company and the “Dividend Distribution Policy” disclosed to the public.

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NOTE 24 - EQUITY (Continued)

Dividend Distribution (Continued)

Under the “Communique on Financial Reporting in Capital Markets” (II-14.1) legislation of the CMB, according to the audited consolidated financial statements for the period 1 January 2018 - 31 December 2018 that are prepared in accordance with the Turkish Accounting Standards (“TAS”) and Turkish Financial Reporting Standards (“TFRS”) published by the Public Oversight, Accounting and Auditing Standards Board (POA), for which the presentation principles have been determined as per the relevant resolutions of the CMB, when “Deferred Tax Income”, “Tax Expense for the Period”, “Discontinued Operations Period Loss” and “Non-controlling Interests” are considered together, a “Net Profit for the Period” amounting to TRY3,633,096,000 (exact) was observed. After the “Sales Profit Participation Share” amounting to TRY438,607,793.22 (exact), which will not be included in the net distributable period profit base and is the subject of an exemption recognised under “special fund” under liabilities, was deducted from the said profit, and the “General Legal Reserve” amounting to TRY1,400,638.96, which was calculated as per paragraph (1) of Article 519 of the TCC, was allocated, the “Previous Years’ Losses” amounting to TRY194,292,279.80 (exact) and the “Venture Capital Fund” amounting to TRY26,612,140.33 (exact), which were calculated based on the “Dividend Distribution Guide” announced in the CMB’s Weekly Bulletin No. 2014/2 dated 27 January 2014, were deducted, and “Donations” in 2018 amounting to TRY11,194,510 (exact) were added to the remaining amount, a “Net Distributable Period Profit” of TRY2,983,377,657.69 (exact) was calculated.

In the Legal Statutory Records (“Statutory Records”) for the period 1 January 2018-31 December 2018, kept as per tax legislation and prepared as per the Uniform Chart of Accounts issued by the Republic of Turkey Ministry of Finance, a “Net Period Profit” of TRY466,620,572.51 (exact) was observed. After the “Sales Profit Participation Share” amounting to TRY438,607,793.22, which will not be included in the net distributable period profit base and is the subject of an exemption recognised under “special fund” under liabilities, was deducted from the said profit, and the “General Legal Reserve” amounting to TRY1,400,638.96, which was calculated as per paragraph (1) of Article 519 of the TCC, and the “Venture Capital Fund” amounting to TRY26,612,140.33 (exact) were allocated, no “Net Distributable Period Profit” was observed.

Within this scope, it was understood that there is no need to allocate additional “Legal Reserves” as per paragraph 4 of Article 519 of the TCC. The following matters were presented to the General Assembly and accepted via a majority vote: a “Cash” dividend of TRY261,693,828.80 (exact) (“gross”) and TRY222,439,754.48 (exact) (“net”), which are equal 10% gross and 8.50% net of the “Issued Capital” from the “Extraordinary Reserves” in the Legal Financial Records, shall be distributed on 22 April 2019 at the latest.

As per the CMB and POA regulations, after the above-mentioned legal and special reserves were allocated in the consolidated financial statements prepared in line with TAS and TFRS, non-distributed profit amounting to TRY2,904,781,598.69 (exact) was recognised under “Previous Years’ Profit or Loss”.

The “General Legal Reserve” amount, which was inadvertently approved as being TRY2,465,734.41 (exact) in the Ordinary General Assembly on 30 March 2018 was corrected to TRY2,278,677.85 (exact).

Dividend distribution transactions were begun on 22 April 2019 and ended on 25 April 2019.

The CMB requires the disclosure of the total net profit in the statutory records and other resources which may be subject to distribution. As of the date of the statement of financial position, the gross amount of the Company’s resources subject to profit distribution based on the statutory records, excluding share premiums/discounts, is TRY4,060,725 (31 December 2018: TRY3,854,961)

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NOTE 25 - REVENUE AND COST OF SALES

	1 January - 31 December 2019	1 January - 31 December 2018
Domestic sales	13,106,806	12,044,837
Foreign sales	329,482	247,207
Sales return and discounts (-)	(159,687)	(145,606)
Net sales	13,276,601	12,146,438
Cost of sales (-)	(12,200,730)	(11,131,912)
Gross profit	1,075,871	1,014,526

Sales details of fuel retail segment are presented below:

	1 January - 31 December 2019	1 January - 31 December 2018
Fuel sales income	7,184,591	6,992,614
LPG sales income	1,297,761	1,051,426
Other	95,678	62,721
Total	8,578,030	8,106,761

Sales details of electricity production and trade segment are presented below:

	1 January - 31 December 2019	1 January - 31 December 2018
Trade income	2,659,286	2,096,911
Wind power plant income	132,469	97,152
Total	2,791,755	2,194,063

Sales details of industry segment are presented below:

	1 January - 31 December 2019	1 January - 31 December 2018
Industrial income	426,566	427,460
Total	426,566	427,460

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NOTE 25 - REVENUE AND COST OF SALES (Continued)

Sales details of automotive trade and marketing segment are presented below:

	1 January - 31 December 2019	1 January - 31 December 2018
Vehicle sales income	296,052	284,683
Total	296,052	284,683

Sales details of financing and investment segment are presented below:

	1 January - 31 December 2019	1 January - 31 December 2018
Factoring income	186,363	232,904
Investment income	26,729	18,716
Financing income	19,177	24,097
Total	232,269	275,717

Sales details of internet and entertainment segment are presented below:

	1 January - 31 December 2019	1 January - 31 December 2018
Advertisement income	237,136	190,195
Subscription income	38,290	68,464
Other ^(*)	91,420	58,277
Total	366,846	316,936

^(*) Other consists of DMC's production income and Kanal D Romanya's other income.

Sales details of real estate investments segment are presented below:

	1 January - 31 December 2019	1 January - 31 December 2018
Rent income	74,061	63,474
Real estate sales income	-	10,805
Other	1,192	973
Total	75,253	75,252

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NOTE 25 - REVENUE AND COST OF SALES (Continued)

Sales details of other segment are presented below:

	1 January - 31 December 2019	1 January - 31 December 2018
External trade income	361,133	347,224
Tourism income	93,775	74,540
Other ⁽¹⁾	54,922	43,802
Total	509,830	465,566

⁽¹⁾ Other sales income mainly consist of total sales of husbandry and other activities.

Details of the cost of sales for the periods ended at 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Fuel retail	(8,227,757)	(7,791,582)
Electricity production and trade	(2,580,609)	(2,026,579)
Industry	(366,086)	(326,761)
Automotive trade and marketing	(244,333)	(237,283)
Financing and investment	(130,565)	(170,529)
Internet and entertainment	(176,934)	(183,108)
Real estate investments	(30,275)	(28,487)
Other	(444,171)	(367,583)
Total	(12,200,730)	(11,131,912)

Details of the cost of sales of fuel retail segment are presented below:

	1 January - 31 December 2019	1 January - 31 December 2018
Fuel and LPG sales cost	(8,157,602)	(7,739,232)
Other	(70,155)	(52,350)
Total	(8,227,757)	(7,791,582)

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NOTE 25 - REVENUE AND COST OF SALES (Continued)

Details of the cost of sales of electricity production and trade segment are presented below:

	1 January - 31 December 2019	1 January - 31 December 2018
Electricity costs	(2,523,916)	(1,971,917)
Amortization and depreciation	(32,139)	(31,723)
Personnel expenses	(2,010)	(2,124)
General production expenses	(70)	(2,487)
Other	(22,474)	(18,328)
Total	(2,580,609)	(2,026,579)

Cost of sales details of industry segment are presented below:

	1 January - 31 December 2019	1 January - 31 December 2018
Raw material cost	(257,588)	(247,662)
Personnel expenses	(49,641)	(43,173)
General production expenses	(45,183)	(26,077)
Amortization and depreciation	(13,674)	(9,849)
Total	(366,086)	(326,761)

Cost of sales details of automotive trade and marketing segment are presented below:

	1 January - 31 December 2019	1 January - 31 December 2018
Cost of trade goods sold	(243,152)	(235,614)
Internet advertisement service cost	(890)	(390)
Personnel expenses	(291)	(1,279)
Total	(244,333)	(237,283)

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NOTE 25 - REVENUE AND COST OF SALES (Continued)

Cost of sales details of financing and investment segment are presented below:

	1 January - 31 December 2019	1 January - 31 December 2018
Cost of services sold	(130,565)	(170,529)
Total	(130,565)	(170,529)

Cost of sales details of internet and entertainment segment are presented below:

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	(56,112)	(43,059)
Amortization and depreciation	(45,398)	(25,696)
Cost of trade goods sold	(30,963)	(61,156)
Other	(44,461)	(53,197)
Total	(176,934)	(183,108)

Cost of sales details of real estate investments segment are presented below:

	1 January - 31 December 2019	1 January - 31 December 2018
Cost of goods and services sold	(30,275)	(28,487)
Total	(30,275)	(28,487)

Cost of sales details of other segment are presented below:

	1 January - 31 December 2019	1 January - 31 December 2018
Cost of trade goods sold	(344,732)	(285,671)
Amortization and depreciation	(40,161)	(9,182)
Personnel expenses	(23,192)	(18,245)
Other	(36,086)	(54,485)
Total	(444,171)	(367,583)

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NOTE 26 - MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
General administrative expenses	(295,431)	(278,656)
Marketing expenses	(417,647)	(363,295)
Operating expenses	(713,078)	(641,951)

Marketing expenses:

	1 January - 31 December 2019	1 January - 31 December 2018
Amortization and depreciation ⁽¹⁾	(101,834)	(84,187)
Personnel expenses	(98,580)	(75,169)
Transportation, storage and travel expenses	(55,438)	(52,123)
Advertisement expenses	(43,663)	(47,535)
Royalty expenses	(38,797)	(24,388)
Electricity distribution expenses	(17,952)	(17,894)
Consulting expenses	(13,961)	(14,574)
Rent expenses	(3,765)	(12,168)
Outsourced service expenses	(7,543)	(5,680)
Other	(36,114)	(29,577)
Total	(417,647)	(363,295)

General administrative expenses:

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	(157,903)	(139,851)
Consulting expenses	(30,328)	(23,938)
Amortization and depreciation ⁽¹⁾	(20,352)	(15,472)
Outsourced service expenses	(13,814)	(15,807)
Rent expenses	(10,921)	(13,153)
Various taxes	(9,605)	(24,250)
Transportation, storage and travel expenses	(4,383)	(7,220)
Other	(48,125)	(38,965)
Total	(295,431)	(278,656)

⁽¹⁾ Increase of the amount compared to the previous period, is due to the first application of TFRS 16, “Leases” standard as explained in Note 2.1.6.

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NOTE 27 - EXPENSES BY NATURE

Expenses are presented functionally for the periods ended 31 December 2019 and 2018 and the details are given in Note 25 and Note 26.

NOTE 28 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange gains/losses, net	422,396	1,022,126
Interest income on bank deposit	128,720	193,099
The fair value changes of investment properties increase (Note 13)	111,834	-
Finance income due from sales with maturity	102,186	132,117
Unrecognized provisions	17,494	10,714
Other	47,945	31,982
Total	830,575	1,390,038

Other expenses from operating activities

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange gains/losses, net	(52,010)	(101,987)
Finance expense due to purchases with maturity	(50,477)	(82,956)
Provision for doubtful receivables (Note 9)	(24,520)	(42,959)
Provision for lawsuits (Note 18)	(2,669)	(4,683)
Other penalties and compensations paid	(950)	(4,278)
Contractual expenses	-	(26,843)
Provision for inventory impairment (Note 11)	(200)	(330)
Other	(57,680)	(41,504)
Total	(188,506)	(305,540)

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NOTE 29 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from investment activities

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange gains/losses,net	86,681	4,107
Interest income on securities	85,083	25,688
Gain on sale of property plant and equipment and intangible assets	7,812	8,741
Fair value increase of investment properties (Note 13)	12,683	-
Fair value increase/decrease of financial investments,net	-	25,842
Income from sale of subsidiaries	-	3,892,962
Other	146	5,252
	192,405	3,962,592

Expenses from investment activities

	1 January - 31 December 2019	1 January - 31 December 2018
Loss on sale of marketable securities	(7,968)	-
Loss on sales of property, plant and equipment	(3,889)	(1,411)
Expense related to impairment of joint ventures ⁽¹⁾	-	(302,376)
Exchange difference expense related to share purchase commitment ⁽²⁾	-	(111,734)
Interest expense related to share purchase commitment ⁽²⁾	-	(60,566)
Expense from fair value adjustment of investment properties (Note 13) ⁽³⁾	-	(463,089)
Goodwill impairment expense (Note 15)	-	(7,996)
Other	(3,153)	(502)
	(15,010)	(947,674)

(1) Explanations on impairment of joint ventures are disclosed in Note 4.

(2) In the period ended 31 December 2018, the accumulated discount of TRY 60,566 and the foreign exchange difference effect of TRY 111,734 is recognized related to the obligation arising from the share sale agreement announced by Doğan Holding in the consolidated financial statements and footnotes published on 8 March 2018 at the Public Disclosure Platform. The financial liabilities are paid on 16 May 2018.

(3) The Group has accounted for a fair value adjustment of TRY 463,089, in the purchase and sale transactions in the current period regarding the land and buildings considering the appraisal value in the real estate appraisal report. Adjustment amounting to TRY 438,020 results from the retroactive correction of the consolidated financial statements in accordance with the principle resolution of the POA published in the Official Gazette dated 21 July 2013 and 17 October 2018 “The Accounting of Business Combinations Subject to Common Control” as explained in detail in Note 3.

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NOTE 30 - FINANCE INCOME AND EXPENSES

Finance expenses

	1 January - 31 December 2019	1 January - 31 December 2018
Interest expense on bank borrowings	(333,343)	(210,938)
Foreign exchange losses/gains,net	(67,486)	(354,533)
Interest expense related to lease borrowings	(45,677)	-
Bank commission expenses	(39,247)	(58,678)
Expenses from derivate instruments	(5,746)	(16,657)
Other	(2,956)	(2,158)
	(494,455)	(642,964)

NOTE 31 - ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

- a) As of 31 December 2019, non-current assets classified as held for sale amounting to TRY19,034 consists of real estates that Doruk Faktoring and Doruk Finansman assured in return for the receivables which could not be collected.
- b) Based on the share purchase agreement signed between the Group and Demirören Medya Yatırımları Ticaret A.Ş. and as a result of the meeting of closing provisions defined in the agreement and finalization of transaction in compliance with the legal requirements, the Group completed the sale of its own shares in the capitals of its directly and indirectly controlled subsidiaries operating in broadcasting and publishing segment on 16 May 2018. As a results of re-purchase of the shares held by Doğan Family members, the total consideration obtained from the transaction is USD919,000 (equivalent of TRY4,033,102).

The Group also completed the share sales in its subsidiary, Doğan Müzik Kitap Mağazacılık Pazarlama A.Ş. to Turkuvaz TK Kitap ve Kırtasiye A.Ş. in return of consideration by TRY440,000 on 30 May 2018, as a result of the meeting of closing provisions defined in the agreement and finalization of transaction in compliance with the legal requirements.

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NOTE 31 - ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

The carrying amounts of the assets and liabilities as of the aforementioned transaction dates are as follows:

	Registered value
Cash and cash equivalents	269,985
Financial investments	6,798
Trade receivables	515,224
Other receivables	25,168
Derivative instruments	1,841
Inventories	239,871
Prepaid expenses	65,958
Other current assets	160,664
Investment properties	191,492
Property, plant and equipment	383,093
Intangible assets	703,810
Deferred tax asset	15,668
Other non-current assets	110,725
Total assets	2,690,297
Borrowings	1,106,939
Trade payables	722,395
Payables related to employee benefits	18,048
Deferred income	39,009
Other payables	43,244
Current income tax liability	2,912
Provisions	200,414
Total liabilities	2,132,961
Net assets	557,336

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NOTE 31 - ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

Group has presented the related activities as discontinued operations in order to ensure consistency with the consolidated statement of profit or loss and related notes and statement of cash flows in the financial statements for the period 1 January - 31 December 2018.

	2018
Revenue	718,059
Cost of sales (-)	(537,287)
General administrative and marketing expenses	(177,850)
Other income/(expense) from operating activities, net	(1,142)
Income/(expense) from investment activities, net	(618)
Finance income/(expense), net	(64,221)
Discontinued operations profit (loss) before taxation	(63,059)
Tax income/(expense) for the period	(3,403)
Deferred tax income/(expense)	(4,871)
Discontinued operations profit (loss) for the period	(71,333)

	2018
Cash flows from operating activities	26,688
Cash flows from investing activities	(84,556)
Cash flows from financing activities	49,390
Net cash flow generated by subsidiary	(8,478)

Details of subsidiary sales transactions are as follows:

	2018
Total sales price	4,473,102
Registered value of net assets sold	(557,336)
Non-controlling interest	28,567
	3,944,333
Reclassification of currency translation difference	(56,463)
Sales profit after tax	3,887,870

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NOTE 31 - ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

	2018
Total sales revenue	4,473,102
Notes receivable	(99,725)
Cash held by the sold company	(269,985)

Net cash inflow **4,103,392**

- c) The Group has sold Blu TV İletişim, one of the Group’s subsidiaries, on 17 August 2018. The registered value of the assets and liabilities whose sales details are given above as of the date of sales transaction are as follows:

	Registered value
Cash and cash equivalents	2,416
Financial investments	-
Trade receivables	4,472
Other receivables	-
Derivative instruments	-
Inventories	87
Prepaid expenses	821
Other current assets	3,603
Investment properties	-
Property, plant and equipment	516
Intangible assets	11,639
Total assets	23,554
Borrowings	-
Trade payables	22,097
Payables related to employee benefits	436
Deferred income	68
Other payables	5,079
Current income tax liability	-
Provisions	840
Deferred tax liabilities	126
Total liabilities	28,646
Net assets	(5,092)

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NOTE 31 - ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

Details of subsidiary sales transactions are as follows:

	2018
Total sales price	-
Registered value of net assets sold	(5,092)
Sales profit after tax	5,092

	2018
Total sales price	-
Cash held by the sold companies	(2,416)
Net cash outflow	(2,416)

NOTE 32 - INCOME TAXES

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis for all the subsidiaries consolidated on a line-by-line basis.

Corporate tax

Corporate tax liabilities as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Provision for current income tax	117,593	123,498
Prepaid corporate taxes	(110,212)	(115,806)
Taxes payable for the period	7,381	7,692

	31 December 2019	31 December 2018
Corporate and income taxes payable	7,381	7,692
Deferred tax (asset)/liabilities, net	31,089	18,242
Total taxes	38,470	25,934

Turkey

The Corporate Tax Law has been amended as of 13 June 2006 by Law No: 5520. The majority of the clauses of Law No: 5520 are effective as of 1 January 2006. Corporate tax rate for the fiscal year 2019 is 22% (2018: 22%) for Turkey. Corporate tax is payable on the total income of the Group after adjusting for certain disallowable expenses, corporate income tax exemptions (exemption for participation in subsidiaries, etc.) and corporate income tax deductions (such as research and development expenditures deduction). No further tax is payable unless there is dividend distribution.

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NOTE 32 - INCOME TAXES (Continued)

Corporate tax (Continued)

Turkey (Continued)

Companies calculate corporate tax quarterly at the rate of 22% over their corporate income and these amounts are disclosed by the end of 14th day and paid by the end of the 17th day of the second month following each calendar quarter-end. Advance taxes paid in the period are offset against the following period's corporate tax liability. If there is an outstanding advance tax balance as a result of offsetting, the related amount may either be refunded in cash or used to offset against for other payables to the government.

Within the scope of the "Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Turkish Trade Registry Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. As per this law, deferred tax assets and obligations were calculated in the financial statements dated 31 December 2019, applying a tax rate of 22% for temporary differences' portion to lead to tax effects in 2018, 2019 and 2020, and at 20% for the portion to lead to tax effects in 2021 and subsequent periods.

According to, Amendments in Tax Procedural Law, Income Tax Law and Corporate Tax Law ("Law No. 5024") published in the Official Gazette on December 30, 2003 and the income or corporations taxpayers whose determine their profits on the basis of the statement of financial position, the financial statements are subject to inflation adjustment starting from 1 January 2004. The merger premiums which occurred as a result of the related subsidiary mergers, were classified as an equalizing account, which is neither an asset nor a liability, by the Group, in its financial statements and applied an inflation adjustment for the calculation of the corporate tax in 2004, due to the related regulations and Tax Procedural Law, titled "Inflation Adjustment Application" with number 17 and dated 24 March 2005.

In accordance with the related law, the cumulative inflation of last 36 months inflation rate (PPI) must exceed 100% and the inflation rate (PPI) of last 12 months must exceed 10% in order to adjust inflation. There has not been any inflation adjustment after 2005 due to the absence of conditions required.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by the 25th of the fourth month following the close of the financial year to which they relate.

Tax authorities can review accounting records within five years and if they determine any errors on the accounting records, tax payable can be reassessed as a result of another tax assessment.

Under the Turkish tax legislation, tax losses can be carried forward to offset against future taxable income for up to 5 years.

There are numerous exemptions in the Corporate Tax Law concerning the corporations. The exemptions that are related to the Group are as follows:

Exemption for participation in subsidiaries

Dividend income from participation in shares of capital of another fully fledged taxpayer corporation (except for dividends from investment funds participation certificates and investment partnerships shares) are exempt from corporate tax.

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NOTE 32 - INCOME TAXES (Continued)

Corporate tax (Continued)

Turkey (Continued)

Issued premiums exemption

Gains from issued premiums derived from the disposal of sales at nominal values during incorporations and the capital increase of joint stock companies are exempt from corporate tax.

Exemption for participation into foreign subsidiaries

For companies participating in 10% or more of the capital of a non-resident limited liability or joint stock company, (except for those whose principal activity is financial leasing or investment property) for at least one year until the date of the income is generated and transferred to Turkey until the date of the filing of the corporate income tax return of the fiscal year in which the income is generated is exempt from corporation tax subject to those subsidiaries being subject to corporate income tax, or alike, in their country of legal residence or business center at the rate of at least 15% (minimum corporate income tax applicable in Turkey for those whose principal activity is finance assurance or insurance).

Exemption for sale of participation shares and property

75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and 50% of the gains derived from the sale of real estate property which have remained in assets for more than two full years are exempt from corporate tax. The relevant gain is required to be held in a fund account in liabilities for at least five years to gain the right to use the exemption. The amount of the sale should be collected until the end of the second calendar year following the year of the sale.

Russian Federation

The corporate tax rate effective in the Russian Federation is 20% (2018: 20%).

The Russian tax year is the calendar year and fiscal year ends other than the calendar year end are not applicable in the Russian Federation. The income taxes over gains are calculated annually. Tax payments are made monthly or depending on tax payer’s discretion, it can be made monthly or quarterly by using different calculation methods. Corporate tax declarations are given until 28th of March following the fiscal year end.

According to the Russian Federation’s tax legislation, financial losses can be carried forward indefinitely to be deducted from future taxable income.

Tax can be refunded in practice; however, refund is generally available following the outcome of legal procedures. Consolidated tax reporting or tax payment of parent companies or subsidiaries is not allowed. In general, dividend payments that are paid to foreign shareholders are subject to 15% withholding tax. Based on bilateral tax agreements, withholding tax rate can be decreased.

In accordance with the new tax amendment in Russian Federation, the Companies can reduce 50% of the profit occurred between 2017-2020 and total accumulated losses as of 2021. Besides, the limitation of carried forward tax losses due to accumulated losses after 2007 for up to 10 years has been removed.

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NOTE 32 - INCOME TAXES (Continued)

Corporate tax (Continued)

The tax rates at 31 December 2019 applicable in the foreign countries, where the significant part of the Group’s operations are performed, are as follows:

Country	Tax rates (%)
Germany	28.0
Belarus	18.0
Russia	20.0
Netherlands	25.0

Belarus

Corporate tax rate effective in Belarus is 18% (2018: 18%). Tax year is the calendar year in Belarus. Profit tax is calculated as progressive total. Payments regarding tax are made quarterly from the prior year results or expected current year profit. Corporate tax declarations should be given at 20 March following the financial year financial losses are not allowed to be deducted from the period corporate income. Tax refund option is available. Consolidated tax reporting or payment isn’t allowed for parent company and its subsidiaries. In general, dividends paid to foreign shareholders are subject to 12% withholding tax rate. This rate might decrease in bilateral tax agreements. Tax legislations in Belarus is subject to frequent changes.

Deferred tax

The Group recognises deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported under the POA’s Financial Reporting Standards. The temporary differences arise due to accounting treatments made in different reporting periods based on the applicable tax laws and the transfer of financial losses.

Deferred taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in coming years under the liability method using tax rates enacted at the statement of financial position dates which are disclosed in the table and explanations above.

Deferred tax assets and liabilities are presented in net in the consolidated financial statements of the Group, since they are presented in net in the financial statements of subsidiaries and joint ventures, which are each individual tax payers. Temporary differences, deferred tax assets and deferred tax liabilities at the table below are presented based on gross amounts.

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NOTE 32 - INCOME TAXES (Continued)

Deferred tax (Continued)

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred tax has been provided at 31 December 2019 and 31 December 2018 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Deductible tax losses	317,568	231,598	69,865	50,460
Provision for employment termination and unused vacation benefits	63,325	49,926	13,073	10,302
Deferred financial income of trade receivables	6,491	27,427	1,428	6,034
Provision for doubtful receivables	26,994	19,920	5,939	3,984
Other	214,370	226,390	47,161	47,542
Deferred tax assets	628,748	555,261	137,466	118,322
Net differences between the tax and registered value of property, plant and equipment, inventories and intangible assets	(480,925)	(387,714)	(96,185)	(85,297)
Net differences between the fair values of investment properties and values of taxation	(231,557)	(107,343)	(42,735)	(19,130)
Other	(148,175)	(160,685)	(29,635)	(32,137)
Deferred tax liabilities	(860,657)	(655,742)	(168,555)	(136,564)
Deferred tax assets/ (liabilities) ,net			(31,089)	(18,242)

Conclusions of netting has been reflected to consolidated statement of financial position of the Group, since Doğan Holding, subsidiaries and joint ventures, which are separate taxpayer companies, have booked their deferred tax assets and liabilities by netting in their financial statements that were prepared in accordance with the TAS. Temporary differences and deferred tax assets and liabilities shown above have been prepared on the basis of gross values.

The Group recognized deferred tax assets over TRY317,568 of carry forward tax losses in the consolidated financial statements prepared in accordance with the TAS as of 31 December 2019 (31 December 2018: TRY231,598). As of 31 December 2019 and 31 December 2018, the maturity analysis of carry forward tax losses is as follows:

	31 December 2019	31 December 2018
2020	(128)	-
2021 and after	(317,440)	(231,598)
	(317,568)	(231,598)

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

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NOTE 32 - INCOME TAXES (Continued)

Deferred tax (Continued)

Movements for net deferred taxes for the periods as of 31 December 2019 and 2018 are as follows:

	2019	2018
1 January	(18,242)	(139,037)
Current period income (expense)	(2,440)	125,266
Currency translation differences	413	1,007
Tax recognized under equity	(10,820)	10,190
Disposal of subsidiary (Note 31)	-	(15,668)
31 December	(31,089)	(18,242)

The taxes on income reflected to the consolidated statement of profit or loss for the periods ended 31 December 2019 and 2018 are summarized below:

	1 January - 31 December 2019	1 January - 31 December 2018
Tax expense for the period	(128,656)	(123,498)
Deferred tax income/(expense)	(2,440)	125,266
Total tax (expense)/income	(131,096)	1,768

The reconciliation of the taxation on income in the consolidated statement of profit or loss for the periods ended 31 December 2019 and 2018 and the tax calculated at the corporate tax rate based on the income before minority interests and taxation on income are as follows:

	2019	2018
Income/(Loss) before tax and non-controlling interests ^(*)	724,029	3,573,630
Current period tax income/(expense) calculated at 22% effective tax rate	(159,287)	(786,199)
Tax effect of discontinued operations	-	(13,873)
Effect of carryforward tax losses not subject to deferred tax asset	(10,370)	(6,902)
Tax effect of adjustments related to share purchase commitments	-	(37,906)
Effect of investments accounted for by the equity method	5,885	(42,357)
Effect of expenses non- deductible/not subject to tax	(7,932)	(53,190)
Effect of change in statutory tax rate on deferred tax	3,089	(174)
Exceptions	28,562	8,095
Effect of subsidiary return on sales	-	974,101
Current period portion of carry forward tax losses used subject to deferred tax calculation in prior periods	(956)	(45,267)
Other	9,913	5,440
31 December	(131,096)	1,768

(*) Includes pre-tax income/(loss) of continued and discontinued operations.

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NOTE 33 - EARNING/LOSS PER SHARE

Gain/(loss) per share for each class of shares is disclosed below:

	1 January - 31 December 2019	1 January - 31 December 2018
Net profit/(loss) for the period attributable to equity holders of the Parent Company	616,789	3,633,096
Weighted average number of shares with face value of TRY1 each ⁽¹⁾	2,610,263	2,613,738
Earning/(loss) per share	0.236	1.390

⁽¹⁾ As explained in detail in Note 24, repurchased shares are excluded.

NOTE 34 - RELATED PARTY DISCLOSURES

As of the statement of financial position date, due from and to related parties and related party transactions for the periods ending 31 December 2019 and 31 December 2018 are disclosed below:

i) Balances with related parties:

Short term trade receivables from related parties:

	31 December 2019	31 December 2018
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. (“Doğan Burda”) ^{(1) (2)}	1,052	1,297
Doğan ve Egmont Yayıncılık ve Yapımcılık Ticaret A.Ş. (“Doğan Egmont”) ^{(1) (2)}	974	3,080
D Market Elektronik Hizmetler ve Ticaret A.Ş. (“D Market”) ⁽¹⁾	630	574
Deney Kent Eğitim Hizmetleri A.Ş. ⁽⁴⁾ (“Deney Kent”)	421	706
D Elektronik Şans Oyunları Yayıncılık A.Ş. (“D Elektronik”) ⁽¹⁾	75	98
Ortadoğu Otomotiv Ticaret A.Ş. (“Ortadoğu Otomotiv”) ⁽³⁾	29	93
Other	314	952
Total	3,495	6,800

⁽¹⁾ Receivables related to the Group’s financial, legal, information processing and other areas of service sales.

⁽²⁾ Receivables related to raw material sales of the Group.

⁽³⁾ Receivables related to electricity, water and dues sales of the Group.

⁽⁴⁾ Receivables related to sponsorship service sales of the Group.

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NOTE 34 - RELATED PARTY DISCLOSURES (Continued)

i) Balances with related parties (Continued):

Other short term receivables from related parties:

	31 December 2019	31 December 2018
Aslancık Elektrik Üretim A.Ş. (“Aslancık Elektrik”) ⁽¹⁾	-	20,536
Total	-	20,536

⁽¹⁾ The total amount of the receivable from Aslancık Elektrik, one of the Group's joint venture, has been collected.

Short term trade payables to related parties:

	31 December 2019	31 December 2018
D Market ⁽¹⁾	100	64
İstinye Petrol Ticaret A.Ş. ⁽²⁾	73	-
Boyabat Elektrik ⁽³⁾	64	-
Doğan Burda ⁽⁴⁾	39	92
Ortadoğu Otomotiv ⁽⁵⁾	4	152
Other	83	-
Total	363	308

⁽¹⁾ Mostly comprises of purchases of stationery consumables, small fixtures and gift certificates of the Group.

⁽²⁾ Comprises of the fuel oil purchases of the Group.

⁽³⁾ Comprises of the electricity purchases of the Group.

⁽⁴⁾ Comprises of the magazines purchases of the Group.

⁽⁵⁾ Comprises of the rent expenses of the Group.

Short-term portion of long-term lease payables to related parties:

	31 December 2019	31 December 2018
Ortadoğu Otomotiv	3,570	-
Aydın Doğan Vakfi	2,663	-
Other	5	-
Total	6,238	-

Long-term lease payables to related parties:

	31 December 2019	31 December 2018
Aydın Doğan Vakfi	15,708	-
Ortadoğu Otomotiv	3,192	-
Other	6	-
Total	18,906	-

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NOTE 34 - RELATED PARTY DISCLOSURES (Continued)

ii) Transactions with related parties:

Product and service purchases from related parties

	1 January - 31 December 2019	1 January - 31 December 2018
Ortadoğu Otomotiv ⁽¹⁾	11,106	8,551
Adilbey Holding A.Ş. ⁽¹⁾	2,864	2,985
Doğan Burda ⁽²⁾	1,863	906
D Market ⁽³⁾	1,106	744
Boyabat Elektrik ⁽⁴⁾	732	8,886
Other	2,239	2,824
Total	19,910	24,896

(1) Comprises of the lease services purchases of the Group.

(2) Comprises of the magazine purchases of the Group.

(3) Mostly comprises of purchases of stationery consumables, small fixtures and gift certificates of the Group.

(4) Comprises of the electricity purchases of the Group.

Product and service sales to related parties

	1 January - 31 December 2019	1 January - 31 December 2018
D-Market ^{(1) (5)}	27,686	11,660
Doğan Burda ^{(1) (5)}	15,329	11,839
Doğan Egmont ^{(1) (4)}	14,979	11,318
Ortadoğu Otomotiv ^{(2) (3)}	6,604	1,364
Deney Kent ⁽⁶⁾	5,641	1,051
D Elektronik ⁽³⁾	3,686	1,570
Gümüştaş Madencilik ^{(2) (3)}	2,707	4,067
Boyabat Elektrik ⁽²⁾	879	1,007
Other	3,600	4,611
Total	81,111	48,487

(1) The balance consists of raw material sales of the Group.

(2) The balance consists of electricity sales of the Group.

(3) The balance consists financial, legal, data processing and other consultancy services sales of the Group.

(4) The balance consists of fuel oil sales of the Group.

(5) The balance consists of the Group's sales of lease services.

(6) The balance consists of the sponsorship service sales of the Group.

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NOTE 34 - RELATED PARTY DISCLOSURES (Continued)

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

Group determined member of the Board of the Directors, Consultants of the Board, Group Presidents and Vice Presidents, Chief Legal Counsel, and Director’s as Key Management Personnel. The compensation of board members and key management personnel includes salaries, bonus, health insurance, communication and transportation benefits and total amount of compensation is explained below:

	1 January - 31 December 2019	1 January - 31 December 2018
Salaries and other		
short term benefits	26,890	18,155
Post-employment benefits	-	-
Other long term maturity benefits	-	-
Termination benefits	-	-
Share based payments	-	-
Total	26,890	18,155

NOTE 35 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial Instruments and Financial Risk Management

The Group’s activities expose it to a variety of financial risks; these risks are credit risk, market risk including the effects of changes in debt and equity market prices, foreign currency exchange rates, fair value interest rate risk and cash flow interest rate risk, and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments in a limited manner to hedge these exposures.

Financial risk management is carried out by individual subsidiaries and joint ventures under the policies, which are approved by their Board of Directors within the limits of general principles set out by the Group.

a) Market risk

a.1) Foreign currency risk

The Group is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency liabilities to local currency. These risks are monitored and limited by analyzing foreign currency position. TRY equivalents of foreign currency denominated monetary assets and liabilities as of 31 December 2019 and 31 December 2018 before consolidation adjustments and reclassifications are as follows:

The Group is exposed to foreign exchange risk arising primarily from the USD and EUR, the other currencies have no material impact.

	31 December 2019	31 December 2018
Foreign currency assets	3,825,957	3,942,699
Foreign currency liabilities	(667,964)	(1,204,377)
Net foreign currency position	3,157,993	2,738,322

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NOTE 35 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a) Market risk (Continued)

a.1) Foreign currency risk (Continued)

Sensitivity analysis of foreign currency risk as of 31 December 2019 and 31 December 2018 and foreign currency denominated asset and liability balances are summarized below. The recorded amounts of foreign currency assets and liabilities held by the Group are as follows, in terms of foreign currency:

31 December 2019	TRY Equivalent	USD	EUR	Other
1. Trade Receivables	90,823	7,347	7,059	234
2a. Monetary Financial Assets (Cash, banks included)	2,687,269	389,380	51,507	31,719
2b. Non-Monetary Financial Assets	1,041,623	153,293	19,703	-
3. Other	53	4	4	-
4. Current Assets (1+2+3)	3,819,768	550,024	78,273	31,953
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	6,189	987	49	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	6,189	987	49	-
9. Total Assets (4+8)	3,825,957	551,011	78,322	31,953
10. Trade Payables	364,991	43,664	15,180	4,662
11. Financial Liabilities	200,618	4,647	26,011	25
12a. Other Monetary Liabilities	531	39	45	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Short Term Liabilities (10+11+12)	566,140	48,350	41,236	4,687
14. Trade Payables	-	-	-	-
15. Financial Liabilities	101,824	3,443	12,236	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. Non-Current Liabilities (14+15+16)	101,824	3,443	12,236	-
18. Total Liabilities (13+17)	667,964	51,793	53,472	4,687
19. Net Asset/(Liability) Position Of Off Statement of Financial Position Derivative Instruments (19a-19b)	-	-	-	-
19a. Off Statement of Financial Position Foreign Currency Derivative Assets	-	-	-	-
19b. Off Statement of Financial Position Foreign Currency Derivative Liabilities	-	-	-	-
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	3,157,993	499,218	24,850	27,266
21. Net Foreign Currency Asset/(Liability) Position Of Monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	2,110,124	344,934	5,094	27,291

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NOTE 35 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a) Market risk (Continued)

a.1) Foreign currency risk (Continued)

31 December 2018	TRY Equivalent	USD	EUR	Other
1. Trade Receivables	114,928	5,553	9,372	29,220
2a. Monetary Financial Assets (Cash, banks included)	3,397,569	529,390	101,609	5
2b. Non-Monetary Financial Assets	428,444	81,209	201	-
3. Other	1,758	28	267	-
4. Current Assets (1+2+3)	3,942,699	616,180	111,449	29,225
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-	-
9. Total Assets (4+8)	3,942,699	616,180	111,449	29,225
10. Trade Payables	59,897	971	8,219	5,245
11. Financial Liabilities	616,763	36,310	70,627	-
12a. Other Monetary Liabilities	18,681	39	3,065	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Short Term Liabilities (10+11+12)	695,341	37,320	81,911	5,245
14. Trade Payables	-	-	-	-
15. Financial Liabilities	412,098	20,070	50,848	-
16a. Other Monetary Liabilities	96,938	18,421	4	3
16b. Other Non-Monetary Liabilities	-	-	-	-
17. Non-Current Liabilities (14+15+16)	509,036	38,491	50,852	3
18. Total Liabilities (13+17)	1,204,377	75,811	132,763	5,248
19. Net Asset/(Liability) Position Of Off Statement of Financial Position Derivative Instruments (19a-19b)	-	-	-	-
19a. Off Statement of Financial Position Foreign Currency Derivative Assets	-	-	-	-
19b. Off Statement of Financial Position Foreign Currency Derivative Liabilities	-	-	-	-
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	2,738,322	540,369	(21,314)	23,977
21. Net Foreign Currency Asset/(Liability) Position Of Monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	2,308,120	459,132	(21,782)	23,977

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NOTE 35 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a) Market risk (Continued)

a.1) Foreign currency risk (Continued)

As of 31 December 2019 and 31 December 2018, foreign currency denominated asset and liability balances were converted by the following exchange rates: TRY5.9402=USD1 and TRY6.6506=EUR1 (31 December 2018: TRY5.2609=USD1 and TRY6.0280=EUR1).

31 December 2019

	Income/(Loss)	
	Foreign currency appreciates	Foreign currency depreciates
If the USD had changed by 20% against the TRY		
1- USD net (liabilities)/assets	593,091	(593,091)
2- Hedging amount of USD (-)	-	-
3- USD net effect on income/(loss) (1+2)	593,091	(593,091)
If the EUR had changed by 20% against the TRY		
4- EUR net (liabilities)/assets	33,053	(33,053)
5- Hedging amount of EUR (-)	-	-
6- EUR net effect on (loss)/income (4+5)	33,053	(33,053)
If the other currencies had changed by 20% against the TRY		
7- Other currency net (liabilities)/assets	5,453	(5,453)
8- Hedging amount of other currency (-)	-	-
9- Other currency net effect on (loss)/income (7+8)	5,453	(5,453)
TOTAL (3+6+9)	631,597	(631,597)

31 December 2018

	Income/(Loss)	
	Foreign currency appreciates	Foreign currency depreciates
If the USD had changed by 20% against the TRY		
1- USD net (liabilities)/assets	568,565	(568,565)
2- Hedging amount of USD (-)	-	-
3- USD net effect on income/(loss) (1+2)	568,565	(568,565)
If the EUR had changed by 20% against the TRY		
4- EUR net (liabilities)/assets	(25,696)	25,696
5- Hedging amount of EUR (-)	-	-
6- EUR net effect on (loss)/income (4+5)	(25,696)	25,696
If the other currencies had changed by 20% against the TRY		
7- Other currency net (liabilities)/assets	4,795	(4,795)
8- Hedging amount of other currency (-)	-	-
9- Other currency net effect on (loss)/income (7+8)	4,795	(4,795)
TOTAL (3+6+9)	547,664	(547,664)

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NOTE 35 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a) *Market risk (Continued)*

a.2) *Interest rate risk*

Other operating segments are exposed to interest rate risk because of financial liabilities of these segments. Financial obligations in this segment are mainly composed of floating rate borrowings.

As of 31 December 2019, there is no floating interest rate loan in US Dollars (31 December 2018: None).

As of 31 December 2019, if interest rates on Euro denominated borrowings had been higher/lower by 100 basis points with all other variables held constant, profit before income taxes would have been TRY1,509 (31 December 2018: TRY4,628) higher/lower, mainly as a result of additional interest expense on floating rate borrowings.

The table presenting Group’s fixed and floating rate financial instruments is shown below:

	31 December 2019	31 December 2018
Financial instruments with fixed rate		
Financial assets		
- Banks (Note 6)	3,125,308	3,524,297
- Financial investments (Note 7)	1,380,571	619,766
Financial liabilities (Note 8)	2,300,645	2,027,495
Financial instruments with floating rate		
Financial liabilities (Note 8)	150,863	461,146

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NOTE 35 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a) Market risk (Continued)

a.2) Interest rate risk (Continued)

The average annual interest rates (%) of the Group's financial assets and liabilities are as follows:

	31 December 2019			31 December 2018		
	USD	EUR	TRY	USD	EUR	TRY
Assets						
Cash and cash equivalents (Note 6)	0.95 - 2.45	0.25 - 0.30	1.91 - 10.50	2.00 - 5.80	1.10 - 3.40	14.00 - 27.00
Financial investments	2.38 - 8.50	2.38 - 5.20	24.02 - 30.20	3.75 - 8.75	-	3.92 - 20.50
Liabilities						
Financial liabilities	6.10 - 12.41	0.65 - 10.20	5.00 - 27.95	5.00 - 6.40	0.65 - 4.69	5.00 - 37.45

The distribution of interest rate sensitivity regarding the remaining period for repricing of financial assets and liabilities is as follows:

31 December 2019	Up to 1 year	1 year - 5 years	Over 5 years	Free of Interest	Total
Assets					
Cash and cash equivalents (Note 6)	3,125,308	-	-	153,524	3,278,832
Financial investments (Note 7)	1,177,726	-	-	-	1,177,726
Total	4,303,034	-	-	153,524	4,456,558
Short and long term financial liabilities (Note 8) ⁽¹⁾					
	1,855,053	548,252	48,203	-	2,451,508
Total	1,855,053	548,252	48,203	-	2,451,508
31 December 2018					
Assets					
Cash and cash equivalents (Note 6)	3,524,297	-	-	293,669	3,817,966
Financial investments (Note 7)	423,682	-	-	-	423,682
Total	3,947,979	-	-	293,669	4,241,648
Short and long term financial liabilities (Note 8) ⁽¹⁾					
	1,862,828	582,123	43,690	-	2,488,641
Total	1,862,828	582,123	43,690	-	2,488,641

⁽¹⁾ Bank borrowings and financial leasing amounts are included in the distribution of interest rate sensitivity regarding the remaining time to repricing of financial borrowings.

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NOTE 35 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b) Credit risk

Credit risk involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by credit ratings and by setting credit limits to individual counterparties. The credit risk is generally highly diversified due to the large number of entities comprising the customer bases and their dispersion across many different industries.

The table representing the Group’s credit risk of financial instruments as of 31 December 2019 is as follows:

	<u>Trade receivables</u>		<u>Other receivables</u>		<u>Cash on deposit</u>
	<u>Related party</u>	<u>Other</u>	<u>Related party</u>	<u>Other</u>	
Maximum net credit risk as of the reporting date	3,495	1,738,106	-	18,016	3,276,842
- The part of maximum risk under guarantee with collateral	-	1,530,294	-	-	-
A. Net book value of neither past due nor impaired financial assets	-	-	-	-	-
- Guaranteed amount by collateral	3,495	1,622,385	-	18,016	3,276,842
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 (Note 9)	-	115,721	-	-	-
- Guaranteed amount by collateral (Note 9)	-	60,309	-	-	-
D. Impaired asset net book value	-	-	-	-	-
- Past due (gross amount) (Note 9, 19)	-	99,648	-	-	-
- Impairment (-) (Note 9, 19)	-	(99,648)	-	-	-
- Net value collateralized or guaranteed	-	-	-	-	-

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NOTE 35 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b) Credit risk (Continued)

The table representing the Group’s credit risk of financial instruments as of 31 December 2018 is as follows:

	<u>Trade receivables</u>		<u>Other receivables</u>		<u>Cash on deposit</u>
	<u>Related party</u>	<u>Other</u>	<u>Related party</u>	<u>Other</u>	
Maximum net credit risk as of the reporting date	6,800	1,864,389	20,536	11,048	3,810,782
- The part of maximum risk under guarantee with collateral	-	1,074,084	-	-	-
A. Net book value of neither past due nor impaired financial assets	6,800	1,744,412	20,536	11,048	3,810,782
- Guaranteed amount by collateral	-	995,990	-	-	-
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 (Note 9)	-	119,977	-	-	-
- Guaranteed amount by collateral (Note 9)	-	78,094	-	-	-
D. Impaired asset net book value	-	-	-	-	-
- Past due (gross amount) (Note 9, 19)	-	92,574	-	421	-
- Impairment (-) (Note 9, 19)	-	(92,574)	-	(421)	-
- Net value collateralized or guaranteed	-	-	-	-	-

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NOTE 35 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b) Credit risk (Continued)

The aging of the receivables of the Group, which are past due but not impaired including related party balances by taking into consideration past due dates are as follows:

	31 December 2019		31 December 2018	
	Related party	Other receivables	Related party	Other receivables
Maturity				
1-30 days overdue	-	51,857	-	64,767
1-3 months overdue	-	24,617	-	15,849
3-12 months overdue	-	5,572	-	27,372
1-5 years overdue	-	26,658	-	11,989
More than 5 years overdue	-	7,017	-	-
Total	-	115,721	-	119,977

Guaranteed amount by collateral

Fuel retail	-	35,749	-	42,369
Industry	-	13,156	-	12,253
Automotive trade and marketing	-	-	-	2,229
Other	-	11,404	-	21,243
Total	-	60,309	-	78,094

	31 December 2019			31 December 2018		
	Trade receivables	Credit loss ratio	Expected credit loss ⁽¹⁾	Trade receivables	Credit loss ratio	Expected credit loss ⁽¹⁾
Not overdue	82	2.82%	2	3,846	3.04%	117
1-30 days overdue	71	6.41%	5	383	7.31%	28
1-3 months overdue	1,234	7.77%	96	2,580	9.03%	233
3-12 months overdue	3,045	12.14%	373	6,458	15.30%	988
More than 1 year overdue	1,167	34.33%	401	-	-	-
Total	5,599		877	13,267		1,366

⁽¹⁾ The balance consists of trade receivables of the companies for which the credit loss is calculated.

c) Liquidity risk

Conservative liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group aims maintaining flexibility in funding by keeping committed credit lines available.

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NOTE 35 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

c) *Liquidity risk (Continued)*

As of 31 December 2019 and 31 December 2018 undiscounted cash flows of financial liabilities based on the agreement maturities are as follows:

31 December 2019	Book value	Contractual undiscounted cash flow	Less than 3 months	3-12 months	1-5 years	Over 5 years
Non-derivative financial liabilities						
Short term and long term financial liabilities (Note 8)	2,218,800	2,388,298	763,934	1,181,488	394,673	48,203
Lease payables (Note 8)	232,708	357,813	9,004	38,431	197,501	112,877
Trade payables to non-related parties (Note 9)	745,720	748,753	300,125	448,628	-	-
Other payables to non-related parties (Note 10)	128,754	130,290	13,708	114,659	1,923	-
Trade payables to related parties (Note 34)	363	363	363	-	-	-
Payables related to employee benefits (Note 23)	19,267	19,267	-	19,267	-	-
Deferred income (Note 21)	44,563	44,563	39,593	-	4,970	-
Other short-term provisions (Note 18)	10,083	10,083	10,083	-	-	-
Total	3,400,258	3,699,430	1,136,810	1,802,473	599,067	161,080
31 December 2018	Book value	Contractual undiscounted cash flow	Less than 3 months	3-12 months	1-5 years	Over 5 years
Non-derivative financial liabilities						
Short term and long term financial liabilities (Note 8)	2,481,080	2,781,691	1,026,521	1,066,423	645,056	43,691
Lease payables (Note 8)	7,561	11,521	1,150	3,448	6,923	-
Trade payables to non-related parties (Note 9)	819,403	824,200	792,675	31,525	-	-
Other payables to non-related parties (Note 10)	181,302	194,215	125,157	-	69,058	-
Trade payables to related parties (Note 34)	308	308	308	-	-	-
Payables related to employee benefits (Note 23)	16,510	16,510	-	16,510	-	-
Deferred income (Note 21)	69,131	69,131	63,084	-	6,047	-
Other short-term provisions (Note 18)	7,989	7,989	-	7,989	-	-
Total	3,583,284	3,905,565	2,008,895	1,125,895	727,084	43,691

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NOTE 35 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments are determined by the Group, using available market information and appropriate valuation methodologies for each segment of the Group. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions are used in the estimation of the fair value of the financial instruments for which it is practicable to estimate fair value:

Monetary assets

The fair values of balances denominated in foreign currencies, which are translated at the period end exchange rates, are considered to approximate carrying value.

The fair values of certain financial assets carried at cost, including fair values of cash and due from banks are considered to approximate their respective carrying values due to their short-term nature and immateriality of losses on collectibility. The fair value of investment securities has been estimated based on the market prices at the statement of financial position dates.

Trade receivables are disclosed at their amortized cost using the effective interest rate method and the carrying values of trade receivables along with the related allowances for collectability are estimated to be at their fair values.

Monetary liabilities

The fair value of bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings, which are principally at variable rates, and denominated in foreign currencies, are translated at the period-end exchange rates and accordingly, their fair values approximate their carrying values.

Trade payables are disclosed at their amortized cost using the effective interest rate method and accordingly their carrying amounts approximate their fair values.

e) Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the net liability/total equity ratio. Net liability is calculated as the total liability less cash and cash equivalents, derivative instruments and tax liabilities. Total equity is calculated as the total of net liability and the equity as shown in the consolidated statement of financial position.

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NOTE 35 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

e) Capital risk management (Continued)

The net liability/total equity ratio as of 31 December 2019 and 31 December 2018 is summarized below:

	31 December 2019	31 December 2018
Total liability ⁽¹⁾	3,472,646	3,785,595
Less: Cash and cash equivalents (Note 6)	(3,278,832)	(3,817,966)
Net liabilities	193,814	(32,371)
Equity attributable to equity holders of the parent company	7,136,609	6,661,678
Total equity	7,330,423	6,629,307
Net liability/Total equity ratio	3%	(0%)

(1) The amounts are calculated by deducting income tax payable, derivative financial instruments and deferred tax liability accounts from total liability.

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NOTE 35 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

31 December 2019		Loans and receivables (including cash and cash equivalents)	Financial assets available for sale	Financial liabilities at amortised cost	Instruments designated as hedges of financial risk	Instruments at fair value through profit or loss	Carrying value
Financial assets	Note						
Cash and cash equivalents	6	3,278,832	-	-	-	-	3,278,832
Trade receivables from non-related parties	9	1,738,106	-	-	-	-	1,738,106
Trade receivables from related parties	34	3,495	-	-	-	-	3,495
Other receivables from non-related parties	10	18,016	-	-	-	-	18,016
Derivative instruments	22	-	-	-	18,993	-	18,993
Financial investments	7	-	1,380,571	-	-	-	1,380,571
<u>Financial liabilities</u>							
Short and long term financial liabilities	8	-	-	2,218,800	-	-	2,218,800
Payables from lease borrowings	8	-	-	232,708	-	-	232,708
Trade payables to non-related parties	9	-	-	745,720	-	-	745,720
Trade payables to related parties	34	-	-	363	-	-	363
Other payables to non-related parties	10	-	-	128,754	-	-	128,754
Payables related to employee benefits	23	-	-	19,267	-	-	19,267
Derivative instruments	22	-	-	-	339	-	339

The Group management believes that the carrying value of the financial instruments reflect the fair value.

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NOTE 35 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

31 December 2018		Loans and receivables (including cash and cash equivalents)	Financial assets available for sale	Financial liabilities at amortised cost	Instruments designated as hedges of financial risk	Instruments at fair value through profit or loss	Carrying value
Financial assets	Note						
Cash and cash equivalents	6	3,817,966	-	-	-	-	3,817,966
Trade receivables from non-related parties	9	1,864,389	-	-	-	-	1,864,389
Trade receivables from related parties	34	6,800	-	-	-	-	6,800
Other receivables from non-related parties	10	11,048	-	-	-	-	11,048
Other receivables from related parties	34	20,536	-	-	-	-	20,536
Derivative instruments	22	-	-	-	51,834	-	51,834
Financial investments	7	-	619,766	-	-	-	619,766
<u>Financial liabilities</u>							
Short and long term financial liabilities	8	-	-	2,481,080	-	-	2,481,080
Payables from lease borrowings	8	-	-	7,561	-	-	7,561
Trade payables to non-related parties	9	-	-	819,403	-	-	819,403
Trade payables to related parties	34	-	-	308	-	-	308
Other payables to non-related parties	10	-	-	181,302	-	-	181,302
Payables related to employee benefits	23	-	-	16,510	-	-	16,510
Derivative instruments	22	-	-	-	69,084	-	69,084

The Group management believes that the carrying value of the financial instruments reflect the fair value.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

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NOTE 36 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

- First Level: 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.
- Second Level: The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on prices from observable current market transactions.
- Third Level: The fair value of the financial assets and financial liabilities is determined in accordance with the unobservable current market data.

Based on the fair value hierarchy, the Group’s financial assets and liabilities are categorized as follows:

	31 December 2019	Fair value level as of reporting date		
		Level 1 TRY	Level 2 TRY	Level 3 TRY
Financial assets				
Derivative instruments				
held for sale at fair value				
through profit or loss (Note 22)	18,993	-	18,993	-
Available-for-sale financial assets				
held at fair value				
through other comprehensive				
income statement (Note 7)	202,845	-	202,845	-
Bonds and bills (Note 7)	1,177,726	1,177,726	-	-
Total	1,399,564	1,177,726	221,838	-
Financial liabilities				
Derivative instruments				
held for sale at fair value				
through profit or loss (Note 22)	339	-	-	339
Total	339	-	-	339

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NOTE 36 - FINANCIAL INSTRUMENTS (Continued)

Financial assets	31 December 2018	Fair value level as of reporting date		
		Level 1 TRY	Level 2 TRY	Level 3 TRY
Derivative instruments				
held for sale at fair value				
through profit or loss (Note 22)	51,834	-	51,834	-
Available-for-sale financial assets				
held at fair value				
through other comprehensive				
income statement (Note 7)	196,084	-	196,084	-
Bonds and bills (Note 7)	423,682	423,682	-	-
Total	671,600	423,682	247,918	-
Financial liabilities				
Derivative instruments				
held for sale at fair value				
through profit or loss (Note 22)	69,084	-	-	69,084
Total	69,084	-	-	69,084

NOTE 37 - SHARES IN OTHER OPERATIONS

Financial information of Aytemiz which is a subsidiary not wholly-owned but controlled by the Group and having significant non-controlling interest for the Group’s consolidated financial statements, is presented below in accordance with TFRS 12. These financial information represent the consolidated financial amounts of Aytemiz Akaryakıt.

AYTEMİZ	31 December 2019	31 December 2018
Current assets	1,162,712	1,027,536
Non-current assets	880,172	750,900
Short-term liabilities	1,121,865	1,153,673
Long-term liabilities	376,865	160,284
Total equity	544,154	464,479
	1 January -	1 January -
	31 December 2019	31 December 2018
Revenue	8,587,683	8,116,981
Cost of sales	(8,226,503)	(7,790,681)
Gross profit/(loss)	361,180	326,299
Profit/(loss) before taxation	(66,868)	(170,312)

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NOTE 38 - SUBSEQUENT EVENTS

Aytemiz Akaryakıt Dağıtım A.Ş., in which the Group’s direct subsidiary Doğan Enerji Yatırımları Sanayi ve Ticaret A.Ş. has a 50% share in its capital,

- At the meeting of the board of directors dated 19 February 2020; the whole of its paid-up capital has been decided to increase from TRY662.500.000 (exact) to TRY800.000.000 (exact) by paying in cash,
- At the meeting of the board of directors dated 19 February 2020, it has been decided to take over all the shares of Doel Elektrik Enerjisi Toptan Satış A.Ş., which Doğan Enerji Yatırımları Sanayi ve Ticaret A.Ş. has a 100% share in its capital,
- D&A Energy B.V., located in the Netherlands, which is a direct subsidiary, was liquidated on 7 January 2020,
- The second coupon payment, amounting to TRY1.921.049 (exact) of financing bonds in circulation, was made on 7 February 2020.

The capital increase of Aslancık Elektrik Üretim A.Ş., in which the Company holds 25% of the TRY369,000,000 (exact) paid in capital shares, to TRY372,600,000 (exact) entirely in cash was approved in the extraordinary general assembly of Aslancık Elektrik Üretim A.Ş. dated 15 January 2020, and it was decided that the right to purchase new stock would be fully used, and in this framework, the amount required to participate in the capital increase was determined to be TRY750,000. However, Doğan Enerji Yatırımları Sanayi ve Ticaret A.Ş., which is a direct substitute for and holds 8.33% of shares of Aslancık Elektrik Üretim A.Ş., decided that the right to purchase new stock would be fully used in the aforementioned capital increase, and in this framework the amount required to participate in the capital increase was determined to be TRY250,000.

170 days maturity financing bond amounting TRY68,000,000 (exact) was issued by Doruk Faktoring A.Ş., subsidiary of the Company, in 26 August 2019 was redeemed in 12 February 2020. Doruk Faktoring A.Ş. issued 182 days maturity discounted financing bond with 11.95% simple, 12.31% compound interest rate amounting to TRY50,300,000 (exact) in 2 February 2020.

The management of Işıl Club Bodrum Hotel, operated by the Group, has been transferred to Ortadoğu Otomotiv ve Ticaret A.Ş. which has been the owner by 2020. The operating rights of Bodrum Marina Vista Hotel, which is owned by Marlin Otelcilik ve Turizm A.Ş., indirect subsidiary of the Group, and operated by the Group, have also been transferred to a third party.

In the lawsuit filed with the request for annulment due to the fact that the legends and functions envisaged in the Master Plan of Ömerli Land, followed under the “investment properties” of the Group, located in Kurtdoğmuş Village in Pendik District of Istanbul Province, “NIP-22054 PIN” numbered including Parcel 1154 (“Ömerli Land”) and with 1/5000 Scale, contains contradictions with the law, planning and urbanism principles and also be in violation of the right to property, T. R. Istanbul 2nd Administrative Tribunal has justified our request and canceled the Master Plan for the aforementioned Parcel, with an appeal.

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