

# 2018

ANNUAL REPORT



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## MESSAGE FROM THE CHAIRMAN & CEO



## DOĞUŞ OTOMOTİV HAS MAINTAINED ITS MARKET POSITION AND STARTED ITS DIGITALIZATION ACTIVITIES IN LINE WITH ITS STRATEGY IN 2018.

Valued Stakeholders,

The year 2018 that began with positive expectations in global markets has again given way to a process with increased risk perception due to the trade wars, the issue of "Brexit", increasing political uncertainties and the monetary tightening programs put on the agenda by the central banks of developed countries. The official outbreak of the trade wars between the USA and China in July and the subsequent statement "we reject the doctrine of globalization" made by the US President Trump strengthened the arguments that the world entered another new multi-polar period.

On the other hand, despite only months have remained for the official exit of England from European Union, the lack of reaching an accord with EU came to forefront as a factor disturbing the markets. Other developments suppressing the risk appetite of the business world included the uncertainty brought about by highly-indebted countries led by Italy in Europe, the concerns about the loss of momentum that geared up in the Chinese economy, the rising trend in oil prices and the uncertainties in the geography surrounding our country.

While the cheap liquidity period was coming to an end with the monetary tightening steps taken by the US and European Central Banks, the pressure that it created on developing countries further increased their vulnerability.

The downward revision by IMF of the growth forecast for the global economy on the grounds of customs tariffs, political uncertainties and increasing capital outflows and the steady increase in the Volatility Index (VIX), an indicator of global risk perception, throughout the year were the developments that confirmed the change of direction for global economic expectations.

### **Global automotive industry is at a critical juncture**

All these developments have affected the global automotive market as well. Expanding for over 20 years, the world's largest automotive market in China downsized by 6 percent during 2018, falling way below the expectations with 22,7 million units.

In addition to the economic conjuncture, the automotive sector also has a task to adapt to the zero emission plans which the developed countries declared one after another. As with today, environmental regulations,

digitalization and technological developments like autonomous driving will be the most important factors that will shape the eventual future of the automotive industry.

In this context, 2018 was not an easy year for the automotive industry throughout the world. After the WLTP (Worldwide Harmonized Light-Duty Vehicles Test Procedure) standards, introducing new binding rules for calculation of the emission values of vehicles in Europe, were partially enforced in 2017 and its testing procedure was then extended to cover all new vehicles as of 1 September 2018, many automotive manufacturers including the Volkswagen Group had to revise their model lines and to suspend the production of many prominent models. The new standard is binding for automotive manufacturers in both EU and Turkey. Planned to become mandatory for all models with no exception in 1 September 2019, the WLTP standards will increasingly continue to be influential on the automotive industry.



**The future of the automotive industry is in electric vehicles**

Electric vehicles are the most critical element of the zero-emission transportation target set by the developed countries. It is anticipated that by 2030, full electric vehicles and hybrid vehicles will account for 55 percent and 40 percent of new car sales within the boundaries of the EU, respectively. The reflections of this strong trend can also be seen today. In 2019, almost every brand is expected to launch a new model for electric cars in Europe. In this sense, it can be said that the year 2019 will be a cornerstone for electric cars.

The features like autonomous driving and the capacity to interact and communicate with their surroundings will be the other developments defining the vehicles of the future. In addition, consumer requirements like car sharing and renewal of vehicles at more frequent intervals will make the automotive sector face brand-new trends and expectations.

**Turkey's automotive market lagged behind expectations**

2018 was a difficult year that fell short of expectations for the Turkish automotive industry as well. As with the rest of the world, the upward and downward movements in the automotive sector in Turkey are directly related to economic indicators. In line with the positive developments in the Turkish economy in the first quarter of 2018, the automotive sector continued to grow, maintaining its viability that it displayed in 2017. However, the volatility in the exchange rates and the high increase in interest rates starting from the second quarter turned this positive atmosphere into a pessimistic picture.

The 35 percent increase in the exchange rate seen throughout the year has adversely affected the sector.

The impact of the contraction in the automotive sector was deeply felt in the second and third quarters in particular. The market conditions not only blurred forecasts about the sector, but also alienated the consumers from automotive products. Despite the dynamism created by the SCT and VAT reductions introduced in the last two months, the sector has shrunk by 35 percent by the end of the year.

**The sustained development of automotive ecosystem is the key priority**

Despite this overall negative picture, the automotive sector has also witnessed some positive developments in 2018. The incentive application offering SCT reduction for purchase of new vehicles depending on the scraping of 16-year and older vehicles was launched in June as a long-awaited regulation. Then, the revision of special consumption tax bases forming the basis for the special consumption tax rates applied for the sector and the granting of an additional period for importation of vehicles produced in 2018 has had a positive impact as a regulation responding the needs of the sector.

On the other hand, the government's decision taken on the last day of the year to extend the SCT and VAT reductions until 31 March 2019 was a crucial development for the sustained development of the automotive ecosystem, one of the locomotive sectors of the national economy, and for the continued competitiveness of the sector in the global automotive arena.

**Our brands maintained their positions**

In spite of all economic and sectoral challenges, Doğu Otomotiv maintained its market position on the basis of brands; and also remained as the leading automotive importer and one of Turkey's largest distributors in 2018.

While almost every brand in our portfolio retained its own ranking in the market despite the shrinkage in the market, their aftersales revenues have also increased.

**New technologies and digitalization form the basis of our strategy**

The steps that we took in 2018 have further strengthened our determination to make digital technologies as a part of our business processes. The efforts led by the Digital Transformation Department which we established under the structure of our organization in 2017 brought us much closer to the goal of enhancing our service quality and efficiency at all points that we have met with our customers.

As Doğu Otomotiv, we are closely monitoring the Volkswagen Group's global change and development strategy based on new technologies and advanced digitalization. The renewal of our distribution agreement with Volkswagen AG for an indefinite period in 2018 gives us a long-term perspective in terms of our digitalization process targets and the restoration of trust.

**The objective is to improve working quality**

As Doğu Otomotiv, we consider being close to our employees and increasing employee loyalty as one of our most important corporate goals. By following-up the changes regarding employees' profiles and competences in the world, we aim to create a difference in our HR practices to increase our strength in human resources composed of more creative, prone to teamwork, open to change and target-oriented human resources. We want to be a model for our sector regarding human resources, that we regard as the most valuable ring in our chain of values.

The "Human Resources Business Partner" structure that we established in 2018 in order to provide one-to-one HR service to all our employees, formed an example of our innovative and sustainable HR practices, aiming to create a common culture and make our employees feel more valuable.

As another differentiating factor in this field, it is one of our primary goals to increase our female employee ratio. Under the framework of the "Equality at Work Program" aimed at increasing women's participation in the workforce and closing the gender gap in the field of economic participation and opportunities in our country; the rate of female employees working under the structure of Doğu Otomotiv was 33,1 percent as of 2018.

On the other hand, the fact that Doğu Otomotiv was the company with the highest number of female members in its board, equal to 50 percent, among 403 companies listed in the stock market, made us all proud, enabling the company to receive the "Board of Directors strengthened with Female Members" award in 2018.

**Our corporate reputation is our indispensable value**

We reorganized senior management in early 2018 in order to create a more dynamic management structure, using the experience of our brand general managers that have long contributed significantly to our Company. In addition, it was a great honour for me to be assigned by the General Assembly as the Chairman of the Board of Directors and the Chief Executive Officer simultaneously, a decision taken in line with the reduction of the number of members in the Board of Directors and due to my long experience both as a Board Member and as the Chief Executive Officer in the past.

The awareness of corporate sustainability that we have turned into a corporate culture is seeping in and evolving year after year. As an indicator that we set an example with our good practices, adopting the corporate governance principles of integrity, transparency, accountability and responsibility in all our activities, our Corporate Governance Rating score has further increased, reaching 9.64 in 2018.

We consider the trust of our customers, suppliers, employees and shareholders in our Company and our corporate reputation that we have gained since the day we started our business activities, as our Company's indispensable values. Therefore, we adopt the highest ethical standards in our corporate policies, business approach and behaviors. We aim to make a difference with our commitment to comply with the principle of integrity and transparency in business activities, our determination to combat corruption and our responsible corporate citizen approach. To this effect, we also published our 9<sup>th</sup> Sustainability Report and managed to be included in the BIST Sustainability Index for the fourth time in the period of November 2018-October 2019.

**The Social Responsibility Project of the Year**

Traffic is Life! Platform, which plays a special role in our Company's sustainability programs, had great achievements also in 2018. Deemed worthy to receive the "Social Responsibility Project of the Year" given by the Automotive Distributorship Association, Traffic is Life! Platform organized many informative, educational and promotional events on traffic safety throughout the year.

Having reached over 25 thousand students at 18 universities through the Traffic Safety Remote Education and accessed a very wide group of followers through

social media, the Platform was, as with the previous years, cited by the Capital magazine as one of the top 10 most important corporate social responsibility projects of Turkey also in 2018.

**We are celebrating our 25<sup>th</sup> anniversary in 2019**

As Doğu Otomotiv family that completed the year in line with its desired market targets despite all the economic turbulences in 2018, we are determined to maintain our rational, agile, creative and devoted approach in 2019 too, when we are preparing to celebrate our 25<sup>th</sup> anniversary. In the upcoming period, we will focus on our domestic operations, considering optimum operating profitability through prudent expense management and closely following up the developments in the automotive sector. Also in the new year, we will continue to take strong steps to convert our experience of a quarter century into a value for all our stakeholders and during this process, we will keep doing our part for the benefit of our country in cooperation with our stakeholders.

The most important strength that carries Doğu Otomotiv to a leading position in its sector is its competent and devoted human resources, as well as its Authorized Dealer and Aftersales Services organization and investors who offer their full confidence and support regardless of the circumstances. I would like to express my gratitude to everyone for their exceptional input in 2018 and I hope that we will all work together for new achievements in the new business year.

Best regards,

**Emir Ali Bilaloğlu**  
Chairman of the Board and Chief Executive Officer

CORPORATE PROFILE

DOĞUŞ OTOMOTİV, ONE OF THE LEADING PLAYERS OF THE TURKISH AUTOMOTIVE INDUSTRY, RANKS AMONG THE TOP MOST ADMIRIED AND TRUSTED BRANDS IN TURKEY THANKS TO ITS DYNAMIC, CUSTOMER SATISFACTION FOCUSED SERVICE APPROACH.

Doğuş Otomotiv continued to maintain its position among Turkey's largest automotive distributors in 2018, the company's 24<sup>th</sup> year of operations. Doğuş Otomotiv prepares its business plans driven by the vision of “creative service beyond expectations”, and determines its corporate strategy on the goal of “operating with a focus on customer satisfaction”. Doğuş Otomotiv boasts the widest brand and service network in Turkey in its industry segment.

Doğuş Otomotiv is the representative of 12 international brands, each the leader of its own segment, in the fields of passenger cars, light commercial vehicles, heavy vehicles, industrial and marine engines, and cooling systems. Doğuş Otomotiv offers private and corporate customers Volkswagen Passenger Cars, Audi, SEAT, ŠKODA, Bentley, Lamborghini, Bugatti, Porsche, Volkswagen Commercial Vehicles, and Scania brands as well as a wide array of more than 80 models by these brands. The company also competes in the industrial and marine engines market with the Scania Engines brand, and in the cooling systems market with Thermo King. Doğuş Otomotiv provides its customers services in second hand car sales under the DOD brand.

Doğuş Otomotiv adopts unconditional customer satisfaction as the number one

priority in its services, and has one of the widest authorized dealer and aftersales service networks in Turkey. Nearly 550 customer touch points across the country offer Doğuş Otomotiv's customers seamless, widespread sales, aftersales, and spare parts services. Through the Value and Interest Centre (DIM) founded in 2014 within the framework of customer satisfaction efforts Doğuş Otomotiv provides its customers road assistance on a 24/7 basis.

Doğuş Otomotiv is one of the most important players of the Turkish automotive industry with nearly 2,000 employees. The brands that Doğuş Otomotiv distributes rank among the top most admired and trusted brands in Turkey thanks to their dynamic, customer satisfaction focused service approach.

Since its initial public offering in 2004, Doğuş Otomotiv shares are traded at Borsa İstanbul (BIST) with the ticker symbol “DOAS. IS”. The Corporate Governance Rating score of Doğuş Otomotiv has further increased, reaching 9.64 in 2018. The biggest contribution to this rise comes from the Shareholder Score section.

Doğuş Otomotiv, which builds all of its business processes in line with its environmental and social responsibility approach, released its first Corporate Sustainability Report in 2009, which also happened to be a first in Turkey in this sector. Doğuş

Otomotiv went on to undersign the UN Global Compact in 2010. Doğuş Otomotiv is listed for the 4<sup>th</sup> consecutive year in the BIST Sustainability Index for the period of November 2018 to October 2019.

Aiming to make a positive difference in the overall responsibility, awareness and perception in the community toward traffic safety, the company has been carrying out social responsibility projects for 14 years without interruption since they were first launched with the “Traffic is Life!” slogan in 2004. Projects undertaken within the scope of the “Traffic is Life!” corporate responsibility platform has received numerous awards to date.

In addition, the Company, having internalized and complied with best practices to a great extent, was also awarded second place in the category of “Top Three Companies with the Highest Corporate Governance Rating” in 2017 by the Corporate Governance Association of Turkey.

Doğuş Otomotiv is a member of Doğuş Group, active in seven core industries including automotive, construction, media, tourism and services, real estate, food & beverage and new initiatives. With over 300 companies and more than 35,000 employees, the Group serves its customers with advanced technologies, highest brand quality and a dynamic human resource.

Sales Units (Retail)	2018	2017	2016
<b>Passenger Vehicles</b>	<b>95,345</b>	<b>152,709</b>	<b>174,124</b>
Volkswagen	49,749	89,688	101,763
Audi	13,295	21,585	22,005
SEAT	10,383	16,064	20,637
ŠKODA	21,340	24,679	28,876
Bentley	10	16	9
Lamborghini	3	7	7
Porsche	565	670	827
<b>Light Commercial Vehicles</b>	<b>17,085</b>	<b>27,793</b>	<b>32,772</b>
Volkswagen	17,085	27,793	32,772
<b>Heavy Commercial Vehicles</b>	<b>1,177</b>	<b>1,697</b>	<b>2,060</b>
Scania	1,177	1,697	2,050
Krone*	-	-	2
Meiller*	-	-	8
<b>TOTAL</b>	<b>113,607</b>	<b>182,199</b>	<b>208,956</b>
Doğuş Otomotiv Market Share (retail)	18.1%	18.9%	21.0%
Used Car Sales (DOD)	21,767	22,009	22,534

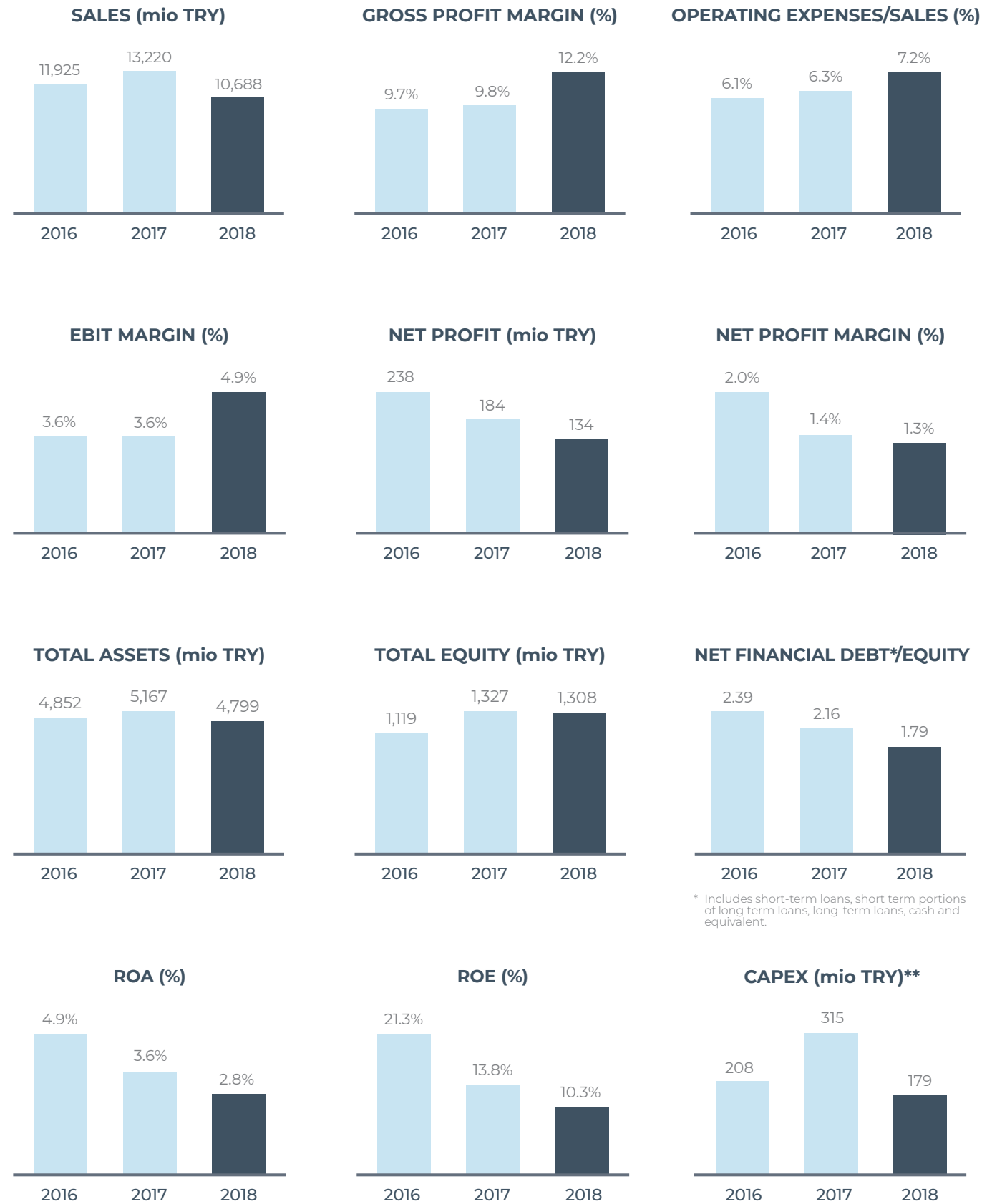
\* Brands are no longer being distributed.

Financial Indicators	2018	2017	2016
Net Sales (mio TRY)	10,688	13,220	11,925
Gross Profit (mio TRY)	1,301	1,301	1,153
Gross Profit Margin (%)	12.2%	9.8%	9.7%
Operating Expenses (mio TRY)	774	827	727
OpEx/Sales(%)	7.2%	6.3%	6.1%
EBIT (mio TRY)	527	474	426
EBIT (%)	4.9%	3.6%	3.6%
Net Profit (mio TRY)	134	184	238
Net Margin (%)	1.3%	1.4%	2.0%
ROA	2.8%	3.6%	4.9%
ROE	10.3%	13.8%	21.3%
Net Financial Liabilities/Equity*	1.79	2.16	2.39
CapEx (mio TRY)**	179	315	208

\* Includes short-term loans, short-term portions of long-term loans, long-term loans, cash and equivalent.

\*\* Includes tangible asset entries.

## FINANCIAL INDICATORS



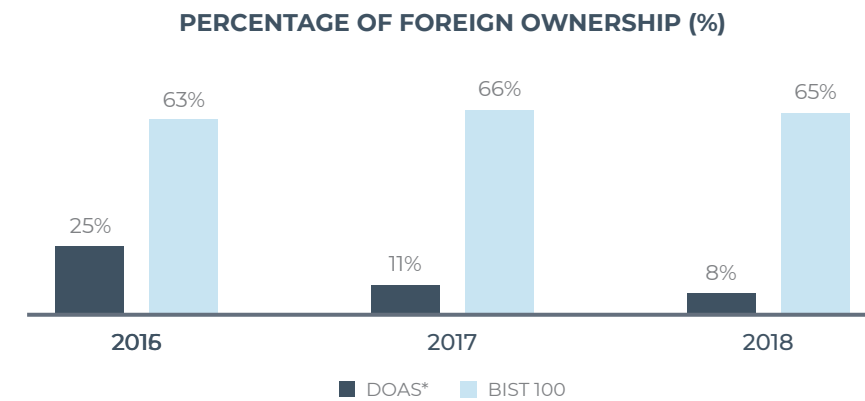
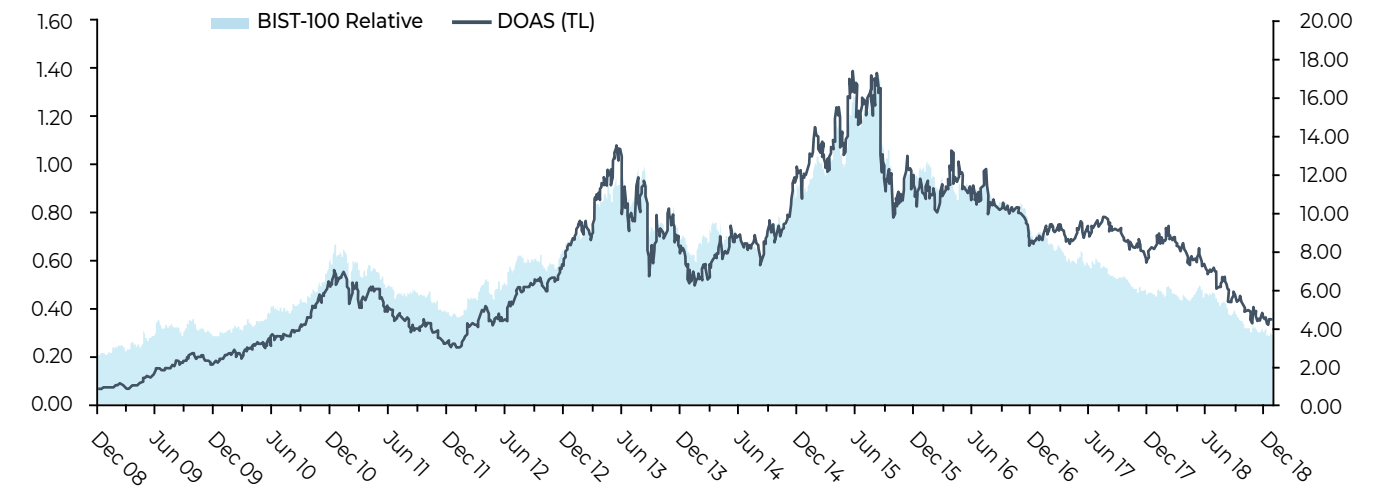
## STOCK PERFORMANCE

**BIST Code:** DOAS.IS  
**Reuters Code:** DOAS.IS  
**Bloomberg Code:** DOAS.TI  
**Initial public offering:** 17.06.2004

**Number of stocks:** 220,000,000  
**Free float rate:** 14.73%

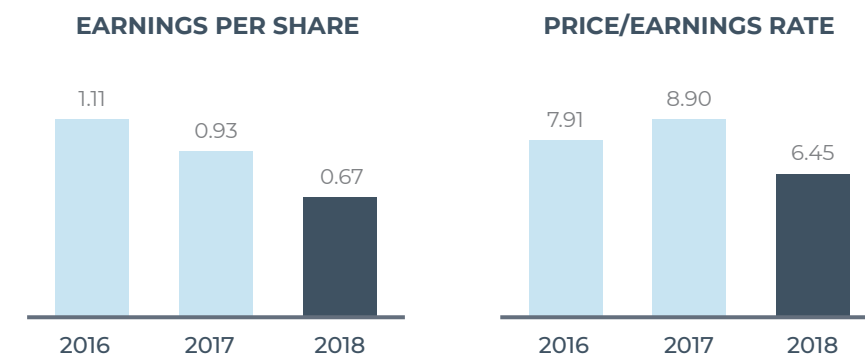
### Stock Performance in 2018

	TL	USD
Share price (31.12.2018)	4.34	0.82
Lowest (17.12.2018)	4.09	0.77
Highest (07.02.2018)	9.20	1.74
Market Cap. (31.12.2018)	955 mio TRY	181 mio USD
Daily average trading volume	4.9 mio TRY	1.2 mio USD



The Percentage of Foreign Ownership in DOAS was realized as 8% in 2018.

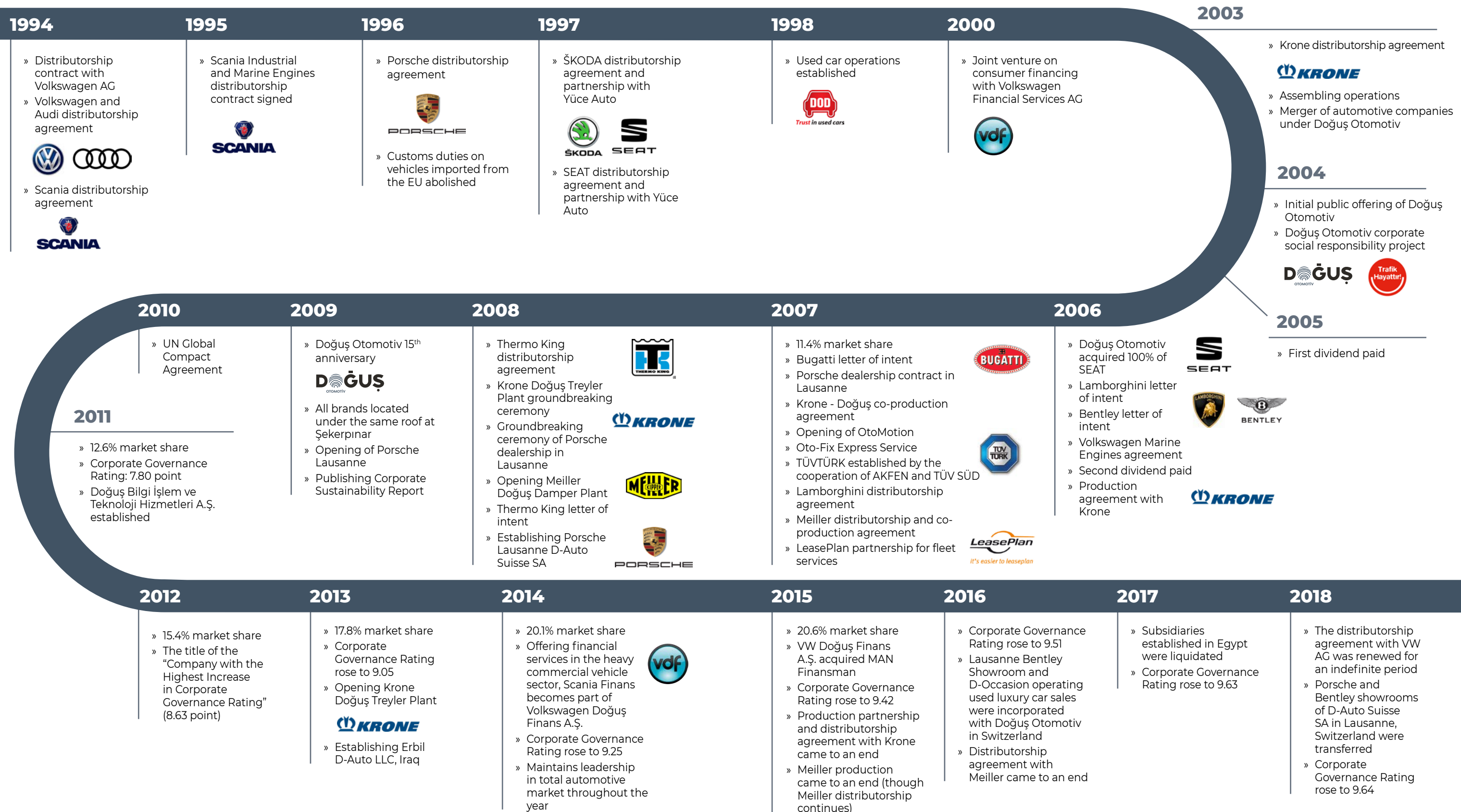
\* Within the scope of the Company's Share Buy-Back Program initiated by the Board of Directors resolution, our Company bought back 22,000,000 of its publicly traded shares in 2016 in accordance with the CMB legislation for TRY 220,274,251.16 in total.



In 2018, Earnings per Share was realized as 0.67.

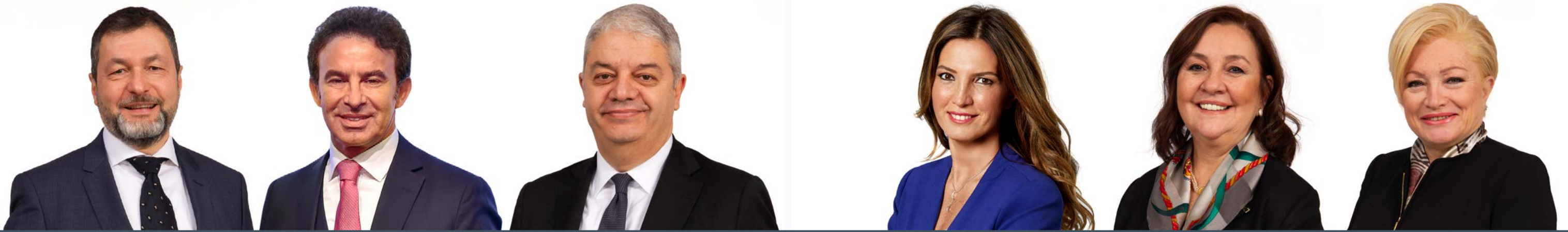
In 2018, the Price/Earnings Rate was realized as 6.45.

## MILESTONES





## BOARD OF DIRECTORS



**Emir Ali BİLALOĞLU**  
CEO and Chairman

Mr. Emir Ali Bilaloğlu, after receiving his post-graduate degree at Berlin Technical University, Department of Engineering, commenced his professional career in 1991 as the Financial Control and Regional Sales Manager at Audi AG headquarters based in Germany. In 2000, Mr. Bilaloğlu served as the responsible person for Business Development and Strategy at Doğuş Otomotiv and in 2001, he was appointed as the Founding General Manager of Audi AG in Dubai, United Arab Emirates. Upon his return to Turkey in 2004, Mr. Bilaloğlu was assigned as the General Manager responsible for Audi and Porsche brands within the body of Doğuş Otomotiv, where he was appointed to be the Chief Executive Officer (CEO) of Doğuş Otomotiv in June 2007. In the Ordinary General Assembly Meeting of Doğuş Otomotiv on 29 March 2018, Mr. Bilaloğlu was unanimously elected Chairman of the Board of Directors. Mr. Bilaloğlu who has been serving as the Chief Executive Officer of Doğuş Otomotiv continues to undertake full responsibility concerning the above-mentioned function in addition to his position as the Chairman of the Board. As for the companies operating under Doğuş Group, Mr. Bilaloğlu acts as the Chairman of the Board at Doğuş Oto Pazarlama and performs duty as the Board Member at various Doğuş Group companies including Doğuş Holding, Yüce Auto, Volkswagen Doğuş Finance (vdf), Doğuş Technology and Doğuş Marketing Systems. Since March 2018, Mr. Bilaloğlu has been the Chairman of the Automotive Distributors' Association (ODD). In addition to his position as the Board Member of the Turkish-German Business Council at DEIK (Foreign Economic Relations Board), which furnishes consultancy services in the area of foreign economic relations, Mr. Bilaloğlu also performs an active role as the Member of the Advisory Board at Turkey: Culture of Change Initiative (TCCI) affiliated to Turkish Industry and Business Association (TÜSİAD), as well.

**Gür ÇAĞDAŞ**  
Vice Chairman of the Board of Directors

Gür Çağdaş graduated from Istanbul University, Faculty of Political Sciences and completed his graduate studies at the same University's Faculty of Business Administration, Institute of Managerial Economics. He began his career in 1986 as an Investment Specialist at Eczacıbaşı Securities, and later joined Vakıflar Bankası to establish the bank's Istanbul Securities Center, which he managed until 1990. After joining Doğuş Group in 1991, he served in a number of roles including Group Manager of Capital Markets at Birleşik Türk Körfez Bank, Assistant General Manager at Garanti Securities, and Garanti Investment and Trade Bank, and from June 1997 as General Manager, Vice Chairman in 2012 and later Chairman of Garanti Asset Management in 2014. Currently, Mr. Çağdaş has been serving as an Advisor to the President, Vice Chairman of Doğuş Otomotiv ve Servis A.Ş., Doğuş Yayın Grubu, Doğuş Enerji A.Ş., Doğuş Sigorta and Board Member of Doğuş İnşaat within the Doğuş Group. Mr. Çağdaş has also served as the President of Turkish Institutional Investment Managers' Association (KYD) from 2007 to 2014 and represented Turkey at the European Fund and Asset Management Association (EFAMA). He is currently the Vice President of the Corporate Governance Association of Turkey (TKYD).

**Koray ARIKAN**  
Board Member

Having graduated from Boğaziçi University Department of Mechanical Engineering, Harvard Business School (AMP) and Virginia Commonwealth University (MBA), Mr. Koray Arıkan served in different roles such as Country Manager and Country Representative for 23 years at JP Morgan Bank. Mr. Arıkan, who joined Doğuş Group in 2014, serves as Chairman of Doğuş Energy, as an Advisor to the Board of Directors of Doğuş Group, Vice Chairman of Pozitif Şirketleri and Mobilet Dijital Hizmetler AŞ, and as a Board Member of Doğuş SK Private Equity Fund. He is also a Board Member of Eti Gıda Sanayi Ticaret A.Ş. and Harvard Business School MENA Research Center and a Member of the Board of Trustees of Boğaziçi University and Eisenhower Fellowships.

**Özlem Denizmen KOCATEPE**  
Board Member

Mrs. Özlem Denizmen Kocatepe is a graduate of Cornell University, Department of Industrial Management and holds a master's degree from Sloan School of Management at MIT. Mrs. Denizmen Kocatepe also attended the "Influencing Techniques" program at Stanford; "Leadership" program at GE Crotonville, and the "Advanced Management" program at Harvard Business School. Since 2000, she has served in a variety of positions within Doğuş Group; including Strategy, Planning, Budgeting, Business Development and Investor Relations. Mrs. Denizmen Kocatepe is currently a Board Member of Doğuş Otomotiv AŞ. In the area of community service, Mrs. Denizmen Kocatepe is the founder of FODER- Financial Literacy Association; and of "Para Durumu", a social initiative focusing on personal financing. Mrs. Denizmen Kocatepe started serving as a Board Member of Global Reporting Initiative (GRI) in 2014.

**Adalet Yasemin AKAD**  
Independant Board Member

Having completed her BA in Business Administration and MA in Organizational Behavior at the University of Ottawa, Mrs. Akad served as Training and Public Relations Group President at the Bank Association of Turkey and Deputy General Manager for Human Resources at Osmanlı Bank and Is-Tim Telekomünikasyon A.Ş (Aria), respectively. She founded her own consultancy firm in 2004 and provided consultancy services to many companies for training, change management and human resources management.

Serving as Human Resources and Corporate Management Systems Group Director at Rixos Hotels between 2009-2012, Mrs. Akad served as Executive Board Member for Human Resources at Carrefour. Since 2014, she has been serving as Executive Board Member for Human Resources at Netaş Telekomünikasyon A.Ş. and Member of the Board of Directors of Probil Bilgi İşlem Destek ve Danışmalık San. Tic. A.Ş. and BDH Bilişim Destek Hizmetleri San. Tic. A.Ş. (Netaş subsidiaries).

**Emine Gülden ÖZGÜL**  
Independant Board Member

Graduate of METU Administrative Sciences Faculty Department of Economics, Mrs. Özgül served as the Coordinator of Central Operations at Ottoman Bank. Between 2001 and 2008, Mrs. Özgül was the Asst. General Manager of Oyakbank responsible for Operations, Project Management, and Quality. In 2008, when Oyakbank was bought by ING Bank, Mrs. Özgül continued her work there in the same capacity. Experienced in the improvement of operational processes, efficiency, and restructuring, Mrs. Özgül has been an independent Board Member at Doğuş Otomotiv since March 2013 and recently also as the Head of the Audit Committee and Early Risk Detection Committee.



## EXECUTIVE BOARD





## TURKISH ECONOMY AND THE AUTOMOTIVE INDUSTRY

During the year 2018, the developments like the US-Chinese trade wars, the Brexit issue and FED's interest rate hike decision were experienced worldwide; and the adverse impacts of these events on the economies of developing countries were also witnessed. The 7.2% and 5.3% growth rates achieved in the Turkish economy in the first two quarters of 2018, respectively, dropped to 1.6%, the lowest level of the last two years in the third quarter with the effect of the turbulence of foreign exchange rates in August. While the increased inflation created by the increasing exchange rates caused a severe decline in the domestic demand; all sectors including the industrial segments in particular were adversely affected by the shrinking market conditions. The increase in interest rates combined with the depreciation in the value of Turkish Lira caused the consumer confidence index to drop in September to the lowest level of the last 10 years.

On the other hand, the current account deficit gradually regressed depending on the decreased use of imported inputs and the exports supported by the increase in exchange rates; and the export figures reached the highest levels in history of the Republic. The trend of decline in exchange rates

observed from and as of November led to partial improvements in the key economic indicators including inflation in particular. For example, the inflation that peaked at 25.2% in October started to display a declining trend with the effects of the tight monetary and fiscal policy implemented, measures taken and the All-Out Fight Against Inflation Program initiated; and the consumer confidence index started to increase again.

The automotive industry was one of the sectors that were mostly affected by the high volatility and increasing interest rates. While the automotive market completed the first quarter with a 2% increase; there were 20%, 51%, and 52% contraction in the second, the third and the last quarters, respectively. The decline in demand caused by increasing costs and prices resulted in increased accumulation of stocks, indirectly increasing the financing costs in the sector. The SCT and VAT reductions announced by the government on 31 October under these conditions relieved the tension in the sector to some degree; and the additional period granted for importation of vehicles in November accelerated car inventories getting dwindled. It is anticipated that the SCT and VAT reductions that would be extended for another three months

as announced on the last day of the year will have its positive reflections in the sales in 2019.

Turkish total retail market of automobiles and light commercial vehicles was recorded as 620,937 units of vehicles, corresponding to a 35% shrinkage in 2018 compared to the previous year. While automobile sales dropped by 33% to 486,321 units; the light commercial vehicle sales dropped by 42% to 134,616 units. The heavy commercial vehicle market dropped by 37% to 11,754 units in 2018 compared to the same period of the last year.

Having an important place in Turkish exports, the automotive industry was the sector with the highest exports among the industrial products in 2018 as well. According to the data from Turkish Exporters Assembly (TİM), the automotive industry realized exports worth 29 billion and 98 million dollars in 2018 with a 11.7% increase compared to the last year.

Considering the trends in automobile sales in 2018, it is seen that cars under 1600 cc accounted for the highest share of 96.2% and diesel vehicle sales decreased by 35.6% compared to the previous year. A total of 155 units of electric cars and 3,899 units of hybrid cars were sold in 2018.

## DOĞUŞ OTOMOTİV IN 2018

HAVING COMPLETED ITS 24<sup>TH</sup> YEAR IN 2018, DOĞUŞ OTOMOTİV IS THE LEADING AUTOMOTIVE IMPORTER AND DISTRIBUTOR OF TURKEY WITH ITS 12 INTERNATIONAL BRANDS AND OVER 80 MODELS, SALES, AFTER-SALES SERVICE AND SPARE PARTS SERVICES, OVER 2 THOUSAND EMPLOYEES AND NEARLY 550 SERVICE POINTS.

The year 2018 will be remembered as a challenging year due to various political and economic changes that have occurred worldwide and felt to a significant extent also in our country.

The year that we left behind constituted a period during which serious difficulties were experienced also in the automotive sector. Europe has switched to a new regulation related with fuel consumption and emission levels. According to this regulation,

Switzerland and Turkey as well as all auto manufacturers in the European Union became legally obliged to produce automobiles tested according to WLTP (Worldwide Harmonized Light Vehicles Test Procedure) standards only. Therefore, as with many brands, the Volkswagen Group had to suspend the production of many of its important models.

During such a period, Doğuş Otomotiv renewed its distribution agreement with its manufacturer

VW AG for an indefinite period, as an extension of the Volkswagen Group's global change and development strategy based on new technologies and advanced digitalization. In the same context, efforts were initiated to revise the agreements concluded between our Company and the Authorized Dealers and Authorized After-Sales Services, which would be effective as of April 2020.

Increased interest rates and the high volatility in exchange rates observed

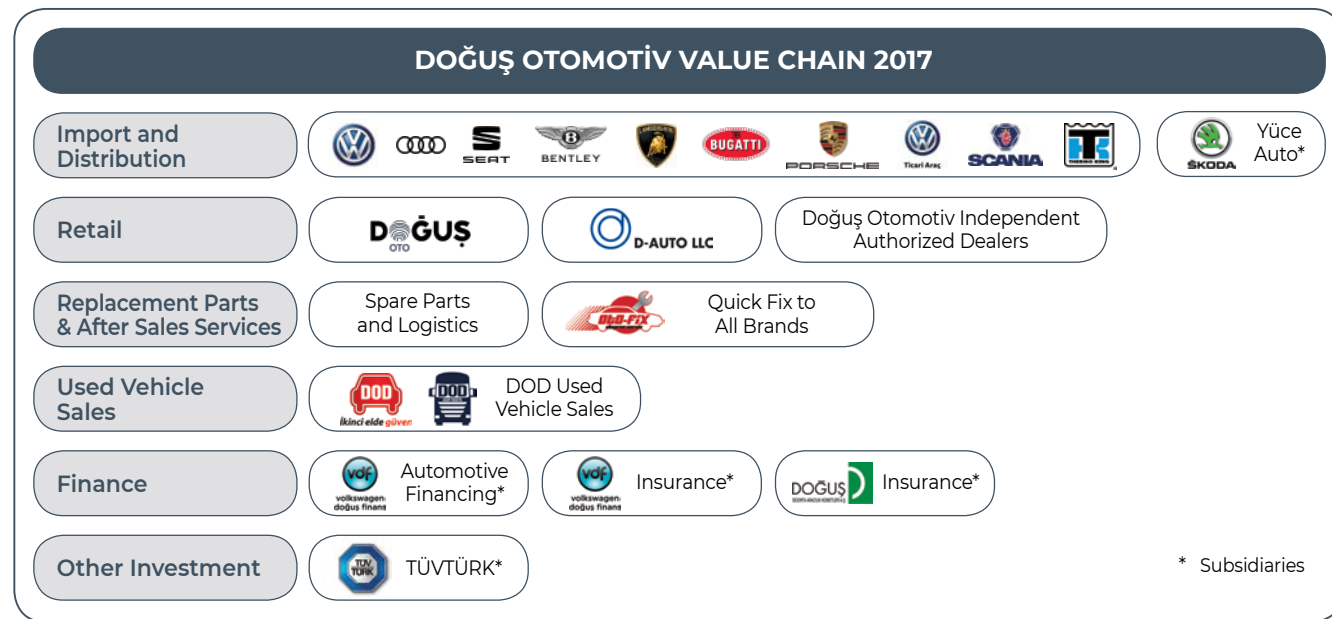
### Automotive Market Sales Units (Wholesale Units)

	2018	2017	2016
Passenger Vehicles	469,882	722,168	765,467
Light Commercial Vehicles	130,104	234,654	228,446
Heavy Commercial Vehicles	11,754	18,554	18,343
<b>TOTAL</b>	<b>611,740</b>	<b>975,376</b>	<b>1,012,256</b>



### The distribution agreement between Doğuş Otomotiv and VW AG was renewed

The distribution agreement between Doğuş Otomotiv and the Volkswagen Group which was in effect for nearly 25 years was revised under the new development strategy launched by the Group on the basis of digitalization.



in the Turkish automotive market in 2018 complicated the predictability in the automotive sector that need medium-long term planning. While the automotive market completed the first quarter with a 2 percent increase; there were 20 percent, 51 percent, and 52 percent contraction in the second, the third and the last quarters, respectively. In addition, the consumer confidence index dropped in October to the lowest level since December 2008 as a result of the unexpected contingencies like the rapid increase in the exchange rates in August and the subsequent increase in interest rates.

The automotive sector had to face a serious stock issue due to the shrinking demand in line with the increase in costs. The SCT and VAT regulation covering the months of November and December, which was announced on 31 October, relieved the tension in the sector to some degree. In addition, the additional period granted for importation of vehicles in November caused the accumulated stocks to run out quickly. It is anticipated that the news announced on the last day of the year that SCT and VAT reduction period would be extended for another three months may create an invigorating effect in the automotive sector until the local elections and will have its positive

reflections in the market forecasts for 2019.

Turkish total retail market of automobiles and light commercial vehicles was recorded as 620 thousand and 937 units of vehicles, displaying a 35-percent decline in 2018 compared to the previous year. While automobile sales dropped to 486 thousand and 321 units with a 33-percent decrease, the light commercial vehicles market dropped to 134 thousand and 616 units with a 42-percent decrease in 2018 compared to the previous year.

In 2018, Doğuş Otomotiv had a market share of 18 percent by a total retail sale of 112 thousand and 430 units excluding heavy commercial vehicles.

The Company revised its forecasts made at the beginning of the fiscal year in the light of the current developments experienced and reached its market share targeted according to its current expectations.

At this point, Doğuş Otomotiv gave priority to the issues of operational productivity and prudent administrative expenses structure, optimum operating profitability and efficient use of resources.

In addition, under the scope of Doğuş Otomotiv's long-term

strategy, as a result of the decision taken in 2017, the company's concentration was directed towards domestic operations, including, digitalization in particular, and the opportunities deemed to have a high potential in creating value. Accordingly, Porsche and Bentley Showrooms at Lausanne/ Switzerland, which were under the scope of the company D-Auto Suisse SA, were transferred in 2018 due to the fact that the conditions that would allow for achievement of commercial targets had not occurred.

Within the scope of the digitalization approach, more than 40 projects have been identified to cover all company processes as a result of the Digital Transformation studies conducted with BCG. The projects identified were prioritized considering strategy, added value and costs.

The "Agile Methodology" focused on the concept of "Value" was started to be implemented by the teams as an in-house digital project development approach in the last quarter of the year and planned to be extensively deployed in 2019.

Doğuş Otomotiv has further maintained its strong position in the Turkish automotive industry in 2018 with:

- 12 distributorships covering the world's strongest automotive brands;
- A total vehicle park of more than 2 million vehicles;
- Close to 550 customer service points;
- Over 2,000 employees;
- Over 80 different models offered to its customers in a wide array of products;
- 113,607 units of retail vehicle sales (including heavy vehicles); and
- 21,767 thousand units of used vehicle sales.

#### Sales achievements

The brands under Doğuş Otomotiv maintained their development in terms of their market positions also in 2018.

Volkswagen Passenger Car maintained its second place in the passenger car market with a retail sale figure of 49,749 vehicles and a market share of 10.2% in 2018. The Golf, Passat and Passat Variant completed the year as the leaders in their segments. Passat increased its segment share to 44.7%; and the Golf and Passat Variant models maintained their leadership with the segment shares of 24.2% and 28.9%, respectively, in 2018. While Touareg, one of the attractive models in the premium SUV segment, was placed on the market

with its renewed version in 2018; the Tiguan model reached a segment share of 8.9% in A/SUV segment.

Audi recorded a sales performance figure of 13,295 units despite the market that has shrunk in 2018. The Brand launched four new models such as A8, A7, A6, and Q8 in 2018. The total sales were recorded as 5,232 units for A3 family, 3,094 units for A4 family, 1,341 units for A5 family and 1,570 units for A6 family, respectively. The sales of Q2, Q3, Q5, and Q7 models reached 1,928 units. In addition, the ratio of the sale of special models like S/RS, A4 allroad, A3 Cabriolet and TT to total sales has continued to increase.

SEAT maintained its place in the shrinking Turkish market and had a market share of 2.14% by selling 10,383 units of passenger vehicles. Maintaining its second place in the A-HB segment for the last 4 years, the Leon model gained a segment share of 17.13% by maintaining its rising trend with the sales of 6,022 units of vehicles. Ibiza was the second best-selling model of the brand with a sales figure of 2,214 units. 2018 was a year during which SEAT gave priority to the launch of Arona, the first Crossover model in the brand's history. Ateca model in the A-SUV segment was placed on the market with its 1600 cc 115

hp engine and diesel automatic options in December. Thanks also to the contribution of communication activities, SEAT's brand recognition rose to 29.5% in 2018.

ŠKODA Turkey increased its market share by 28.5 percent and had a market share of 4.4% with the sales of 21,340 units of vehicles in the year 2018 during which the market followed an uneven course with ups and downs. This success achieved was crowned by the manufacturer with the Award of Highest Market Share in the History of Yüce Auto. In 2018 when the automotive market shrunk, the brand drew attention with the success of its sedan models in the retail and fleet markets. ŠKODA's D segment sedan model Superb and C Segment sedan model Octavia made a great contribution to the brand in terms of sales. In addition, the C-SUV model Karoq that was placed on the Turkish market as of March attracted great attention in a short period of time, thus significantly contributing to ŠKODA's brand image. The renewed Fabia was also launched during the year.

Bentley has further consolidated its competitive position with the launch of the New Continental GT model in Turkey in 2018. Lamborghini has taken the brand



#### The most loved car brand is Volkswagen again

Volkswagen was selected as the most loved car brand of Turkey for the sixth time in the "2018 Turkey's Lovemarks Survey" conducted for the 11th time this year.



recognition in the upper luxury segment to much higher levels with Urus, the world's first super SUV that was placed on the market in the last quarter of the year.

Macan that sold 341 units was the best-selling model of Porsche celebrating its 70th year. The 911 model that sold 28 units and the 718 model that sold 71 units completed the year as the leader in their segments. Many events and press conferences were organized in this special year of Porsche; and with the driving on road concept "Porsche on Road" implemented for the first time in Turkey, participants had a special driving experience.

Although the light commercial vehicles market shrank by 42.3% in 2018 compared to the previous year, Volkswagen Commercial Vehicles successfully raised its market share to 12.7% and maintained its third place in the total market and consolidated its leadership in imported commercial vehicles market with a market share of 25.3%. The Transporter model maintained its leadership in the segment with a market share of 39.8%; and Caddy model succeeded in increasing its market share in the shrinking market with a market share of 19.1%. The New Amarok Canyon, the most sportive model of Volkswagen Amarok that received the 2018

International Pick-up Award, was launched in the first quarter of the year and the New Amarok Aventura 258 PS model, the strongest in its class with its 3.0 liter, turbo diesel V6 engine, was placed on the market in the second half of the year. The sales of the completely renewed final generation of Crafter vehicles were started in the beginning of the second quarter of the year.

Scania achieved successful results by completing the year 2018 with a 10% share in the entire market and a 18% share in the tractor unit market. Scania Engines continued its steady growth in generator and marine engine sales. Achieving a significant breakthrough by realizing its first gas-fuelled engine sale in 2018, Scania Engines also enriched its marine engine product range with the new V8 engines and released a new range of engines based on 16.4 liter V8 truck engines in line with its customers' needs.

Thermo King, the leader brand in the chiller unit industry, has maintained its success with its solutions meeting various needs also in 2018. Thermo King has introduced electrical new-generation B-series units to users as of the second half of 2018.

#### After-sales services

Building its fundamental business philosophy on customer satisfaction

and carrying out all of its operations in line with its quality-focused service approach, Doğuş Otomotiv also achieved successful results in the field of after-sales services in 2018.

Ever improving itself with a view to sustaining the unique automotive experience it offers its customers; Volkswagen Passenger Cars After-Sales Services increased the number of its service points to 79 with the addition of Doğuş Oto Gebze, Doğusan and Kare Oto Authorized Services that were opened in 2018. In 2018, Volkswagen After-Sales Services ranked first by increasing its score points in the IACS (International After Sales Customer Satisfaction) survey conducted by Volkswagen AG worldwide annually on a country basis through an independent research company, where the after-sales services of all automotive companies in the country are compared; and they managed to increase spare parts turnover and the labour turnover by 29.4% and 11.6%, respectively.

Having achieved a 21.2% increase in its after-sales services revenue in 2018 with its 72% customer loyalty rate that is exemplary in Europe, Audi After-Sales Services had another significant achievement, by ranking first among the other

brands also in this year in the Dealer Satisfaction Survey (DSS) undertaken by Audi AG with the participation of service managers and company owners every year.

The number of car entries into SEAT's Authorized Service stations serving at 41 points throughout Turkey increased by 3.3% in 2018 compare to the previous year. Having increased its spare parts turnover by 41% and its labour turnover by 15%, SEAT won the world's first prize in the category of Service Manager and the world's third prize in the category of Service Assistant in Top SEAT People contest organized worldwide, and thus proved its claim in this field. The brand's customer satisfaction survey score for after-sales services was recorded as 4.78 over 5.

Yüce Auto ŠKODA increased its customer satisfaction in after-sales services as well, thanks to the ongoing showroom and facility refurbishment works in 2018. Having received the "Best Developing Country" and the "Best Country in After-Sales Services" awards in the previous years; Yüce Auto ŠKODA continued its development also in 2018 and ŠKODA was awarded with global STLI (Service Technical Performance Index) "Best Performance Award".

Porsche achieved successful results in after-sales services with a 23% increase in its service revenues and an 8% increase in the number of work orders in 2018. Brand customers' Authorized Service loyalty rate was 78% while the customer satisfaction survey score was 4.96 over 5.

Volkswagen Commercial Vehicles After-Sales Services increased the number of its Authorized Service points to 79, by expanding its service network with Doğuş Oto Gebze and Doğusan Authorized After-Sales Services that it commissioned in 2018. Thanks to the "Winning Service" focused on increasing customer loyalty and the "Economic Maintenance

and Service Packages" targeting the owners of vehicles that are older than 5 years, the spare parts turnover and the labour turnover rose by 19.4% and 6.4%, respectively, in 2018. Volkswagen Commercial Vehicles became the world winner in the STLI (Service Technik Leistung Indizen) evaluation with its success in after-sales services in 2018.

Scania put 2 additional Authorized Service points into service in 2018 in order to provide services in the fastest manner on a much wider area throughout the entire country. In addition, the brand further facilitated data access over the fleet management portal FMP, which can be used online by the entire Authorized Service network. Thermo King also continued its efforts to increase the service quality of its Authorized Resellers and After-Sales service teams working under its structure without interruption, and improved the efficiency of its Authorized Resellers and After-Sales Services network through the trainings provided on technological advancements.

#### Awards for brand activities

2018 was a year full of awards for Doğuş Otomotiv brands. Volkswagen passenger cars was chosen as the most loved car brand of the year for the 6<sup>th</sup> time in a row by the independent research company MediaCat Ipsos. In addition, the brand received the Silver Apple with its "Return Campaign" and the Bronze Apple with its "Night Vision System" ads in the Crystal Apple Festival, the most prestigious advertising creativity awards ceremony. The "Return Campaign" was also awarded with the Felis Award.

With its quattro communication, Audi received awards in two categories in Hürriyet's Kırmızı (Red) Awards and in one category in the Crystal Apple Festival. The Interactive Giantboard Application that SEAT prepared for introduction of Arona was awarded with the Outdoor Application of the Year award given by the jury at ODD 2018 Gladiators.

Volkswagen Commercial Vehicles received an award in the "Commercial Automotive" category of A.L.F.A Awards organized by Marketing Turkey and evaluating the brands with best customer experience management.

ŠKODA Academy, the corporate school operating to support the development of dealer employees of Yüce Auto, a Doğuş Otomotiv affiliate, ranked first in the Learning and Development Awards organized by the Education and Development Platform Association of Turkey (TEGEP) and won the "Best Sales Development Program" award.

#### Doğuş Oto

Providing new vehicle, second-hand vehicle, spare parts and accessory sales as well as after-sales services for Volkswagen Passenger Car, Volkswagen Commercial Vehicle, Audi, Porsche, SEAT and ŠKODA brands in a total of 7 regions at 36 Authorized Dealer and 33 Service points and with over 1,400 employees, Doğuş Oto displayed a performance exceeding its financial targets in 2018 with the sale of 40,341 new vehicles, and 4,315 second-hand vehicles and a total of 300,509 vehicles entering the service points.

In 2018, Doğuş Oto regions scored new achievements by receiving the first place of Turkey in the Twin category of Audi Twin Cup organized worldwide by Audi AG and also the first and second places of Turkey in Audi Twin Cup technical category. In addition, Doğuş Oto Bursa won prizes in three categories such as the Best Sales Representative, Best Warranty Expert and the second Best Service Manager in Top SEAT People 2018.

#### Spare Parts and Logistics

Spare Parts and Logistics manages the importation, warehousing and distribution of vehicles and spare parts to Authorized Services for the world's most prestigious brands such as Volkswagen, Audi, SEAT, ŠKODA, Porsche, Bentley,

### Audi After-Sales Services are in the first place again

Audi Turkey managed to be ranked first also this year in the Authorized Dealer Satisfaction Survey undertaken by Audi AG every year.



Lamborghini, and Scania, as well as Scania Industrial and Marine Engines, and Thermo King Mobile Temperature Control Systems. In 2018, Spare Parts and Logistics imported 86,194 vehicles and dispatched 104,136 vehicles to Authorized Dealers, thus closing the year with a total revenue of TRY 1,306.3 million generated from the sales of spare parts and accessories.

#### DOD

Having established the concept of institutionalization and trust in the second-hand sector, DOD, the largest institutionalized second-hand brand of Turkey, increased the diversity of brands and models in the supply of vehicles through new fleet company agreements in 2018. The total sales by DOD Authorized Dealers were realized as 21,767 vehicles in 2018.

The penetration of the sale of used cars with warranty, constituting one of the greatest factors differentiating DOD in the second-hand car sales, was realized as 55% in 2018. Auto surveys of 1,200 vehicles were centrally performed under the structure of DOD Expertise and Training Center which was put into operation in 2018; thus, the service speed and quality have been increased.

Already providing its customers with services like warranty and expertise survey as its standard services, the provision of which was rendered compulsory by the Regulation on the Trade of Second-Hand Motor Land Vehicles published in the Official Gazette no. 30331 dated 13 February 2018; DOD substantially completed the infrastructure works for the other standards required by the regulation in 2018. In addition, additional trainings were organized in line with the professional qualification standard imposed by the regulation for employees in the sector and all employees were encouraged to take the examinations.

#### TÜVTÜRK

Providing significant contribution to traffic and vehicle safety as the solely authorized body responsible for periodic vehicle inspections in Turkey, TÜVTÜRK recorded growth in all its business lines, including periodic vehicle inspection services in particular, and managed to raise its revenues by 21.9% in 2018. The number of periodic vehicle inspections increased by 7% compared to the previous year and reached 9.5 million. In terms of exhaust gas emission measurements, 3.7 million vehicles were measured with a 12.6% increase compared to the previous year. In 2018, 29,400 units of roadworthiness inspections were conducted at 30 stations.

TÜVTÜRK opened its Konya Selçuklu, Rize Ardeşen and Hatay Kırıkhan stations in 2018, with the aim of further expanding its extensive activities and taking its services to every point of Turkey. Together with the new stations that commenced operations, TÜVTÜRK provided services in 81 cities with its 210 fixed, 74 mobile, 5 motorcycle and 15 mobile tractor stations in 2018.

One of Turkey's most effective Public and Private Sector Collaboration projects, TÜVTÜRK has contributed TRY 7.6 billion to the public since its inception. This figure for 2018 alone was TRY 1.3 billion.

#### vdf Automotive Financing

The vdf group comprising financial services, insurance, factoring and fleet companies succeeded in reaching its targets in 2018 by prioritizing its customer satisfaction-focused product and service approach. With an average of 35% penetration ratio among the Volkswagen Group brands in vehicle loans, vdf maintained its market leadership among finance companies and banks with a 14% market share in vehicle loans in 2018. Having provided 68,130 new loans in 2018, vdf reached its targets with a total number of 147,670 live loans. vdf increased its total live loan volume

by 11% compared to the previous year, reaching TRY 7.8 billion.

vdf Insurance Services managed to maintain its title as the largest agency in terms of total net premium generation and the number of live policies in 2018. Generating a total net premium of TRY 373 million in 2018, vdf Insurance raised its number of policies to 323,975 in 2018. vdf Factoring reached a total transaction volume of TRY 13.6 billion and a total asset volume of TRY 1 billion in 2018.

Having taken its place in the operational fleet rental sector as well in 2017, vdf displayed a 130% increase in the number of its active contracts that reached 6.200 units, 75% of which comprised Doğu Otomotiv group brand vehicles.

#### Digital transformation

Doğu Otomotiv considers digital transformation among the top priorities of the company with a view to fully exploiting the benefits of technology in the automotive industry, all facets of which are becoming digitalized; to enhance its service quality that it offers its customers in this area; and to render its business processes more efficient. In 2017, Digital Transformation Department was established under the structure of the company in order to accelerate this transformation and to make digital transformation a part of the corporate culture.

Giving importance to digitalization in brand communications as well, Doğu Otomotiv brands had significant achievements by using digital communication channels efficiently in 2018.

Having created a tremendous international impression with its social media activities, Volkswagen Passenger Cars is the most followed automotive brand on Facebook with over 4 million local followers and on Instagram with over 360 thousand followers. Volkswagen Passenger Cars won the International Gold Stevie award in the "Best

Management of Instagram" category in 2018. The new website commissioned by the brand at the beginning of 2018 allows for provision of customized offers by analyzing users' in-site behaviours thanks to the BBO technology. 1.8% of 17,500 digital request forms received as such in 2018 were converted into sales; thus, displaying a performance quite above the Google Auto Report's average automotive industry rate of 1.1%. Two more Authorized Dealers, namely Vimsa Urfa and Avek Çanakkale were added to the brand's "Digital Retail" project.

Having made digitalization the focus of its business processes, Audi Turkey is cited by Audi AG as a good model for other countries with its digital showrooms and benchmark projects. The installation of 42 units of modules in total was completed within the framework of Audi digital retail modules integration; and the target set with Audi AG was achieved, outdistancing other networks in Europe. The Audi brand ranked among the first in Facebook average interaction rates in the premium segment; and it continued to be the brand with the highest number of followers on Twitter among Turkish automotive pages. Audi Turkey website has been among the top 10 most visited official Audi websites in the world in 2018.

The communication efforts conducted on Facebook, Instagram, Twitter, YouTube and LinkedIn channels made great contributions, enhancing SEAT's brand recognition in 2018.

ŠKODA Turkey's rapid rising trend on Facebook and Instagram continued also in 2018 and Karoq's naming launch project won the Digital and Social Media Application of the Year Award in the ODD Sales and Communication Awards contest.

The number of Porsche Turkey Instagram account followers increased by 134% and the number of YouTube channel subscribers increased by 211%; and Porsche Turkey website was visited by 889,365 people.

Volkswagen Commercial Vehicles offer privileged online services to its customers with the 360° vehicle interior visuals developed for the social and digital media channels and the "Advanced Driving Pleasure" videos prepared for all models. The "Warning Detection" function added to Volkswagen Commercial Vehicles application that was commissioned by the brand in 2016 won the first prize in the "Innovative Mobile Technology Utilization" category at 2018 Felis Awards. In addition,

the improvements related with the "Intelligent Turkuaz Screen" application utilized by Authorized Dealers and After-Sales Services were continued during the year.

Scania continued to provide vehicle owners with customized training and coaching services specially tailored to their line of business as well as smart fleet management system also in 2018, thanks to the SESS (Scania Integrated Driving Systems) project. The applications like "Scania'm Sapasağlam" and "Scania'm Cepte" offered by Scania to its customers were further developed and expanded also in 2018. The brand also continued to maintain its presence on Instagram, LinkedIn and Google Plus platforms.

In 2018, Doğu Oto continued to develop its efforts related with sales and after-sales services over Doğu Oto website, in order to maintain the highest level of digital experience and to instantly meet customer demands for customers accessing through any channel.

DOD maintained its pioneering position in the used cars sector in 2018 as well through new projects in digital channels. While DOD.com.tr and DOD Mobile were renewed considering the industrial trends and digital developments; vehicle



#### Volkswagen Commercial Vehicles' mobile application won Felis Award

Volkswagen Commercial Vehicles' application showing the meaning of warning or control lights on the dashboards received the "Innovative Mobile Technology Utilization" award in 2018 Felis Awards.



selection process was made easier with the multiple vehicle search and vehicle comparison features added. DOD received Silver Stevie award in the Best Use of Instagram and Best Use of Facebook categories at the Stevie Awards 2018.

Spare Parts and Logistics gives priority to digitalization investments to create effective e-supply chain management (industry 4.0), and produces projects for continuous improvements in spare parts management systems.

Established with the goal of creating a long-term positive cultural transformation on traffic safety in the community, the 'Traffic is Life!' Platform considers digitalization as an opportunity to expand the impact area of the project and to concentrate on different needs. Launched in order to protect the youth from traffic accidents and to inform them about traffic safety, "Traffic Safety Remote Education" has reached over 25,000 students at 18 universities to date.

Social media was actively used during the year in order to reach as large a group as possible on issues like child safety in traffic and traffic safety. As of 2018, Traffic is Life! platform's Facebook account reached nearly 128,000 followers.

In addition, thanks to Facebook Chat Bot application implemented for the first time in social media, prospective drivers who would be taking the driving license qualifying examination were enabled to test themselves. Over 150,000 participants benefited from the application.

"HOP" mobile application developed by the 'Traffic is Life!' platform and oriented towards bicycle riders, one of the groups most vulnerable to accidents with injuries in traffic, was also developed with new features in 2018. 5,500 people have downloaded and benefited from the application to date.

#### Human Resources

The Human Resources vision in Doğu Otomotiv is to become the most preferred company of Turkey with its innovative and sustainable human resources practices, making employees feel valued and creating a common culture. The Human Resources policy shaped by this vision is to attract and retain employees that are able to sustain high performance in the long run, system-focused, productivity based, eager to learn and develop, appreciative of customers, and that have the skills required by the dynamism of the company, and are able to adopt the values of

Doğu Group; to ensure that they use their potential in the most efficient way; and to contribute to their professional and personal development.

The renewal of the Performance Management System was another important change made in the field of Human Resources in 2018. The Performance Management System was redesigned at Doğu Otomotiv in order to collaborate with employees in the light of the changing nature of the business world, the Human Resources management trends, and the diversifying expectations and conditions, to establish dialogue with employees and question their expectations, and to escalate their suggestions and feedback related with business processes to senior management. A new and simpler Performance Management System focused on feedback and based on development culture passing beyond a mere scoring was implemented. Thus, it was encouraged to build a more competitive and innovative organization under the structure of the company, to create a more efficient working environment and to establish healthier relations with employees. In addition, the set of capabilities was renewed; and the company switched to a leaner set

of capabilities, considering both the corporate culture, and the new capabilities arising in the field of Human Resources in Turkey and in the world.

Doğu Otomotiv considers qualified workforce development for its sector as a responsibility and cooperates with Vocational High Schools to this effect in order to support this area. In 2018, 97% of the students trained at Doğu Otomotiv Volkswagen Training Laboratories were included in the winter internship program and 32 out of 130 students graduating from their schools were offered employment in Doğu Otomotiv Authorized After-Sales Services Centers.

Doğu Otomotiv Human Resources received two important awards in 2018. Doğu Otomotiv was awarded with 2018 Peryön Human Value Awards – Employer Brand Management Award upon the increase observed in employee loyalty and satisfaction scores, as a result of all human resources and employer brand activities conducted for establishment and widespread expansion of Bir'iz (Together) employer brand. Thanks to the "Digital Cargo System" project developed by Human Resources – Administrative and Technical Affairs Department, the efforts for transfer

of correspondence system to digital environment received the Bronze Stevie award in the "Support Team of the Year" category under the scope of 2018 Stevie International Business Awards.

Doğu Otomotiv considers it as one of its primary goals to increase women's participation in the workforce; and with its "Equality at Work Program", it aims to increase the number of female employees and to enable them to become more active in the decision mechanisms. The activities oriented towards female employees under Equality at Work were also continued in 2018; and the ratio of female employees among the newly employed people was 43% within the year. As of 2018, the ratio of female executives reached the highest level of the last 5 years. With its 50 percent female members in its Board of Directors, Doğu Otomotiv received the title as the "Company receiving the Highest Score in BIST Women Empowered Board Index".

Presentations describing the work environment to female students were made during the Vocational High School visits conducted under the scope of "Women Blue Employment Project at Doğu Oto facilities" throughout the year;

and the employment of female employees from such high schools at Doğu Oto workshops was continued. A mentoring program targeting female students receiving scholarships from TEV was also designed under the scope of "Young Women Development Project with the Cooperation of TEV".

The activities conducted towards the Y generation, female employees with children and disabled employees under the scope of diversity at Doğu Otomotiv were continued in 2018 as well. A Reverse Mentoring Program was conducted between Doğu Otomotiv's senior executives and university students in order to benefit from the dynamism and proactivity of the Y generation, to create synergy by pairing them with the senior level executives of the company and to allow for establishment of a link between the diversifying values and perceptions; and this program is planned to be continued also in 2019.

Sharing events allowing employees to regularly meet with disabled employees were organized within the Company throughout the year; in addition, the Career without Barriers Fair jointly organized by İşkur, engelsizkariyer.com and ÜSİM was participated and applications



#### The Best Employer Brand Management Award goes to Doğu Otomotiv

Doğu Otomotiv received an award entitled Employer Brand Management in PERYÖN Human Value Awards organized for the 26<sup>th</sup> time by the Turkish People Management Association.



#### Doğu Otomotiv received Women Empowered Board Award

Doğu Otomotiv was awarded since it received the highest score in the "Women Empowered Board Awards" with its 50 percent female members in its Board of Directors.



were collected from disabled candidates in order to find and reach external talents.

Many university visits, mock interviews and case study analyses were performed and career day events were participated under the scope of the Human Resources and employer branding activities conducted in order to reach external potential employees. DoğuŖ Otomotiv maintained its place among the top 50 employers in Universum – Turkey's Ideal Employers Research conducted every year with the evaluation of students and young professional employees. In 2018, the Company rose to 31<sup>st</sup> place in the field of Economics and Administrative Sciences.

#### Sustainability

The results of the 2<sup>nd</sup> Priority Focus Area Workshop held with the participation of DoğuŖ Otomotiv Sustainability Committee and managers from all departments as well as the Chairman of the Board of Directors and the Chief Executive Officer constitute the basis of the sustainability strategy of DoğuŖ Otomotiv. These strategic priorities indicate DoğuŖ Otomotiv's vision to maintain its corporate leadership also in this field within the region in which DoğuŖ Otomotiv operates,

in line with Volkswagen AG's goals for 2025 in the field of sustainability. To this effect, 8 main headings gathered under the heading of social, economic, and environmental priorities are listed as follows:

- Human Rights
- Business Ethics
- Employees and Work Environment
- Presence in the Market
- Operational Sustainability
- Risk Management
- Environmental Management Systems

DoğuŖ Otomotiv's objective is to manage its operations across the entire value chain in a responsible manner considering its area of influence; and to reinforce its trust relationship with its stakeholders as a sustainable corporate governance-oriented transparent company.

Due to the development displayed for years in Borsa Istanbul Corporate Governance Compliance Rating and the processes further improved year by year, DoğuŖ Otomotiv's rating score reached 9.64 and it became one of the companies with the highest governance rating score in Turkey. In addition, DoğuŖ Otomotiv maintained its place among the companies that were included in BIST Sustainability Index for four consecutive years.

With its understanding of sustainability, integrated compliance approach and risk management model followed in all of its operations, DoğuŖ Otomotiv aims to create a corporate culture of integrity that is completely interrelated and to further improve its responsible supply chain management day by day.

To this effect, raising awareness on environmental issues among its stakeholders, including, its employees and its value chain in particular, increasing its saving-focused performance by reducing its environmental impacts and implementing its social and environmental participation policies with its brands, Authorized Dealer and After-Sales Services network constitute the outlines of its sustainability strategy managed with its "DoğuŖ'tan İyi bir Gelecek" (A Good Future from DoğuŖ) vision.

Launched following the definition of its processes and procedures in 2018, DoğuŖ Otomotiv Volunteering Platform started to plan its first efforts on a committee basis and the programs that will be actively implemented in 2019 were started to be communicated with a social participation-focused approach. Intended as individual participation models based on corporate

encouragement with a high social awareness, the volunteering platform will continue its efforts through the programs creating value and providing benefits for all parties.

The Company's code of ethics up to international standards published in 2012 and the systems, audit and control mechanisms, information and trainings developed based on this code were continued without slowing down in 2018.

The fact that the Company achieved, in 2018, its targets oriented towards "Equality at Work" and increasing the ratio of female employees, which were focused on under the Human Rights heading, has been an indicator showing that DoğuŖ Otomotiv will continue to be a role model in its sector with its new targets and strategies in this field.

At the decision-taking level, the Corporate Governance and Sustainability Committee continued its activities in 2018 as well; and the workshop results covering DoğuŖ Otomotiv's strategy and focus areas for 2025 in the field of sustainability were discussed and approved in the meetings held.

The activities conducted under the headings of Customer Relations Management, Digital Transformation and Compliance with Technological Developments, i.e. the Company's priorities in the field of operational sustainability, were also continued in line with its corporate strategies; and its medium- and long-term future targets were set and efforts related with necessary structuring activities were planned.

DoğuŖ Otomotiv's detailed performance in the field of sustainability is presented in Corporate Sustainability Report for 2018.

#### Corporate Responsibility

DoğuŖ Otomotiv believes that creating social benefits is as important as financial achievements for a sustainable future. The "Traffic is Life!" platform launched by the Company with this understanding in 2004 in order to positively enhance the general responsibility, awareness and perception of the public regarding traffic has been standing on with constant growth for 14 years.

Traffic is Life! platform develops special projects aimed at different target groups in order to change the behaviours and habits of individuals from all ages about traffic safety and to create a positive culture in the community to this end.

Having won many awards to date, Traffic is Life! Platform received the "Social Responsibility Project of the Year" award given by the Automotive Distributors Association (ODD) in 2018; and as with the previous years, it was cited among the top 10 projects in the "Best Corporate Social Responsibility" survey conducted by Capital magazine.

The focus of Traffic is Life! platform was "Child Safety in Vehicles" in 2018 as well. In addition to promotional, educational and supportive activities conducted to this end through many different channels throughout the year, a summit entitled "Child Safety in Traffic" was organized jointly with the General Directorate of Security in Ankara under the scope of the Traffic Week, which was also attended by the Minister of Internal Affairs Mr. Süleyman Soylu.

Under the scope of the cooperation that the platform established with Kral FM in 2018 in order to reach a wide group of the society and the youth in particular, the favourite names of pop music gave messages towards raising the awareness on safety in traffic via Kral FM and Kral Pop TV. The "Mother and Child Safety in Traffic Trainings" launched

in 2016 were also continued in 2018; and with the campaign entitled "Traffic is Life! is on n11.com for Children's Safety!", various discounts were offered in order to encourage the purchase of child safety seats.

In 2017, new films were added to the animated films featuring Pictoos character created by Varol YaŖarođlu in 2017 with a view to teaching and reminding traffic rules with an entertaining approach. The number of broadcasts still continued with 11 films has reached 8 million by 2018. In addition, social media was actively used during the year in order to further expand the group reached on issues like child safety in traffic and traffic safety.

On the other hand, the efforts for cooperation with Vocational High Schools conducted by DoğuŖ Otomotiv in order to contribute to education and qualified workforce development were also continued in 2018. Eight vocational high schools were supported, the students studying at these schools were offered internship and some of the students graduating from these schools were employed at Authorized After-Sales Service Centers in 2018.

In addition, under the scope of "DoğuŖtan Meslek Sahibi" (Born with a Profession) project conducted in Vocational High Schools, 394 parents and 2,339 students were met in 5 cities and 7 schools and awareness-raising meetings were organized in order to encourage orientation toward the sector. Through cooperation with Yıldız Technical University Lifelong Learning Center, 185 students from 7 schools were certified by Yıldız Technical University following three different trainings.

#### Women Blue Employment Project at DoğuŖ Oto Facilities

Supporting women's participation in the workforce, DoğuŖ Otomotiv increased the ratio of female employees among the newly employed people to 43% and launched programs oriented toward the employment of female students studying at Vocational High Schools.





## TRAFFIC IS LIFE!

THE “CHILD SAFETY IN TRAFFIC” PROJECT LAUNCHED IN 2016 DUE TO THE VITAL IMPORTANCE OF CHILD SAFETY IN TRAFFIC CONTINUED TO BE THE FOCAL POINT OF THE “TRAFFIC IS LIFE!” PLATFORM IN 2018.

Shaping the future with its sustainability approach, Doğuş Otomotiv carries out its operations with a sense of responsibility towards its stakeholders and the society. Setting out with the goal of creating a long-term positive cultural transformation in society regarding traffic safety, the Company realized a project in 2004, which would add value to social development and leave a mark for posterity through the “Traffic is Life!” platform.

As the longest lasting social responsibility project of the industry, Traffic is Life! Platform has been carrying out awareness-raising activities that would change the behaviours and habits of individuals of all age groups regarding traffic safety and create social awareness targeting different groups for a period over 14 years. The platform believes a positive cultural transformation regarding traffic will make a favourable impact in every area of life and create liveable cities and a liveable future.

Traffic is Life! Platform started the year 2018 with an award and the jingle project led by Nil Karaibrahimgil received the “Social Responsibility Project of the Year” award given by the Automotive Distributors Association (ODD).

Since the 5-14 year old group of children is one of the most vulnerable groups in accidents and child safety in traffic is a vitally important issue for our country, “Child Safety in Traffic” project was launched in 2016 and continued

### The Social Responsibility Project of the Year award

The jingle project carried out with Nil Karaibrahimgil received the “Social Responsibility Project of the Year” award by the Automotive Distributors Association (ODD).



to be the centerpiece of the Traffic is Life! Platform also in 2018. Many informative, educational and promotional events were organized in various media channels throughout the year in order to raise awareness about child safety in cars and in traffic.

One of these events was the “Child Safety in Traffic” summit organized in Ankara together with the General Directorate of Security under the scope of the Traffic Week. Süleyman Soylu, the Minister of Internal Affairs of the Republic of Turkey also attended this summit held on child safety in traffic which has been particularly emphasized by Traffic is Life! platform since

2016. In the summit, Prof. Dr. Üstün Dökmen, the brand spokesperson of Traffic is Life! Platform on child safety in traffic and the Radio Traffic officials provided information on raising awareness of parents for child safety in traffic, the consequences of drawing the lines for children in traffic and in many areas and healthy parent-children interactions. As a result of



## ADDRESSING THE YOUTH, THE POPULAR NAMES OF POP MUSIC INCLUDING OĞUZHAN KOÇ, SİNAN KAYNAKÇI, DERYA ULUÇ, THE ROCK BAND GRİPİN, EMRE AYDIN AND CEM BELEVİ SAID “TRAFFIC IS LIFE” THROUGH KRAL FM AND KRAL POP TV.

the contest separately organized in the summit held with the participation of nearly 250 people, the winner attendant received a free of charge child safety seat given as a gift.

The most important event launched by the platform in order to reach a wide group of the society and the youth in particular was the cooperation with Kral FM addressing 8 percent of all radio audiences of Turkey. The favourite names of pop music including Oğuzhan Koç, the founder and soloist of Pinhani group - Sinan Kaynakçı, Derya Uluç, the rock band Gripin, Emre Aydın and Cem Belevi said “Traffic is Life!”, giving messages via Kral FM and Kral Pop TV on child safety in traffic, the use of safety belts, the use of mobile phones in traffic and the raising of awareness on safety in traffic in all segments of the society.

Within the framework of the event, Prof. Dr. Üstün Dökmen, the brand spokesperson of Traffic is Life! platform on child safety in vehicles, attended as a guest the radio program entitled “Mehmet’s Planet” prepared and hosted by Mehmet Akbay. The detailed

information on child safety in traffic was provided for the audience; and in addition, safe driving training was provided for the young people who correctly answered the traffic-related questions asked by Mehmet Akbay in the radio program in order to concretize the effort. Such trainings are planned to be continued also in 2019.

Another activity continued in 2018 was the “Mother and Child Safety in Traffic Trainings” launched in 2016. Since the platform is aimed at expanding its knowledge that it has gained since 2004 not only among its own group employees, but also among the employees of public and private institutions, it has expanded the trainings with such institutions. With such trainings covering various issues ranging from how to fasten safety belts in pregnancy to correct positioning of child seats in vehicles, nearly 200 attendants from various public and private institutions participated in the trainings. The results of the tests conducted before and after the trainings demonstrate the extent of success achieved with such trainings.

A new project targeting to raise awareness on child safety in traffic before the religious holidays during which the highest number of traffic accidents is recorded in Turkey was realized within the year. In this context, Traffic is Life! Platform launched a campaign entitled “Traffic is Life! is on n11.com for Children’s Safety!” and brought two powerful brands together under the scope of the project. Various discounts were offered in order to encourage the purchase of child safety seats under the scope of the campaign in order to expand the use of child seats in vehicles.

Traffic is Life! platform aims to raise awareness among not only vehicle drivers, but also all the people in traffic, and has adopted the principle of increasing traffic safety in general. In this context, the platform also conducts projects oriented towards bicycle riders that constitute one of the most vulnerable group in accidents with injuries in traffic. The mobile application named “HOP!” introduced in 2017 warns pedestrians and drivers when there is a cyclist within a distance of 30-40 meters. HOP!, the application thus aiming to prevent possible accidents, has been



further developed with the Blesh integration in 2018. With its new feature, HOP! allows cyclists and car drivers to transmit and receive signals without even downloading the application. 5,500 people have downloaded and benefited from the application to date.

Since young people are the future of our society and the most important agents that would be able to change traffic culture positively, the “Traffic Safety Remote Education” was launched in order to protect the youth against traffic accidents and to inform them about traffic safety; and so far, it has reached over 25,000 students at 18 universities. The remote education that was included in the “Elective Social Courses” category recommended by the Higher Education Board (YÖK) is the first social responsibility project that has entered the university SCORM system with its traffic safety content.

Social media was actively used during the year in order to reach as large a group as possible on issues like child safety in traffic and traffic safety. As of December 2018, Traffic is Life! platform’s Facebook account reached nearly 128,000 followers; and through regular content sharing, informative/educational benefits on traffic safety were provided for every group of the society.

Three animated films that started to be broadcasted in November 2017 with the Pictos character created by Varol Yaşaroğlu with a view to teach and remind viewers about traffic rules in an entertaining way were continued with 11 films in 2018 and they were viewed for nearly 8 million times.

With the approval of the Ministry of Education, driver candidates who take the driver’s license qualifying examination underwent the test containing previous years’ driving test questions over the Facebook Chat Bot application, a first implementation on social media in the area of social responsibility. Thus, the participants were given the opportunity to measure their knowledge before the examination. Over 150,000 participants benefited from this application.

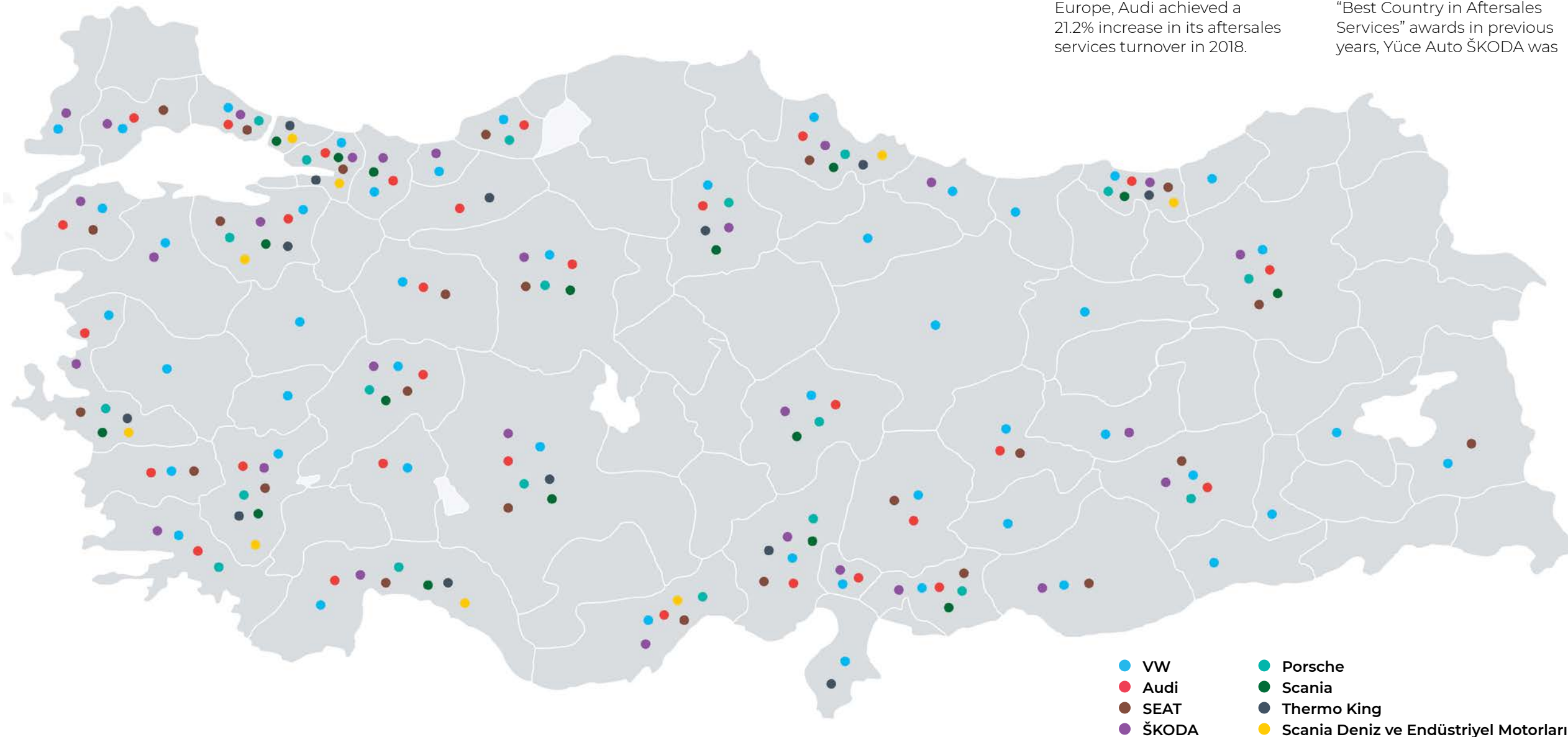
Having received numerous awards in previous years, Traffic is Life! platform continued to add new ones to its achievements throughout the year. As with 2017, Traffic is Life! platform was cited among the top 10 projects by the Capital magazine in the best Corporate Social Responsibility survey in 2018.

In 2019, interactive projects based on target groups will be planned within the framework of the Traffic is Life! platform, thus contributing to the creation of a positive traffic culture at all levels of society.



## ULTIMATE CUSTOMER SATISFACTION

DOĞUŞ OTOMOTİV AIMS AT DELIVERING ULTIMATE CUSTOMER SATISFACTION AS NUMBER ONE PRIORITY IN PROVIDING SERVICES, AND BOASTS ONE OF TURKEY'S WIDEST AUTHORIZED DEALER AND AFTERSALES SERVICE NETWORK.



### 2018 Developments in Dealers - Sales Channels

- Doğuş Otomotiv Authorized Services serve an average of 110,000 customers per month with the entry into service of 1.36 million vehicles per year.
- Volkswagen Passenger Cars Aftersales Services increased the number of its service points to 79 with the addition of Doğuş Oto Gebze, Doğusan and Kare Oto Authorized Services that were newly opened in 2018. Volkswagen Passenger Cars Aftersales Services ranked first by increasing its score points in the independent IACS (International Aftersales Customer Satisfaction) survey.
- With its 72% customer loyalty rate that is exemplary in Europe, Audi achieved a 21.2% increase in its aftersales services turnover in 2018.
- Audi Aftersales Services ranked first among other brands this year as well in the Dealer Satisfaction Survey undertaken by Audi AG every year.
- Car entries into SEAT Authorized Services, serving in 41 locations across Turkey, increased by 3.3% in 2018. Having increased its spare parts turnover by 41% and labour turnover by 15%, SEAT Turkey won the first prize in the Service Manager and the third prize in the Service Advisor categories in the Top SEAT People competition organized worldwide.
- Received the "Best Developing Country" and the "Best Country in Aftersales Services" awards in previous years, Yüce Auto ŠKODA was also awarded in 2018 with the ŠKODA global STLI (Service Technical Performance Index) "Best Performance Award".
- Porsche achieved a 23% increase in service turnovers and 8% increase in the number of work orders in 2018. Customers' Authorized Service loyalty rate was 78% while the customer satisfaction survey score was 4.96.
- Volkswagen Commercial Vehicles Aftersales Services increased the number of its Authorized Service points to 79, by expanding its service network with Doğuş Oto Gebze and Doğusan Authorized Services in 2018. The brand became the world winner in the STLI (Service Technik Leistung Indizen) evaluation with its success in aftersales services.
- Scania put 2 additional Authorized Service points into service in 2018 in order to provide services in the fastest manner on a much wider area throughout the entire country.
- Doğuş Oto increased the number of its sales and service points to 7 with the addition of Doğuş Oto Gebze in 2018. With a total of 300,509 service entries, the company exceeded its targets. Doğuş Oto regions received the first place of Turkey in Audi Twin Cup organized worldwide by Audi AG and also the first and second places of Turkey in Audi Twin Cup technical category. In Top SEAT People 2018, Doğuş Oto Bursa won prizes in three categories as the Best Sales Representative, Best Warranty Expert and the second Best Service Manager.



## ABOUT DOĞUŞ GROUP

DOĞUŞ GROUP, WITH OVER 300 COMPANIES AND MORE THAN 25,000 EMPLOYEES, SERVES ITS CUSTOMERS WITH ADVANCED TECHNOLOGIES, HIGHEST BRAND QUALITY AND A DYNAMIC HUMAN RESOURCE.

Doğuş Group, founded in 1951, sets standards for a better living by being at the forefront of discoveries that shape modern life. Doğuş, which aspires to be a global house of best in class lifestyle brands that create aspiration, not only for customers but also employees, partners and even competitors, continues to work in all of its fields of operation with the aim of becoming a global player.

Doğuş Group, active in seven core businesses including automotive, construction, media, tourism and services, real estate, food & beverage and new initiatives, sustains its growth with new investments in the areas of technology, sports, and entertainment along with its current operations. With over 300 companies and more than 25,000 employees, the Group serves its customers with advanced technologies, highest brand quality and a dynamic human resource.

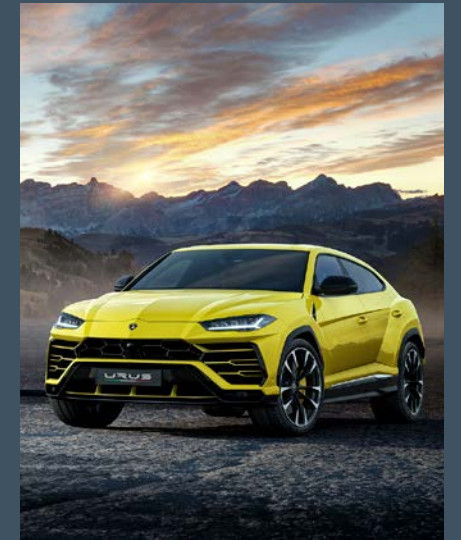
Doğuş Group owes its success to a management approach centered on customer satisfaction and efficiency. As a result of this approach, the Group continues to build strong partnerships with globally reputable brands, and represents Turkey across the world. Doğuş Group currently partners and cooperates with some of the large global players including: Volkswagen AG and TÜVSÜD in automotive; Condé Nast (Vogue, GQ) in media; Hyatt International Ltd. in tourism; the Latsis Group and the Adriatic Croatia International (ACI) Group in marina and nautical operations; the international Azumi Group that holds under its roof brands such as Coya, Roka, Zuma and Oblix, and the Paraguas Group which owns the brands of Amazonico, Ten Con Ten, El Paraguas in food & beverage and entertainment; and the South Korean SK Group in e-commerce.

Doğuş Group's management approach also embodies a strong corporate citizenship awareness that the whole society benefits now and in the future. In launching social responsibility projects, the Group always aims to leave a mark on people's lives and improve their daily life. The Group's social responsibility projects are managed with the objective to help the society to create a progressive future; a modern lifestyle.

Doğuş Group, aware of its responsibilities in all its corporate social responsibility and sponsorship projects, is committed to being a pioneer and an example by contributing to the country's economy and employment through its investments.

As a pioneer of change in Turkey, Doğuş Group capitalizes on its broad network of services, knowledge base and collaborations to attain its goals. Doğuş Group, driven by its vision of becoming a global player that sets the standards and advances through explorations, continues to consider the partnership and investment opportunities that might be beneficial for the nation's economy.

## OUR BRANDS





VOLKSWAGEN PASSENGER CARS WHICH REACHED THE MARKET SHARE OF 10.2% AND FINISHED SECOND IN THE PASSENGER CAR MARKET, CONTINUED ITS SALES SUCCESS ALSO IN COMMUNICATION AND WAS CHOSEN AS LOVEMARK 6<sup>TH</sup> TIME RUNNING.

#### VOLKSWAGEN PASSENGER CARS



Thanks to the successful product and communication strategies followed in 2018, Volkswagen Passenger Cars maintained its position, ranking second in the passenger car market with 10.2% market share and the retail sale of 49,749 vehicles. Touareg, one of the attractive models in the premium SUV segment, was placed on the market with its renewed version in 2018.

#### 2018: A year full of awards

In the "2018 Turkey's Lovemarks Survey" conducted by Mediacat magazine and Ipsos for the 11th time, Volkswagen Passenger Cars succeeded in becoming the most loved car brand of Turkey again in 2018 as it did in the last 5 years. In addition, the brand received the Silver Apple with its "Rear View Campaign" and the Bronze Apple with its "Night Vision System" ads in the Crystal Apple Festival, the most prestigious advertising creativity awards ceremony. The "Return Campaign" was also awarded with the Felis Award. Having created a tremendous international impression with all of its social media activities, Volkswagen Passenger Cars won the Gold Stevie award in the "Best Management of Instagram" category of the International Stevie Awards.

#### The performances of the models

The Golf, Passat and Passat Variant completed the year as the leaders in their segments by the end of 2018. Passat, the most preferred imported model of the passenger car market as it was last year, reached a sales figure of 22,234 units and increased its segment share, reaching 44.7% in the B/NB segment compared to 2017. The Golf Model that has been the first in the A/HB segment for long years also maintained its leadership in 2018 and received a segment share of 24.2%. The Passat Variant model also maintained its leadership in 2018 with a segment share of 28.9%. The Tiguan model reached a segment share of 8.9% in the A/SUV segment.

#### Innovative solutions in digital communication

Closely following up Internet and social media developments, Volkswagen Passenger Cars started to welcome its users with a brand-new website in and as of January 2018. Effective SEM and SEO optimizations were used in the new Volkswagen Passenger Cars website that was visited 15.5 million times in total in 2018. In addition, 1.8% of 17,500 units of digital request forms received in 2018 were converted into sales with the help of BBO technology analyzing

users' in-site behaviours and providing them with customized offers. In this context, Volkswagen Passenger Cars has displayed a performance quite above the Google Auto Report's average automotive industry rate of 1.1%.

With their strong strategies and unique contents, Volkswagen Passenger Cars social media channels were the most followed accounts of the automotive sector also in 2018. Having Turkey's largest automotive Facebook page, Volkswagen has maintained its leadership in this area by exceeding the number of 4 million local followers. Furthermore, Volkswagen Passenger Cars also maintained its title as the most followed automotive brand on Instagram with over 360 thousand followers.

Following Beşer Mardin and Vosmer Borvona, the authorized dealers that participated in 2017 in the "Digital Retail" project, for which the pilot studies were started at Doğu Oto Etimesgut in 2016 in order to catch up with the requirements of the era; two more Authorized Dealers, namely Vimsa Urfa and Avek Çanakkale were added to the project in 2018. With its "Digital Retail" concept, Volkswagen Passenger

Cars aims to convey the user journey that starts at its website to its Authorized Dealers in an uninterrupted manner and to develop the purchasing experience within its Authorized Dealers by using digital tools.

#### Aftersales services

Ever improving itself with a view to sustaining the unique automotive experience it offers its customers; Volkswagen Passenger Cars Aftersales Services increased the number of its service points to 79 with the addition of Doğu Oto Gebze, Doğusan and Kare Oto Authorized Services that were opened in 2018.

In 2018, Volkswagen Aftersales Services increased its score points and ranked the 1<sup>st</sup> in the IACS (International Aftersales Customer Satisfaction) survey conducted by Volkswagen AG worldwide annually on a country basis through an independent research company, where the aftersales services of all automotive companies in the country are compared. Authorized Services have served an average of 54,185 customers per month with the entry into service of 650,228 vehicles per year. Therefore, the spare parts turnover and the labour turnover rose by 29.4% and 11.6%, respectively in 2018.

#### Volkswagen Aftersales Services ranks first in IACS survey

In 2018, Volkswagen Aftersales Services increased its score points and ranked the 1<sup>st</sup> in the IACS survey conducted by Volkswagen AG on a country basis through an independent research company, where the aftersales services of all automotive companies in the country are compared.

## Lovemark for the 6<sup>th</sup> time

VOLKSWAGEN PASSENGER CARS WAS CHOSEN AS **THE MOST LOVED CAR BRAND OF THE YEAR FOR THE 6<sup>TH</sup> TIME IN A ROW** BY THE INDEPENDENT RESEARCH COMPANY MEDIACAT IPSOS.





AUDI TURKEY, WHICH MADE DIGITALIZATION THE FOCUS OF ITS BUSINESS PROCESSES, WAS CITED BY AUDI AG AS BENCHMARK TO OTHER COUNTRIES.

## AUDI

**2018: A year full with new launches**

2018 has been a year full with new launches for Audi brand, which was started to be imported to Turkey by Doğu Otomotiv in 1994, and four new models, i.e. A8, A7, A6 and Q8, have been launched. 13,295 units of cars were sold in line with the market shrinkage in 2018. While A3 Sedan, the leader in its class, closed the year with sales of 3,256 units; the total sales for A3 Sedan, A3 Sportback and A3 Cabriolet reached 5,232 units in 2018. A4, A4 Avant and A4 allroad sales were recorded as 3,094 units; the total sale of A5 family was 1,341 units and the total sale of the A6 family was 1,570 units. While the Q2 and Q3 models exceeded 1,470 units; Q5 and Q7 model sales reached 352 units and 106 units, respectively. Meanwhile, the ratio of the sale of special models like S/RS, A4 allroad, A3 Cabriolet and TT to total sales has continued to increase.

**Digitalization in business processes**

Audi Turkey, which made digitalization the focus of its business processes, was cited by Audi AG as benchmark to other countries for its digital showrooms and exemplary achievements. The installation of 42 units of modules in total, including 11 units of CPL

(Customer Private Lounge) and 31 units of SL (Sales Lounge) modules, was completed within the framework of Audi digital retail modules (DRM) integration. Thus, the target set by Audi AG was 100% achieved; ranking first among other networks in Europe in terms of both the number and ratio.

In addition to the new applications introduced in previous years, namely, the "Smart Pen" application enabling all data to be transferred to the digital medium on a real time basis, and the "Self Reception" application allowing customers to open their own work orders for express service requirements; the project on transition to online training has been commissioned in 2018. To this effect, the basic training modules constituting the introductory part of the training modules, were uploaded onto the portal. The training portal has been an application that shortened the training process and increased efficiency for Authorized Service employees.

**Marketing and launching activities**

Advertising and communication efforts to enhance the Audi brand recognition have been continued throughout 2018 and the A8, A7, and A6 launches during the first quarter

of the year were realized in line with the 360-degree communication target. The launch of the Q8, the new face of the Q family in the last quarter of the year, has taken the brand recognition to higher levels. With its quattro communication, Audi received awards in two categories in Hürriyet's Kırmızı (Red) awards and in one category in the Crystal Apple awards.

Another priority issue in 2018 was the social media communication. Social media channels like Facebook, Twitter, Instagram, YouTube and LinkedIn were successfully utilized in the

communication of the Audi brand. The Audi brand ranked among the first in Facebook average interaction rates in the premium segment. As with previous years, Audi Turkey Twitter account has continued to be the brand among the Turkish automotive pages with the highest number of followers on Twitter. Audi website has been among the top 10 most visited official Audi websites in the world throughout the year.

**Aftersales services**

The Audi brand has recorded a sales figure of 13,295 units as a result a shrinkage experienced in line with that in the market in 2018.

With its 72% customer loyalty rate that is exemplary in Europe, a 21.2% increase has been achieved in its aftersales services turnover in 2018.

Having yet another significant achievement, Audi Aftersales Services ranked first among the other brands this year also in the Dealer Satisfaction Survey (DSS) undertaken by Audi AG with the participation of service managers and company owners every year. This accomplishment demonstrates that the communication and cooperation with business partners have reached the highest level.



13,295

AUDI DISPLAYED A SALES PERFORMANCE FIGURE OF 13,295 UNITS DESPITE THE MARKET THAT HAS SHRUNK IN 2018.





HAVING CONTINUED ITS RISING UPTREND IN THE SEGMENT OF ITS LEON MODEL, SEAT TURKEY MAINTAINED ITS MARKET SHARE IN THE SHRINKING MARKET IN LINE WITH THE GLOBAL SUCCESS OF THE BRAND.

SEAT



#### The performance of the models

Maintaining its second ranking for the last 4 years in the A-HB segment with the sales of 6,022 units of in 2018, Leon model gained a segment share of 17.13%. Ibiza, the second best-selling model of the brand closed the year with a sales figure of 2,214 units.

Arona, that was added as a new model in the A0-SUV segment to the model range of SEAT, realized a sales figure of 703 units. Ateca model in the A-SUV segment also offered to the market with its 1600 cc 115 hp engine diesel automatic alternative in December and closed the year with a sales of 1,170 units..

SEAT had a market share of 2.14% by selling 10,383 units of passenger cars in 2018.

#### Launch activities

2018 was a year that SEAT brand gave priority to the launch of SEAT Arona, the first compact crossover model of the VW Group. Launch communication of Arona model was realized in traditional and digital media channels in March.

With its Interactive Graffiti Giantboard that SEAT prepared for Arona, the first Crossover model in the brand's history, SEAT Turkey won the Best Outdoor of the Year award given by the jury at the 2018 Gladiators ceremony that organized by Automotive Distributors Association.

Tactical campaigns for increasing the sales of Ibiza, Leon and Ateca models continued throughout the year.

With a view to enhancing brand awareness, SEAT efficiently used Facebook, Instagram, Twitter, YouTube and LinkedIn channels during the year. Benefiting from the digital channels as well, the brand continued to increase customer satisfaction through its customer-focused and innovative communication strategy.

Thanks also to the contribution of the communication activities, SEAT's brand awareness rose to 29.5% in 2018.

#### Upgraded corporate identity

With the new customer-focused showroom concept underlining a young brand perception, it was aimed to increase the level of customer satisfaction.

After completion of the corporate changes on the external facades of SEAT Authorized Dealers in 2017, the renovation of interior spaces was also completed in 2018.

The effort for extension of the Authorized Dealer network was continued with the addition of Vimsa Otomotiv in Şanlıurfa province that joined SEAT family.

#### Aftersales services

Car entries into the SEAT Authorized Services locating at 41 points throughout Turkey reached 92,678 units, displaying a 3.3% increase compared to the previous year, with the effects of the loyalty programs implemented as well as the new sales of 10,383 vehicles in 2018. The spare parts turnover and the labour turnover of the Authorized Dealers increased by 41% and 15%, respectively.

The aftersales services customer satisfaction/customer experience survey score was recorded as 4.78 out of 5 with SEAT's customer satisfaction-oriented approach.

In 2018, SEAT Turkey won the first prize in the category of Service Manager in the Top SEAT People competition organized by SEAT S.A. among all Authorized Dealers worldwide, while also winning the third prize in the Aftersales Service Advisor category.



10,383

IN 2018, SEAT TURKEY REALIZED  
**THE SALE OF 10,383 UNITS** IN THE  
PASSENGER CAR MARKET.



HAVING MAINTAINED ITS RISING UPTREND BY INCREASING ITS MARKET SHARE BY 28.5% IN 2018, ŠKODA TURKEY PLACED ITS NEW SUV MODEL KAROQ ON THE MARKET AND LAUNCHED ITS RENEWED FABIA DURING THE YEAR.

## ŠKODA



### ŠKODA leads with its D and C Segment Sedan models

Despite the contraction in the automotive market, ŠKODA drew attention with the success of its sedan models in the retail and fleet market in 2018. ŠKODA's D segment sedan model Superb and C Segment sedan model Octavia made a great contribution to the brand in terms of sales. ŠKODA closed the year 2018 with a sales of 21,340 vehicles.

### 2018

In 2018, ŠKODA had a market share of 4.4%. The brand's global sales broke a record by exceeding the 1 million level in October and thus, 1 million level has been exceeded for five years in a row.

In spite of fluctuations in the market, ŠKODA Turkey grew its market share with its wide product range in 2018 and this success was crowned by the manufacturer with the Award of Highest Market Share in the History of Yüce Auto. Despite the 32.7% shrinkage in the passenger car market, ŠKODA Turkey succeeded in minimizing the impact of the contraction in 2018 through the effects of the New Karoq and the renewed Fabia.

Moreover, having regularly increased its sales every year since it started operating in the fleet

market in 2014, ŠKODA realized a fleet sale of 6,969 vehicles in 2018.

### The models' performance

Octavia, the brand's best selling model in 2017, recorded the sales figure of 7,250 vehicles in 2018, thus falling behind the Superb model. The first ranking Superb realized a sale of 7,871 vehicles in 2018. Superb, the successful model of the D segment, successfully displayed a 27% increase in its share in the fleet market.

Among the most noteworthy models in 2018 is the C-SUV model Karoq placed on the Turkish market as of May. Released with a comprehensive launch campaign as of February, Karoq succeeded in drawing interest in a short period of time and realized a sale of 1,929 units of vehicles although a full year of operation has not been completed yet.

### Innovations in 2018

In 2018, ŠKODA's brand image made a marked improvement. Among the models contributing to this development, the leading one is the C segment SUV model Karoq. Based on the MQB platform of the VW Group, Karoq is the continuation of the brand's SUV attack. Being a global model, Karoq bears the latest design language of the brand like Superb and Kodiaq. A continuation of the brand's change that started with Superb

and continued with Kodiaq, Karoq is offered to the market with its diesel and petrol engine alternatives.

### Awards and achievements

Yüce Auto ŠKODA won the Digital and Social Media Application of the Year Award with ŠKODA / KAROQ Naming Launch in the ODD Sales and Communication Awards contest organized by the Automotive Distributors Association (ODD) in order to reward the sales and communication achievements of the brands.

ŠKODA Academy, the corporate school which operates to support the development of Yüce Auto's dealer employees, ranked first in the Learning and Development Awards organized by the Education and Development Platform Association of Turkey (TEGEP). The Academy also won the "Best Sales Development Program" award in 2018.

Yüce Auto ŠKODA has also significantly increased its service quality with its showrooms refurbished with a brand-new concept. Reaping the fruits of this comprehensive renovation, Yüce Auto has increased customer satisfaction as well with its after-sales services.

Having created a tremendous global impression with the achievements that it gained in

Turkey and received the "Best Developing Country" award in 2014 and the "Best Country in After-Sales Services" award in 2016; Yüce Auto ŠKODA continued its development also in 2018 and was awarded with ŠKODA global STLI (Service Technical Performance Index) "Best Performance Award".

ŠKODA Turkey's achievements continued in the digital world as well. ŠKODA Turkey page continued its rapid rise on Facebook and Instagram with 738,079 and 140,218 followers, respectively. With its interface that was made more functional and easily viewable from any platform, the website [www.skoda.com.tr](http://www.skoda.com.tr) displayed a performance matching that of the previous year with 8,812,693 visits in 2018.

### 2019 targets

With its innovations that it will offer its customers, ŠKODA aims to maintain its market share development also in 2019. Having started the year 2019 with a renewed and young product range, ŠKODA is getting ready to make an impression with the new Superb expected to be introduced at Geneva Motor Show in March. In addition, the placement of Karoq SUV model and the renewed Fabia on the market for a full calendar year will positively contribute to the sales in 2019.

### A remarkable success with 1,929 units sales

Karoq, the continuation of the ŠKODA brand's SUV attack, succeeded in drawing interest in a short period of time after its launch in May and realized a sales of 1,929 units of vehicles although a full year of operation has not yet passed.

# 7,871

ATTRACTING ATTENTION AMONG D SEGMENT LUXURY MODELS, SUPERB BECAME THE BEST-SELLING MODEL OF ŠKODA WITH A SALE FIGURE OF 7,871 UNITS OF VEHICLES IN 2018.





IN 2018, THE WORLD'S FIRST SUPER SUV URUS WAS LAUNCHED IN TURKEY AND CONVERTIBLE VERSION OF THE NEW CONTINENTAL GT, THE BEST GRAND TOURER MANUFACTURED TO DATE WAS LAUNCHED GLOBALLY.



#### BENTLEY & LAMBORGHINI



#### The most prestigious and luxurious models in automobile history

Bentley Motors was founded in 1919 by the railroad engineer Walter Owen Bentley. Since the early 1910s, the British brand Bentley has gained recognition for manufacturing the most prestigious and luxurious car models in automobile history. Today, the brand conducts its operations under the umbrella of Volkswagen AG.

Automobili Lamborghini was founded in 1963 by Ferruccio Lamborghini. Production operations of the brand have been carried out in Bologna, Italy since the very first day of its foundation. Following the acquisition of all Lamborghini shares by Audi AG in 1998, the brand displayed a rapid uptrend by launching new models equipped with powerful and state-of-the-art technologies.

#### 2018: Sustainable success

On its way to celebrate its 100<sup>th</sup> year in 2019, Bentley has further consolidated its competitive position with the launch of the New Continental GT model in Turkey in 2018. Lamborghini has taken the brand recognition in the upper luxury segment to much higher levels with Urus, the world's first super SUV that was placed on the market in the last quarter of the year.

In 2018, Bentley sold 10 vehicles in total, including 2 units each for the Continental GT V8 model, New Continental GT and Bentayga Diesel models and 1 unit each for the Continental GT V8 S, Continental GTC V8, Continental GTC V8 S and Flying Spur W12 models.

Lamborghini sold 1 unit of Huracán Coupe, 1 unit of Huracán Spyder and 1 unit Urus in 2018.

#### Keeping up brand communication

Marketing communication investments for Bentley and Lamborghini brands were also continued in 2018. The highlights of these efforts made throughout the year are as follows:

- The global press launch of the New Continental GT Convertible was held by Bentley Motors on 28-29 November. The static launch organization held in Munich city of Germany also attracted the participation of Turkish press members and received extensive and effective coverage.
- The launch in Turkey and the customer configuration day of the world's first super SUV Urus took place on 17-18 April with the participation of Automobili Lamborghini regional managers.
- Turkish press members also participated in the Crewe factory visit organized by Bentley Motors for global press and media members on 10-11 April.
- Sustainable communication efforts have been undertaken in line with the global marketing plans of Bentley Motors and Automobili Lamborghini throughout the year.



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IN 2018, BENTLEY SOLD 10 UNITS IN TOTAL AND LAMBORGHINI SOLD 3 UNITS OF VEHICLES.



PORSCHCE CELEBRATED ITS 70<sup>TH</sup> YEAR.

## PORSCHCE

**The performance of the models**

In 2018, the 911 model that sold 28 units and the 718 model that sold 71 units completed the year as the leader in their segments. Porsche's the best-selling model was Macan that sold 341 units. While the Cayenne model closed the year with 80 cars sold; the Panamera model reached a sales figure of 45 units.

**A year full with press test driving events**

25 press test drives were conducted using 718 Cayman test cars throughout the year; corresponding to the advertising equivalent of TRY 8,869,698.

The first press conference of the year was held at Porsche Museum located in Stuttgart on 15-16 March; and the E-Performance press meeting was held in Stuttgart on 8-9 May. The press and media events specially organized for the 70th year of Porsche at Poland/Wrocław, Silesia ring on the dates of 8-9-10 June received participation. Porsche performance press event was held at Poland/Wrocław, Silesia ring on 28-29-30 August and all GT models of the Porsche 911 family were used. Lifestyle press event was held in Montenegro on 1-3 October, and finally, the New Macan press launch was done in Palma de Mallorca on 22-24 November.

**Porsche Driving Experience**

Porsche driving experiences were started with the "Porsche on Road" adapted to our country for the first time this year with Porsche Club Istanbul on 24 February, by realizing the driving on road concept. The participants had the opportunity to review Panamera ST model for the first time in Turkey, by driving their own cars to Doğuş Oto Bursa.

At "Porsche on Track" driving events held at Porsche Driving Centre with the participation of 232 people in total on 30-31 March – 1 April and 2-3-4 November, all Porsche models were tested by the invited guests.

The second "Porsche on Road" event was realized on 26-28 May with the collaboration of D Maris Bay & Il Riccio Beach House Bodrum and Leica Camera, offering Porsche Club Istanbul members a complete package of opportunities like accommodation at hotels, driving on road, and immortalizing the most beautiful moments that they experienced.

**Collaboration projects**

Throughout the year, 6 Porsche cars were displayed at D-Gym and special privileges were offered to the members.

On the 8<sup>th</sup> of March World Women's Day, a lunch event special for women were organized through the collaboration with La Petite Maison, DOKU, and Doğuş Oto. In the event for which all transfers were made using private chauffeurs and Porsche test cars, participants received DOKU-branded gifts and enjoyed a special French menu.

The first Sports Car Family Day that built a bridge between the first Porsche model 356 and today's Porsche models and established a bond among sports car owners was held at İstinye Park / La Petite Maison restaurant on 10 June. In the event participated by 128 Porsche Family members with 83 units of Porsche sports cars, a time tunnel from yesterday to today was created with 24 iconic Porsche models. The demonstration of the first models constituting the origin of Porsche and its latest models all together, i.e. the development in 70 years attracted the highest attention in the event.

**Successful performance on digital platforms**

Throughout the year, 416B clicks through Google searches and 1,213 calls were received; and they were directed to the Authorized Dealers through the Value and Care Center.

A total of 5,004 potential customer data was collected over social media accounts and Google; 25 test drives were performed and 12 Porsche cars were sold.

The number of Instagram account followers increased by 134% and the number of YouTube channel subscribers increased by 211%; and Porsche Turkey website was visited by 889,365 people.

**Record in aftersales services**

Thanks to the customer loyalty campaigns realized in response to 6% increase in the vehicle park of the Porsche brand at the end of 2018 and Porsche accessory, boutique and extended warranty marketing efforts, a 23% increase in service turnovers, 17% increase in accessory sales, 10% increase in boutique sales, 2% increase in extended warranty coverage sales and a 8% increase in the number of work orders have been achieved compared to 2017.

Customers' Authorized Service loyalty rate was 78% while the customer satisfaction survey score was 4.96 thanks to the customer-focused service approach in aftersales services. In 2018, Porsche Aftersales Services reached 2.313 users through its Porsche Mobile Application designed in line with its global digitalization strategy.



341

IN 2018, THE HIGHEST-SELLING MODEL OF PORSCHE WAS MACAN WITH 341 UNITS SOLD.

HAVING SUCCESSFULLY RAISED ITS MARKET SHARE TO 12.7% IN 2018, VOLKSWAGEN COMMERCIAL VEHICLES MAINTAINED ITS THIRD RANKING IN THE TOTAL MARKET AND ITS LEADERSHIP IN IMPORTED COMMERCIAL VEHICLE SALES.

#### VOLKSWAGEN COMMERCIAL VEHICLES



Ticari Araç

## World winner

VOLKSWAGEN COMMERCIAL VEHICLES TURKEY BECAME THE **WORLD WINNER IN THE STLI (SERVICE TECHNIK LEISTUNG INDIZEN) EVALUATION** WITH ITS SUCCESS IN AFTERSALES SERVICES.

#### Brand performance in 2018

In 2018, 134,616 units of vehicles were sold with a 42.3% shrinkage in the light commercial vehicles market compared to the same period of the previous year. Volkswagen Commercial Vehicles had a 12.7% share in the light commercial vehicles market with the sale of 17,085 units and maintained its leadership in the imported commercial vehicles market with its 25.3% market share.

The Transporter model of Volkswagen Commercial Vehicles maintained its leadership in the segment with the sale of 8,138 vehicles and a 39.8% market share. Amarok model reached a market share of 9.2% with the sale of 1,342 units; and Crafter model reached a market share of 1.9% with the sale of 617 units. Caddy model succeeded in increasing its segment share in the shrinking market with 19.1% market share and the sales of 6,988 units of vehicles.

#### New product launches

The New Amarok Canyon, the most sportive model of Volkswagen Amarok that was the owner of the 2018 International Pick-up Award was launched in the first quarter of 2018 and the New Amarok Aventura 258 PS model, the strongest in its class with its 3.0 liter, turbo diesel V6 engine, was placed on the market in the second half of the year.

The sales of the completely renewed last generation of Crafter vehicles were started in the beginning of the second quarter of the year. The

new 8+1 seat kombi version of the Transporter model that created its own class when it was manufactured for the first time 68 years ago and that is currently the leader of its class also met with its customers in June.

Another product innovation that marked the last quarter of the year was the launch of 1.4 TSI 125 PS, the strongest model in its class with a petrol engine introduced by Caddy, the most desired model of Volkswagen Commercial Vehicles.

#### Brand communication

In line with its target group-oriented marketing strategy, Volkswagen Commercial Vehicles efficiently continued its communications also in 2018 through an in-depth analysis of its customer profile and of the media channels used by its customers. Volkswagen Commercial Vehicles received an award in the "Commercial Automotive" category of A.L.F.A Awards organized by Marketing Turkey and evaluating the brands with best customer experience management.

The brand conducts pioneering activities in its sector through its customer-focused innovative applications on social media platforms such as Facebook with over 1 million followers, Instagram with over 55,000 followers and YouTube and its services that it has taken to online channels enhancing customer satisfaction.

The 360° vehicle interior visuals developed for the social and digital

media channels enable customers to easily review any model in all channels. In addition, "Advanced Driving Pleasure" videos prepared for all models for sharing through social and digital channels allow for the conveying of product features to users in the most accurate manner.

The improvements related with the "Smart Turquoise Screen" application which was introduced in 2016 and utilized by Volkswagen Authorized Dealers and Services were continued also in 2018. This application analyzes the information left by the users of Volkswagen Commercial Vehicles on online and offline channels with their permission and calculates them according to certain algorithms within the system, thus presenting the resulting processed information on the sales or service consultant's screen. Through the analyses made on the basis of customer behaviours, the segmentations such as almost lost customers and hot customers were created; thus, more targeted services were started to be offered to customers.

The "Road Assistance" service as well as aftersales service functions were added to the Volkswagen Commercial Vehicles application which was made available in 2016. Thus, users downloading the application can easily have access to the details of their vehicles after they log on; reach the discount amounts defined for their vehicles and receive a service appointment without waiting.

With the "Warning Detection" function offered as another feature within the application, users can easily and instantly learn the meaning of the warning or control lights lit on the instrument panel of their vehicles by using the camera of their mobile phones; and obtain live road assistance or live customer support, if desired. Started to be used in 2018, this application won the first prize in the "Innovative Mobile Technology Utilization" category at 2018 Felis Awards.

#### Customer relations management and Authorized Dealers field activities

Volkswagen Commercial Vehicles maintained its approach of always being one step ahead of customer expectations in 2018 as well. Thanks to the potential customer and external visit project commenced in 2011, nearly 200,000 potential customers were recorded, and 40,400 customers were personally visited in 2018.

#### Big award to high quality service

Volkswagen Commercial Vehicles Aftersales Services increased the number of its Authorized Service points to 79, by expanding its service network with Doğuş Oto Gebze and Doğusan Authorized Services opened in 2018.

In 2018, the new service campaign focused on customer loyalty, "Winning Service" was put into practice at Volkswagen Commercial Vehicles Authorized Services and the

projects for gaining lost or almost lost customers were initiated. In addition, Economy Maintenance and Service Packages oriented towards service customers with 5-years-old and older Volkswagen Commercial Vehicles were put into service in order to increase service incomes and the vehicles entering into service.

In 2018, Volkswagen Commercial Vehicles Turkey became the world leader in the STLI (Service Technik Leistung Indizen) evaluation with its success in aftersales services.

Authorized Services serve an average of 16,500 customers per month with the entry into service of 197,500 vehicles per year. The spare parts turnover and the labour turnover rose by 19.4% and 6.4%, respectively in 2018.

#### Expectations for 2019

Volkswagen Commercial Vehicles plans to continue, without interruption, its activities oriented towards maintaining its share in the light commercial vehicles market and its strong brand image in all customer-focused areas such as product, Authorized Dealer and aftersales services, by adapting itself to the changing market conditions also in 2019. Its comprehensive and renewed product range, the trust established by Doğuş Otomotiv and Volkswagen brands, its Authorized Dealer network throughout Turkey and its strong customer communications will be the most important means for Volkswagen Commercial Vehicles in achieving its sales targets for 2019.





WITH ITS “YOUR BUSINESS IS OUR PRIORITY” MOTTO, SCANIA HAD ANOTHER ACHIEVEMENT BY COMPLETING THE YEAR 2018 WITH A 10% SHARE IN THE ENTIRE MARKET AND 18% SHARE IN THE TRACTOR UNIT MARKET.

## SCANIA

**New generation Scania**

Scania continued to make its business partners feel that the brand stands by their side in every project and at any moment of need also in 2018; and driven by its “Your business is our business” approach, it has always been there for customers during and after sales. Presenting its customers on the roads of Turkey its new generation vehicles it started manufacturing as a result of 10 years of research and development, 2 billion Euros worth investments, and over 10 million kilometers of test driving; Scania continued to provide comfort and driving experience exceeding standards.

**Scania is now more digital**

Having reached 202,000 users in its Facebook account in 2018, Scania also continued to maintain its presence on the Instagram, LinkedIn and Google Plus platforms.

Demonstrating its customer satisfaction focus with one of the sector’s pioneering applications “Scania’m Sapasağlam”, Scania successfully commissioned “Scania’m Cepte” app in 2018 with 7,000 downloads.

Scania put 2 additional Authorized Service points into service in 2018 in order to provide services in the fastest manner on a much wider area throughout the entire country.

**Expectations for 2019**

Scania will continue to develop the applications like “Scania’m Sapasağlam” and “Scania’m Cepte” also in 2019. One of the most important targets of Scania that will continue to be a pioneer of innovation with its data-focused approach is to expand its Authorized Service network.

# 7,000

“SCANIA’M CEPTE” HAS REACHED  
7,000 DOWNLOADS.

**New generation Scania is in the Turkish market**

New generation Scania vehicles are on the roads of Turkey as a result of 10 years of research and development, 2 billion Euros worth investments and over 10 million kilometers of test driving...



WITH ITS LOW EMISSION VALUES AND HIGH-TECH PRODUCTS AS WELL AS ITS NEWLY DEVELOPED GAS-FUELLED ENGINE MODEL, SCANIA ENGINES HAS FURTHER INCREASED THE SERVICE QUALITY THAT IT OFFERS ITS CUSTOMERS IN EVERY FIELD ALSO IN 2018.

#### SCANIA ENGINES



##### Another successful year

Doğuş Otomotiv offers its customers land generator engines, marine engines, marine generator engines and its industrial engines under the Scania Engines brand. Having increased its sales of marine engines in 2018, Doğuş Otomotiv maintained its position among the countries making the highest sales of engines.

Thanks to the cooperation projects implemented with Turkey's leading generator companies, Scania Engines increased its market share to higher levels in the generator engine segment also in 2018 and maintained its steady rise in this area.

##### Rich product range

Scania Engines made a significant breakthrough by realizing its first gas-fuelled engine sale in 2018 and added an environmentally-friendly model to its range of products.

It realized the first 6x6 ARFF airport fire truck project in the industrial area.

The Scania engine's light weight and low emission as well as its high performance values have differentiated the vehicle, taking it one step ahead of its competitors.

Having enriched its marine engine product range with new V8 engines, Scania released its new engine range based on 16,4 litre V8 truck engines in line with its customers' needs. In this new product range where greater power is generated by sending high pressure fuel to the cylinders in a shorter period of time through the XPI fuel injection technology used, performance has reached to the highest level thanks to the filter technology employed.

##### Expectations for 2019

Scania Engines will continue its activities also in 2019 with a view to expanding its product range as a reliable solution partner and increasing its sustainable quality and market share in this business line. Scania Engines aims to become the market leader in 2019 as well with its marketing experience, rich product range and quality.

##### A reliable brand in marine engines

Scania Engines have had important achievements in the segment of marine engines with its environmentally-friendly and high-performance products. Used as the main engine and auxiliary engine in the ships manufactured in Turkey and exported to many countries abroad, the brand aims to maintain and further increase its success.



## Top 10

HAVING INCREASED ITS ENGINE SHARES BY HAVING A SUCCESSFUL YEAR IN THE TURKISH MARKET IN 2018, **SCANIA ENGINES HAS MAINTAINED ITS POSITION AMONG THE TOP 10** IN THE CLASSIFICATION MADE BY SCANIA CV WORLDWIDE.





THROUGH THE LATEST TECHNOLOGICAL INNOVATIONS THAT IT OFFERS ITS CUSTOMERS, THERMO KING ENSURES THE QUALITY AND RELIABILITY OF PRODUCTS IN FOOD AND PHARMACEUTICALS TRANSPORTATION AND SETS THE TRANSPORTATION STANDARDS IN OUR COUNTRY.

#### THERMO KING



#### Sales performance in 2018

Having continued to be the market leader in the chiller unit industry for long years, Thermo King has maintained its success with its solutions meeting various needs and its market leadership in the cold chain transportation industry.

Offering tailor-made unit alternatives meeting its customers' needs by providing chilling and heating units specific to each project, Thermo King ensures the quality and reliability of products in food and pharmaceuticals transportation until they reach the end consumer and sets the transportation standards in our country through the latest technological innovations that it offers its customers simultaneously with their implementation worldwide.

Thermo King has introduced electrical new-generation B-series units to users as of the second half of 2018. This range of products energized by the battery of the vehicle creates difference with their low energy consumption and their light weight.

#### Strong Authorized Reseller and After-sales Service organization

Thermo King continues its efforts to increase the service quality of its Authorized Resellers and After-Sales Service teams working under its structure. The efficiency of its Authorized Reseller and After-Sales Service network has been improved through the trainings on technological advancements provided also in 2018.

#### Different chilling capabilities within the same frame

Having rendered the bluetooth system enabling simultaneous transportation of products requiring different temperatures within the same frame a standard feature also in its Spectrum models, Thermo King continued to be most important assurance in sensitive pharmaceuticals and food transportation. The brand is the most important solution partner of the healthcare sector with the certifications and trainings it provides in pharmaceuticals transportation.

#### Marketing and communication activities

The marketing activities conducted in 2018 included the advertising campaigns and newsletters prepared for the trade media, as well as communication events supporting Authorized Resellers and After-Sales Services.

#### Whisper Pro

Silent engine technology, which is indispensable for urban transportation, is offered with the Thermo King Whisper range.



## Bluetooth

THE BLUEBOX EQUIPMENT THAT DIFFERENTIATES THERMO KING FROM ITS COMPETITORS, **ENABLES USERS TO CONNECT TO THEIR UNITS AND TO RESPOND TO ANY SITUATION ON A REAL TIME BASIS** THANKS TO ITS BLUETOOTH TECHNOLOGY.





HAVING BEEN WORKING WITHOUT INTERRUPTION TO MEET ITS CUSTOMERS' NEEDS WITH ITS INNOVATIVE PERSPECTIVE, DOĞUŞ OTO AIMS TO KEEP ITS CUSTOMERS' DIGITAL EXPERIENCES AT THE MAXIMUM LEVEL.

## DOĞUŞ OTO

**About Doğuş Oto**

Doğuş Oto provides new car, second-hand car, spare parts, accessory sales and aftersales services and also offers insurance and financing services to its customers for 6 brands in total represented by it in the provinces of Istanbul, Ankara, Bursa and Kocaeli. Conducting the Authorized Sales and maintenance and repair Services for Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, Audi, Porsche, SEAT and ŠKODA; Doğuş Oto is also engaged in the sales of second-hand vehicles as a DOD Authorized Dealer.

Operating in 7 regions in total with 37 Authorized Dealers and 33 Service points and over 1,400 employees, Doğuş Oto has a pioneering role in its sector with its strength and stability. The mission of Doğuş Oto is to provide the highest-quality sales and aftersales services for the passenger and commercial car brands that it represents and in the regions that it operates.

**2018**

Doğuş Oto sold 40,341 units of new and 4,315 units of second-hand vehicles in 2018. With a total of 300,509 service entries, 2018 was a year when the predetermined financial targets were exceeded.

**Our new investments**

With its technological concept and outstanding service approach, Doğuş Oto Gebze started to operate on an area of 10,929 square meters in 2018 in order to provide Volkswagen Passenger Cars and Volkswagen Commercial Vehicles Authorized Dealer and aftersales services. The trading of second-hand vehicles is also conducted under DOD brand in our new facility; and all automotive-related solutions like loans, car insurance and accessories are offered under the same roof.

SEAT showrooms that were renewed with a young and dynamic concept were put into service for customers at Doğuş Oto Esenyurt, Doğuş Oto Maslak and Doğuş Oto Çankaya in 2018.

**Our Achievements**

Doğuş Oto regions scored new achievements by receiving the first place of Turkey in Audi Twin Cup organized worldwide by Audi AG and also the first and second places of Turkey in Audi Twin Cup technical category.

In Top SEAT People 2018, Doğuş Oto Bursa won prizes in three categories such as the Best Sales Representative, Best Warranty Expert and the 2<sup>nd</sup> Best Service Manager.

**Marketing activities**

The mission of Doğuş Oto in the digital age is to provide uninterrupted and flexible services to meet customer demands and to maintain the highest level of digital experience for customers accessing through any channel. To this effect, the efforts related with sales and aftersales services provided via Doğuş Oto website in order to respond to customer demands immediately and through any channel of their choice have been continuously developed.

Through the website, users can review the company's vehicle stocks whenever they want on a real-time basis; obtain information on prices and vehicle equipment, make comparisons and even reserve vehicles on Internet.

In addition, users are able to see the available dates and hours easily and obtain service appointments from whichever region and service consultant they wish, file a test drive request for any model vehicle desired in any Doğuş Oto region and contact the related region. Furthermore, it is possible to follow the most up-to-date campaigns for the brands represented by the company over the new website.

Doğuş Oto website offers a pioneering service channel through which the company provides its customers with the information and service they need at any time desired without the requirement to go to the showroom and with the ease of a single click.

Through the postings shared over Doğuş Oto Twitter, Instagram, Facebook and LinkedIn social media accounts, new doors were opened up for customers in the channels they were present and thus, it was intended to increase accessibility.

In 2018, in addition to several activities oriented towards brand positioning, setting marketing strategies and customer relations management, Doğuş

Oto undertook an NPS (Net Promoter Score) survey to have an in-depth analysis of to what extent customers refer Doğuş Oto to others and the reasons for referring or not referring it. This survey helped determine the areas that needed to be improved and strengthened within the company and measure customer loyalty.

**2019**

Making difference in its field as a company with high insight and always open to innovation leading its sector, developing creative solutions, and placing importance on change; Doğuş Oto will continue to develop products and services that will enable it to understand its customers make life easier for them also in 2019.



# 40,341

DOĞUŞ OTO SOLD **40,341 UNITS OF NEW AND 4,315 UNITS OF SECOND-HAND VEHICLES** IN 2018.



CONSTANTLY IMPROVING ITSELF IN LINE WITH CUSTOMER NEEDS AND NEW TRENDS, DOD CONTINUED ITS DIGITAL INVESTMENTS ALSO IN 2018 BY RENEWING THE WEBSITE DOD.com.tr AND DOD MOBILE APPLICATION.

DOD



#### DOD in 2018

The diversity of brands and models in supply of vehicles was further increased through new agreements with fleet companies in 2018. Cash vehicle sales by DOD were recorded as 1,317 units, displaying a 12% shrinkage compared to 2017 under the impact of the SCT (Special Consumption Tax) discount made in motor vehicle prices on 31 October 2018. The total sales by DOD Authorized Dealers were realized as 21,767 units, in line with the year 2017.

Used cars with a warranty allow customers to feel themselves more secure when purchasing used cars; and this also constitutes one of the greatest factors differentiating DOD in the used car sales. The penetration of the sale of used cars with warranty was realized as 55% in 2018.

Expertise of 1.200 vehicles were centrally performed under the structure of DOD Expertise and Training Center which was put into operation in 2018; thus, the service speed and quality have been increased.

#### New period for used cars

The Regulation on the Trade of Used Motor Land Vehicles published in the Official Gazette

no. 30331 dated 13 February 2018 rendered it compulsory to provide the services like warranty and expertise survey, which were already offered by DOD to its customers before the said regulation. The infrastructure works for the other standards required by the Regulation were started in 2018 and the preparations were largely completed. All preparations will be completed by August 2019 when the regulation will completely enter into effect.

#### Education

With the Regulation on the Trade of Used Motor Land Vehicles, professional qualification standard was imposed for the employees in the sector. In addition to the sales trainings aimed at improvement of personnel development and service quality, additional trainings oriented towards professional competency examination were organized; and all employees were encouraged to take the exams. All of the employees that entered the exams held in 2018 successfully passed them and were awarded with Professional Competency Certificate. It is aimed to ensure that all employees will receive Professional Competency Certificate in 2019.

#### Digital investments

DOD maintained its pioneering position in the sector in 2018 through its new projects in digital channels enhancing customer experience and implemented for the first time in the used cars sector in Turkey.

DOD.com.tr and DOD Mobile were renewed in terms of design, considering the user experience, industrial trends, and digital developments. Customers' needs were satisfied with the multiple vehicle search and vehicle comparison features added to the new design; further facilitating the vehicle selection process.

DOD Mobile application has been downloaded on more than 644,500 smart mobile phones or

tablets so far; and has become one of the most preferred mobile applications in this field.

Through DOD 360 service, 360° vehicle interior photographs were delivered to customers over DOD digital platforms and social media accounts. Thanks to this service enhancing user experience, users are allowed to examine, in detail, the interior of the vehicles without actually seeing it.

With its social media accounts managed with a focus on platform-specific and interaction-based rich content generation; DOD received silver Stevie award in the Best Use of Instagram and Best Use of Facebook categories at the Stevie Awards 2018.

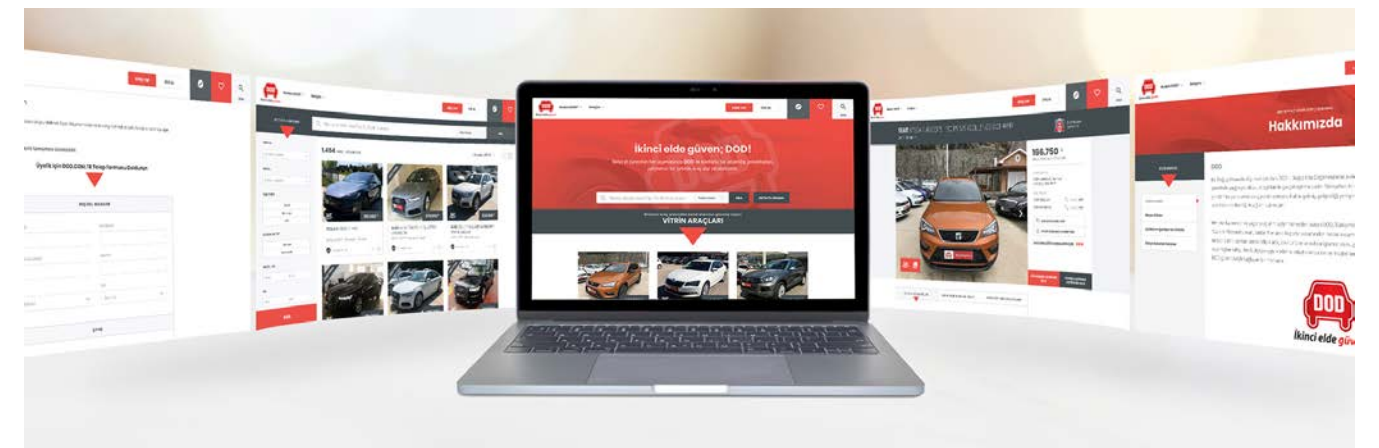
#### New Period for used cars

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# 21,767

TOTAL SALES BY DOD  
AUTHORIZED DEALERS  
AMOUNTED TO 21,767 VEHICLES  
IN 2018.





THE vdf GROUP, ENCOMPASSING FINANCIAL SERVICES, INSURANCE, FACTORING AND FLEET COMPANIES, SUCCEEDED IN REACHING ITS TARGETS IN 2018 BY PRIORITIZING PRODUCTS AND SERVICES WITH A CUSTOMER FOCUS.

vdf



The vdf Group, encompassing financial services, insurance, factoring and fleet companies, succeeded in reaching its targets in 2018 by prioritizing products and services with a customer focus.

With an average of 46% penetration ratio among the Volkswagen Group brands in vehicle loans, vdf continued its market leadership among finance companies and banks in 2018 with a 16% market share in vehicles loans.

Providing 54,779 new loans in 2018, vdf reached its targets with a total number of 129,987 live loans. vdf's total live loan volume realized as TRY 7.5 billion.

In 2018, vdf aimed to increase customer satisfaction and customer loyalty through sale, marketing and customer loyalty campaigns it jointly organized with the brands. According to the results of the survey it made in 2018, vdf scored much higher than the world and Europe averages in customer satisfaction assessments compared to the previous year. According to the survey, 9 out of 10 people stated that they would want to work with vdf again.

For 2019, vdf aims to expand its loan, insurance and service packages designed especially for the needs of its customers, and to serve them in every step of the automotive value chain.

#### **vdf SİGORTA VE ARACILIK HİZMETLERİ A.Ş. (vdf INSURANCE AND BROKERAGE SERVICES, INC.)**

vdf Insurance Services created maximum customer satisfaction in 2018, with its broad experience and product range, especially developed to meet the needs of its customers. Operating as the agent of 13 insurance companies, vdf Insurance Services serves individual and group customers in several branches including car insurance, extended warranty, and loan protection insurance.

Operating within the Authorized Dealers of the VW Group brands, vdf Insurance continued to provide its services in 124 showrooms in 2018. vdf Insurance Services created a difference in its sector with special guarantee terms for the brands, starting with Volkswagen Comprehensive Car Insurance and carrying on with SEAT, ŠKODA, Audi and Scania Comprehensive Car Insurance.

Maintaining its position as the largest insurance agency in 2018 also, regarding total net premium generation and live policy numbers, vdf Insurance continued its steady growth with a total net premium generation worth TRY 397,500,000. The company also raised its number of policies to 306,771 in 2018.

#### **vdf FAKTÖRİNG HİZMETLERİ A.Ş. (vdf FACTORING SERVICES, INC.)**

Since its inception in 2010, vdf Factoring Inc. has been offering factoring and financing services to 145 Doğu Otomotiv and Yüce Otomotiv Authorized Dealers across Turkey. vdf Factoring reached a transaction volume of TRY 11.5 billion, and a total asset value of TRY 1 billion in 2018. Committed to the principle of continuous and stable growth, vdf Factoring aims to further increase its business volume in 2019.

#### **vdf FİLO KİRALAMA A.Ş. (vdf RENTAL FLEET INC.)**

Positioning itself in the operational rental fleet sector in 2017, vdf set out its operations by not only regarding its customers' needs as vehicle renting but also adopted the vision of providing its customers consultancy services in fleet cost optimization, total ownership costing and

fleet management. Having a business approach focused on productivity and effective use of human resources, vdf Rental Fleet increased its active contracts by 130% to 6,200, 75% of which were comprised of Doğu Otomotiv group branded vehicles. With its investments in robotics, mobile and web based applications, the company will continue to develop its digital solutions in 2019 and continue its services in line with the principle of offering the best service to its customers.

#### **Better service with digital development**

vdf group aims to provide its customers the fastest service at every service point by continuing its digital development and investments in 2019 also.

# 129,987

PROVIDING 54,779 NEW LOANS IN 2018, **vdf REACHED ITS TARGETS WITH A TOTAL NUMBER OF 129,987 LIVE LOANS.**





HAVING CELEBRATED THE 11<sup>TH</sup> ANNIVERSARY IN 2018, TÜVTÜRK HAS INSPECTED A TOTAL OF 137 MILLION VEHICLES TO DATE. WITH ITS TOTAL INVESTMENT AMOUNTING 1.5 BILLION US DOLLARS SO FAR, TÜVTÜRK CONTRIBUTED TRY 7.6 BILLION TO THE PUBLIC THROUGH THE SERVICES IT HAS PROVIDED.

## TÜVTÜRK



While TÜVTÜRK achieved growth in all operation areas, including periodic vehicle inspection services in particular, in 2018; it succeeded in increasing its turnover by 21.9% from TRY 1 billion and 633 million to TRY 1 billion and 991 million. The operations of TÜVTÜRK Istanbul accounted for TRY 330 million of the total turnover amount.

One of Turkey's most effective Public and Private Sector Collaboration projects, TÜVTÜRK has contributed TRY 7.6 billion to the public since its inception. This figure for 2018 alone was TRY 1.3 billion.

In 2018, the inspection station located in Istanbul Hadımköy was moved to Istanbul Haraççı site with an approach focused on efficient expense management. In addition, Konya Selçuklu, Rize Ardeşen and Hatay Kırıkhan stations that TÜVTÜRK opened and put into service with the aim of further expanding its extensive activities and taking its services to every point of Turkey constituted the other important investments undertaken by it in 2018. Thus, 3 new fixed stations became operational during the year in response to past experience and requests, thus enabling customers to receive better services with greater comfort and ease.

Moreover, in 2018, capacity was increased at Mersin Erdemli, Antalya Manavgat and Kilis Merkez Stations with the additional lane; the administrative building expansions at Antalya Manavgat and Istanbul Haraççı Stations were completed; and activities for improvement of customer waiting areas were performed at Istanbul Mimarsinan and Esenyurt Stations. TÜVTÜRK Akademi building located on the building plot of Istanbul Şile Station was turned into a storage depot with an area of nearly 1,000 square meters.

Together with the new stations that commenced operations in 2018, TÜVTÜRK now provides inspection services in 81 cities across Turkey with its 210 fixed, 74 mobile, 5 motorcycle and 15 mobile tractor stations operating in 21 cities.

#### Major contribution to traffic safety

In 2018, periodic vehicle inspection of 9.5 million vehicles was carried out, displaying a 7% increase compared to the previous year. During such inspections, 35.5% of the vehicles were identified as having major faults or being dangerous. Out of 3.3 million vehicles that returned for re-inspection, 97.9% were found to have been fixed for deficiencies;

and allowed to re-enter traffic safely after successfully passing the re-inspection.

#### Exhaust gas emission measurement and roadworthiness inspection

In 2018, 3.7 million vehicles underwent exhaust gas emission measurements. While this showed a 12.6% increase in terms of units of vehicles compared to the previous year, the ratio of this service to periodic inspections was 39.3%. In 2018, 29,400 units of roadworthiness inspections were conducted at 30 stations.

#### Traffic Responsibility Action

Under the coordination of the Ministry of Transport and Infrastructure, the Traffic Responsibility Action was launched in 2010 to raise social awareness on traffic safety and personal responsibilities. While the "Bosom Buddies Action" and "Have a Good Lesson Mr. Driver" sub-projects developed specifically for different target groups have been continued successfully.

Three sub-projects ("Safe Vehicle Action", "Responsible Citizen Action" and "Youth in Traffic Action") that were conducted between the years 2010-2017 were completed. In the last 8 years, the project reached nearly 1.5 million people directly through training field activities and 7.5 million people indirectly through communication activities. In addition, the Traffic Responsibility Action received 11 awards in total to date.

#### Yearly contribution of 340 million dollars to Turkish economy

According to the research entitled "Analysis of the Economic Impact of Road Safety and Periodic Vehicle Inspection Application in Turkey" conducted by CITA (International Motor Vehicle Inspection Committee) in 2017 under the leadership of Prof. Dr. Wolfgang G. Schulz and Sebastian Scheler; there is an average saving of 340 million US dollars per year which is contributed to Turkish economy as a result of the traffic accidents avoided through TÜVTÜRK vehicle inspection system.



## TRY 7.6 billion

ONE OF TURKEY'S MOST EFFECTIVE PUBLIC AND PRIVATE SECTOR COLLABORATION PROJECTS, **TÜVTÜRK HAS CONTRIBUTED TRY 7.6 BILLION TO THE PUBLIC SINCE ITS INCEPTION.**



SPARE PARTS AND LOGISTICS HAS CONTINUED ITS EFFORTS IN LINE WITH ITS GOAL OF MAINTAINING ITS ROLE AS A STRATEGY-SETTER IN SPARE PARTS ACTIVITIES AND CREATING ADDED VALUE FOR THE GROUP BRANDS' MARKET SHARE GROWTH ALSO IN 2018.



## SPARE PARTS AND LOGISTICS

### About Spare Parts and Logistics

Spare Parts and Logistics manages the importation, warehousing and distribution of vehicles and spare parts to Authorized Dealers of the world's most prestigious brands such as Volkswagen, Audi, SEAT, ŠKODA, Porsche, Bentley, Lamborghini, and Scania, as well as Scania Industrial and Marine Engines, Thermo King Transport Temperature Control Systems.

Spare Parts and Logistics combines the technology of the future with sustainable logistics management through synergies created by modern and best practices creating a peerless service for the brands represented by Doğu Otomotiv.

### Improving quality-focused business approach

Spare Parts and Logistics has continued its efforts in line with its goal of maintaining its role as a strategy-setter in spare parts activities and creating added value for the group brands' market share growth; and kept on taking steps to achieve operational excellence in the speed/quality/cost axis also in 2018.

Spare Parts and Logistics gives priority to digitalization investments to create effective e-supply chain management (industry 4.0), and produces projects for continuous improvements in spare parts

management systems. In addition, reducing delivery times and costs to support new vehicle sales and to enable the organization to operate with lower stock costs is among the prioritized goals of the company.

In 2018, Spare Parts and Logistics imported 86,194 vehicles and dispatched 104,136 vehicles to Authorized Dealers, thus closing the year with a total revenue of TRY 1,306.3 million generated through the sales of spare parts and accessories.

### All efforts aim to provide the right and speedy service to the customer

Spare Parts and Logistics uses advanced technologies and stock management systems, which can be easily adapted to various demands of customers, to run its operations smoothly. As a result, spare parts availability was maintained at 99% in 2018 like the previous year, thus significantly reducing the amount of stock held. Effective pricing and price positioning policies, along with the use of common parts up to 50%, create a significant synergy in the Spare Parts and Logistics organization.

Spare Parts and Logistics has undertaken a new leap regarding its facilities by doubling installed capacity in 2013 to improve the

quality of its service and ensure sustainability of the business volume for the next decade. With the automation systems investments that started in 2014, error ratio has been minimized while gaining speed in warehousing operations and distribution of spare parts.

As the "shipment from the port" project that Spare Parts and Logistics implemented as a part of its pioneering vision in vehicle logistics continued for vehicle stocking and importation at the ports, significant improvements were achieved in client delivery times by working with more than one transportation company for vehicle deliveries from ports to Authorized Dealers. Moreover, it has taken steps towards digitalization in the processes of Field Stock Management and vehicle delivery to Authorized Dealers using RFID technology.

Spare Parts and Logistics has achieved CO2 emission savings from logistical operations thanks to the intermodal route system it manages.

In 2014, Spare Parts and Logistics launched central structuring to include all Authorized Dealers as well, and took successful steps in managing and collecting waste, and as a result collected more waste batteries than the legally required amount in 2018.

### Products and services

For the efficient supply of products and services to Authorized Dealers and aftersales services, and improved overall customer satisfaction, Spare Parts and Logistics offers the following services:

- Operational management of vehicle imports and homologation for all brands,
- Warehousing imported vehicles supplied by VW, Audi, SEAT, ŠKODA, Porsche, Bentley, Lamborghini and Scania brands in the bonded and stock areas, and delivering them to the Authorized Dealers.
- Ordering, import, stock management and delivery to Authorized Dealers of the spare parts and accessories of VW, Audi, SEAT, ŠKODA, Porsche, Bentley, Lamborghini, Scania and Thermo King brands.
- Monitoring the qualitative and quantitative parts bonus criteria at Authorized Dealers, and how they are achieved.
- Fulfilling the obligations of DOAS and Authorized Aftersales Services born of environmental legislation, and reducing our environmental impact as part of our corporate responsibility.

### Improving quality focused business approach

The priority goals of Spare Parts and Logistics include:

- Adopting the role of a strategy setter in spare parts activities, creating a vision and sharing it with brand representatives, and thereby adding value to the group brands' market share growth.
- Achieving operational excellence in the speed/quality/cost axis with employee participation.
- Pioneering digitalization investments to create effective e-trade chain management (Industry 4.0) and implementing projects with the aim of continuous improvements in spare parts management systems.
- Reducing delivery times and costs to support new vehicle sales, and thereby enabling the organization to operate with lower stock costs.
- Seeking new opportunities in accessories marketing to increase sales volume, are among the prioritized goals of Spare Parts and Logistics.

In 2018, Spare Parts and Logistics imported 86,194 vehicles, and dispatched 104,136 vehicles to Authorized Dealers, ending the year with a total revenue of TRY 1,306.7 million generated by the sales of spare parts and accessories.

# 86,194

IN 2018, SPARE PARTS AND LOGISTICS IMPORTED 86,194 VEHICLES.



DOĞUŞ INSURANCE, WITH OVER 30 YEARS OF EXPERIENCE, PROVIDES ITS CLIENTS RELIABLE INSURANCE SERVICES THAT MAKE A DIFFERENCE.

# CORPORATE GOVERNANCE

## DOĞUŞ INSURANCE



**An experienced intermediary**  
Doğuş Sigorta Aracılık Hizmetleri A.Ş. (Doğuş Insurance), a subsidiary of Doğuş Holding ve Doğuş Otomotiv, was established in 1984 in order to provide insurance for the assets and commitments of Doğuş Holding companies in the best possible way in terms of cost and operation. Doğuş Sigorta continued to carry out its activities throughout 2018 in line with the principle of always providing excellent insurance services for Group companies and their employees, as well as other customers.

- All the insurance transactions of the Group companies, which operate in eight major industries including finance, automotive, construction, media, tourism and services, real estate, energy, and catering are pursued by Doğuş Insurance.
- Within the framework of the Doğuş Combined Insurance program, Doğuş Group companies have been offered significant coverage and premium advantages in terms of risk assessment and pricing in policies issued in 2018.

- In line with the operations of Doğuş Group companies in various industries, the range of insurance products offered was increased and risk assessments were updated in all the activities performed throughout the year.
- Doğuş Insurance, with a team of 6, increased its premium production to 30,800 policies with 10% increase in 2018.

### Growth to continue in 2019

Having continued to add value to its services by increasing its digital development and investments in 2018, Doğuş Insurance aims to continue its digital transformation investments in 2019 in line with the needs of the sector and customers.

# 30,800

DOĞUŞ INSURANCE INCREASED ITS PREMIUM PRODUCTION TO **30,800 POLICIES WITH 10% INCREASE** IN 2018.



# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

“Doğuş Otomotiv Servis ve Ticaret Anonim Şirketi” (Doğuş Otomotiv Service and Trade Corporation) has applied the Corporate Governance Principles issued by the Capital Markets Board of Turkey in the fiscal year that ended on December 31, 2018 in accordance with the following explanations.

## 1. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

In the fiscal year that ended on December 31, 2018, the Company has adopted the principles of equality, transparency, accountability and liability in accordance with the Corporate Governance Communiqué (“Communiqué”) No: II-17.1 issued by the Capital Markets Board of Turkey and published in the Official Gazette No: 28871 on 3 January 2014. According to the statement of the Capital Markets Board of Turkey in its bulletin no. 2018/1 dated 8 January 2018, the Company is listed among the BIST 2<sup>nd</sup> Group Companies. Following an evaluation of 401 criteria defined in the methodology prepared by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş., it has been determined that the Company has complied with the Communiqué to a great extent. The Company's Corporate Governance Rating, which was 96.32 (9.63 out of 10) as of 15 December 2017 rose to 96.41 (9.64 out of 10) on 17 December 2018 as a result of the constant improvement efforts by the Company.

This outcome demonstrates that the risks that may threaten the Company have been largely identified and are under control and that the rights of shareholders and stakeholders are justly protected. Furthermore, a high level of performance has been attained in terms of public disclosures and transparency. In this respect, the structure and working conditions of the Board of Directors comply with the Corporate Governance Principles.

SUB CATEGORIES	WEIGHT	RATING
Shareholders	0.25	96.02
Public Disclosures and Transparency	0.25	97.67
Stakeholders	0.15	95.95
Board of Directors	0.35	95.98
<b>TOTAL</b>	<b>1.00</b>	<b>9.64</b>

The Corporate Governance Rating Report is available on the corporate website and can also be accessed via this link: <http://www.dogusotomotiv.com.tr/en/investor-relations/investor-relations/corporate-governance/reports/kobirate-corporate-governance-compliance-rating-report>.

Overall, the Company fully complies with all mandatory principles in the Communiqué as well as most of the non-mandatory principles and continues to further improve its Corporate Governance efforts. No conflict of interest has arisen due to the below listed issues, which are not yet implemented and remain outside the scope of principles currently applied.

Even though there are no provisions or applications in the Articles of Association concerning the issues mentioned below, the Turkish Commercial Code, the Capital Markets Law and relevant regulatory provisions are applied.

Diligence is paid to the exercise of minority rights. However, broadening the scope of rights and extending these rights to shareholders holding less than one-twentieth of the capital of the corporation are not included in the Articles of Association.

Support mechanisms and models have been devised to ensure the employees' and stakeholders' participation in the management of the Company. Detailed information is provided in Article 4.2 (Participation of Stakeholders in Management).

Within the scope of the Board of Directors Selection Criteria stipulated by the Board's resolution no 2016/69 dated 9 December 2016, pursuant to the proposal of the Remuneration and Nomination Committee, formed by the Board of Directors of the Company in accordance with the Capital Market Board's Corporate Governance Principles, the number of female members to serve on the Board has been raised to three (3) by the General Assembly resolution on 29 March 2018. As a result, the target set has been met and the female member ratio in the Board has reached fifty percent (50%).

Even though self-criticism and performance assessments are carried out on the Board of Directors, members are neither awarded nor discharged from their duties as a result of these evaluations. However, participation of the Board Members in the Board of Directors and Committee meetings, their contributions, and sharing of knowledge, knowhow and experience are taken into account, and the performance of the Board of Directors as a whole is assessed biannually. The Remuneration and Nomination Committee, during its meeting on 4 October 2018, has resolved that “Assessment and interview of the Board of Directors be held the following year (in the October – November 2019 period) in order to review the performance of the new Board Members after they have completed a one year of service on the Board”.

Pursuant to Article 4.6.5 of the Corporate Governance Principles, all remunerations as well as all benefits provided to Board Members and executives with administrative responsibilities are disclosed to the public as an aggregate sum through the annual report.

Our current management practices are in compliance with the Corporate Governance Principles and in the event that we have plans in the future to make any changes within the framework of the Corporate Governance Principles, our stakeholders will be duly informed.

As in 2018, the Corporate Governance Principles will continue to be internalized in the upcoming period taking into account the relevant requirements and developments in the regulations and we will maintain our willing and resolute approach to creating solutions to areas that require compliance and improvement.

Corporate Governance Principles Compliance Report Template (URF) and Corporate Governance Information Form Template (KYBF) of our Company can be accessed from the Corporate Governance button on the Public Disclosure Platform. (<https://www.kap.org.tr/en/sirket-bilgileri/ozet/1391-dogus-otomotiv-servis-ve-ticaret-a-s>)

## 2. SHAREHOLDERS

### 2.1. Investor Relations Department

Relationships with shareholders are carried out by the Investor Relations Department in our Company. Investor Relations Department is composed of the following employees:

#### Investor Relations Department Manager and Corporate Governance and Sustainability Committee Member

**Halide Müge Yücel**

Capital Market Activities Level 3 License (207941)

Corporate Governance Rating Expertise License (701487)

#### Investor Relations Supervisor

**Bahar Efeoğlu Ağar**

Capital Market Activities Level 3 License (211136)

Corporate Governance Rating Expertise License (702008)

#### Investor Relations Contact Details:

Phone: +90 (262) 676 90 58-59

Fax: +90 (262) 676 90 96

E-mail: [investorrelations@dogusotomotiv.com.tr](mailto:investorrelations@dogusotomotiv.com.tr)



The Investor Relations Department is responsible for regularly disclosing information to shareholders and potential investors pertaining to the Company's operations, its financial standing and strategies, and for answering requests for information, except for publicly undisclosed or confidential information and trade secrets, in a manner that will not lead to information disparities. The Investor Relations Department serves as a bridge between the Company and the existing and potential investors based on two-way communication and mutual trust.

The Investor Relations Department has responded to all queries and applications received from shareholders throughout 2018 in a timely manner and without any discrimination by phone, email or in one-on-one meetings. Of the total meetings with 119 investment firms in 2018, 104 were conducted one-on-one, 11 as a group, and 4 as conference calls. In addition to attending 6 investor conferences and 11 roadshows in Turkey and abroad, the Department has also held 2 analyst group meetings and 2 teleconferences with multiple participants to inform analysts on our quarterly financial results. Furthermore, several meetings were attended in Abu Dhabi, Boston, Dubai, Frankfurt, Istanbul, London, Miami, New York, Prague, San Francisco, Singapore and Warsaw to provide information to corporate investors.

The Investor Relations Department continued its Investor Relations activities with a proactive approach in 2018. The "Investor Relations Activities and Strategic Plan" of the year ahead is prepared by the Department and submitted for approval to the Corporate Governance and Sustainability Committee and the periodic "Investor Relations Activities Information Document" relating to current activities is presented to the Committee for review. A comprehensive "Investor Relations Annual Report" is also prepared by the Department and presented to the Board of Directors once a year. Meanwhile the daily and weekly reports are consolidated and periodically presented by the Chief Financial Officer to the Board of Directors.

## 2.2. Exercise of the Shareholders' Right to Obtain Information

Previously provided and continuously updated information and disclosures, which may affect the exercise of shareholders' rights, are made available in English and Turkish for investors on the corporate website: <http://www.dogusotomotiv.com.tr/en/home>

Even though the right to request the appointment of a Private Auditor is not specifically regulated in the Articles of Association, Article 438 of the TCC stipulates, "each shareholder has the right to request from the General Assembly the appointment of a private auditor if necessary even when this is not part of the agenda, provided that the right to obtain and examine information has already been exercised with respect to the matter in question, and if the General Assembly agrees to this request, the company or each shareholder may apply to the commercial court with jurisdiction in the area of the Company's headquarters within 30 days for a private auditor to be appointed." However, there were no requests for the appointment of a private auditor during the reporting period. Company operations are periodically audited by an Independent Auditing Company appointed at the General Assembly.

## 2.3. General Assembly Meetings

The Ordinary General Assembly convened on 29 March 2018 at 10:00 a.m. at "Maslak Mahallesi, Ahi Evran Caddesi, No:4, İç Kapı No: 6, (Doğuş Center Maslak), Bentley-Lamborghini Showroom, Sarıyer/ İstanbul" to review the 2017 activities.

For the purpose of encouraging shareholders' attendance, the meeting was held at the location of the Company's headquarters as well as over the Electronic General Assembly System in a manner to minimize inequality among shareholders and the costs of their participation.

The call for the General Assembly Meeting, which was open to stakeholders and members of the media, was made in accordance with the Articles of Association and as required by law, and the announcement along with the meeting agenda was published in the Turkish Trade Registry Gazette No: 9529 on 5 March 2018. The Company also presented the financial statements, the annual report, independent audit reports, and the Board of Directors' proposal for the distribution of profit, as well as disclosures and statements required by Law and Corporate Governance Principles to the shareholders on the same date, all of which must be made available for the shareholders to review pursuant to Article 437 of the Turkish Commercial Code No. 6102.

At the Ordinary General Assembly, out of the total 220,000,000 shares- corresponding to a total share capital of TRY 220,000,000 - 18,970 shares were represented in person and 168,607,413 by proxy, totaling 168,626,383 shares.

Along with the General Assembly Meeting announcement, disclosure documents covering the General Assembly agenda items were also published on the corporate website. In this context, information on the total number of shares and voting rights showing the shareholder structure of the company, as well as information on whether or not there were any privileged shares in the Company's capital were disclosed to the shareholders. Information about the management and operations of the Company and its affiliates, as well as procedures that may cause conflicts of interest, transactions conducted with related parties, collaterals, pledges, mortgages and sureties were also included. In the drafting of the General Assembly agenda, the agenda items were phrased explicitly and in a manner not to cause different interpretations, taking utmost care not to use vague expressions such as "other" and "miscellaneous."

At the Ordinary General Assembly on 29 March 2018, shareholders exercised their rights to direct questions as set out in relevant legislation and these questions were answered immediately. Each agenda item was voted on individually and votes were counted and announced before the meeting ended. The meeting chairman, who presided over the General Assembly Meeting, ensured that the topics on the agenda were conveyed objectively and in detail in a clear and comprehensible manner and provided the opportunity for the shareholders to express their opinions and raise questions on equal ground. The meeting chairman also made sure that all questions, which did not fall into trade secrets, raised by the shareholders during the meeting were answered directly at the General Assembly Meeting. The questions posed and answers given during the meeting were recorded in the meeting minutes and disclosed to the public on the corporate website. The shareholders did not put in any written requests to the Investor Relations Department regarding the addition of an item on the meeting agenda. General Meeting minutes are open to shareholders on our website and can also be viewed at the Company headquarters.

The agenda of the General Assembly Meeting also included as a separate item the matter of whether or not to give permission to the shareholders with management control, Board Members, managers with administrative responsibilities, their spouses, and relatives by blood or marriage up to the second degree to conduct materially significant transactions that may cause conflicts of interest with the Company or affiliates, and/or conduct transactions on behalf of themselves or a third party in the same field of activity as the Company or its affiliates, or become an unlimited shareholder in a business that operates in the same field of activity as the Company or its affiliates. It was noted that no such transaction took place in the 2017 reporting period, and no information was communicated to the Board of Directors about persons who have the privilege to access Company information regarding their engagement in activities in the same field as the Company.

Pursuant to the provisions of the CMB Communiqué No. II-17.1, the General Assembly was informed about common and continuous exchange of assets, services and obligations between the Company and related parties, and the collaterals, pledges and mortgages that were given in favor of third parties, with the details included in the Annual Report and the notes in the Consolidated Financial Statements. The same information can also be found on the corporate website: <http://www.dogusotomotiv.com.tr/en/investor-relations/investor-relations/corporate-governance/subsidiaries-and-affiliates/transactions-with-related-parties>. In a separate agenda item, information was provided about the amount and the beneficiaries of the donations and support extended in the reporting period. Within the reporting period, Article 3 "Purpose and Area of Activity", Article 7 "Shares" and Article 16 "General Meeting of Shareholders" in the Company's Articles of Association have been amended and duly approved by the General Assembly after the necessary legal permissions were obtained.

## 2.4. Voting and Minority Rights

All of the Company shares are in bearer certificates and do not grant any rights to the Company's profits. The Articles of Association do not give any privileges concerning the exercise of the voting rights. Voting rights are exercised in the General Assembly in accordance with regulations on representation and voting manner. The CMB regulations on voting by proxy are fully upheld. All shareholders are provided with the opportunity to vote equally, easily and appropriately. The disclosure documents of the General Assembly contain information on the structure of the Company's shares, voting rights granted by shares and voting privileges. It is explicitly stated that one share gives one voting right and that no voting privileges have been granted to any shareholder groups. The Company does not have any cross ownership in another entity that would result in a controlling relationship.

There were no violations in the exercise of basic shareholder rights, such as the participation of minority shareholders in the General Assembly and proxy representation and no imposition of an upper limit in the

exercise of voting rights. Diligence is paid to the exercise of minority rights. There are no provisions in the Company's Articles of Association regarding the representation of minority shares in the management or cumulative voting method.

### 2.5. Dividend Distribution Policy, Time and Method

The Company's dividend distribution policy has been determined in accordance with the framework of principles and procedures laid out in the Turkish Commercial Code, Capital Markets Law and other relevant regulations, and Article 24 entitled "Determination and Distribution of Dividend", Article 25 entitled "Timing and Method of Dividend Distribution, Dividend Advances" and Article 26 entitled "Reserves" of the Articles of Association, taking into consideration the country's economy and the condition of the industry and by maintaining a balance between our shareholders' expectations and the needs of our Company. The Articles of Association include no privileges regarding profit sharing. Dividend distribution is determined by the General Assembly, based upon the proposal by the Board of Directors prepared taking into consideration the following principles.

#### a) Dividend Distribution Rate:

Without any prejudice to the rate and amount determined by the Capital Markets Board and on condition that there are no adverse circumstances in the country's economy or the industry that might affect Company activities, a minimum of 50% of the distributable profit, calculated in accordance with the Capital Markets regulations, is distributed. The Board of Directors may propose a different rate or amount to the General Assembly, following an assessment.

#### b) Method of Dividend Distribution:

The dividend distribution is made in the form of cash and/or bonus shares.

#### c) Timing of Dividend Distribution:

The date of dividend distribution is determined by the Board of Directors following the General Assembly, based on the dates specified in the regulation.

#### d) Dividend Advances:

The General Assembly may authorize the Board of Directors for dividend advances. The Board of Directors may distribute dividend advances, based on the year and limits of the authorization granted, taking into consideration the country's economy and the condition of the industry.

At the Ordinary General Assembly Meeting on 29 March 2018, distribution of gross TRY 143,000,000 from the 2017 profit in cash dividends was resolved.

### 2.6. Transfer of Shares

The Company's Articles of Association do not contain any practices that complicate the transfer of shares by shareholders or provisions that restrict the transfer of shares and the Company avoids practices that would complicate the free transfer of shares. Transfer of shares is conducted in accordance with the Capital Market Law, the Capital Market Regulations, and relevant provisions of the Turkish Commercial Code. The Company shares are not listed in international stock exchanges.

## 3. PUBLIC DISCLOSURE AND TRANSPARENCY

The Company's Disclosure Policy specifies how information and developments with respect to the Company's past performance and future expectations, except for trade secrets, will be disclosed. Accordingly, the Company has informed the public in a fair, timely, accurate, complete, easily accessible, comprehensible, interpretable and equal manner. In addition to pertinent provisions to the legislation, the Disclosure Policy also offers information about what will be disclosed to public, in which manner and what frequency, using which channels, and the method to be followed in answering questions directed at the Company.

The principles of disclosing information about the future are also included in the Disclosure Policy. Any forward-looking statement in public disclosures is provided together with the rationale and statistical data on which the estimates are based. Such information do not contain exaggerated and groundless predictions, are not misleading and are prepared in a manner relevant to the Company's financial standing and operational results.

The employees responsible for and authorized to sign the disclosures within the scope of public disclosure are: Kerem Talih (Chief Financial Officer); Engin Kaya (General Accounting Manager); Damla Çobanoğlu (IFRS/CMB Reporting Assistant Manager); and İlyas Akgedik (Accounting Assistant Manager). These persons are in charge of observing and monitoring all public disclosure related matters.

Material events containing internal or continuous information, circumstances and developments that might influence investment decisions are disclosed to the public in accordance with the CMB Communiqué No. II-15.1 and relevant regulations in a timely, complete, accurate, comprehensible and sufficient manner, free from any misrepresentations.

Pursuant to applicable regulations of BİAŞ and CMB, material event disclosures are submitted to the Public Disclosure Platform bearing an electronic signature and published on the corporate website under a separate heading. In 2018, the company made 49 material event disclosures.

### Material Developments After the End of the Reporting Term

#### Announcements and Material Event Disclosures from 31 December 2018 to 14 February 2019:

Latest announcements and material event disclosures made between the above-mentioned dates are detailed below:

#### 22 January 2019 – Regarding the term of Independent Director

An application has been filed with the Capital Markets Board to extend the term of Ms. Emine Gül den ÖZGÜL to serve as an independent member of the Board of Directors for a period limited to one (1) year only, considering her positive contributions to the Company's operations with her selfless and disciplined work, demonstration of strong ethical standards and having the required professional education, knowledge, experience and reputation to make decisions freely taking into account the rights of the stakeholders, and dedicating ample time to participate in company matters to fully deliver what is expected of her role.

### 3.1. Corporate Website

The Company's corporate website ([www.dogusotomotiv.com.tr](http://www.dogusotomotiv.com.tr)) is used as an active and effective platform for public disclosure and the information therein is regularly updated. The information on the website is consistent with the statements made in accordance with applicable regulations and provided in an easy-to-use format.

In addition to the mandatory information required by legislation, the corporate website also includes: trade registry information, the latest ownership and management structure, the Board of Directors, information on preferred shares, the most up-to-date version of the Articles of Association together with the dates and issues of the Turkish Trade Registry Gazettes in which these changes were published, material event disclosures, informative presentations for investors, financial statements, annual reports, prospectus, General Assembly Meeting agendas, lists of attendees, minutes of meetings, form for proxy voting, internal directives, Dividend Distribution Policy, Disclosure Policy, Remuneration and Severance Pay Policy, Share Buy-Back Policy, Grant and Aid Policy, Corporate Sustainability Policies, Human Resources Policy, the Company's Code of Ethics, as well as information requests from the Company, questions and notifications and their answers under the Frequently Asked Questions heading.

The ownership structure of the Company and the names of non-corporate owners with more than 5% shares after eliminating the effects of indirect and cross ownership were disclosed to public together with their privileges, share amounts and percentages. This information is made available on the corporate website and also offered in English for the benefit of international investors.

As required by the relevant provisions of the Capital Market Law, financial statements are disclosed on the Public Disclosure Platform simultaneously in Turkish and English. Disclosures in English are provided in a true, complete, direct, comprehensible and satisfactory manner and remain consistent with the Turkish version thereof as a summary, to the extent that the disclosure assists the beneficiaries in making a decision.

### 3.2. Annual Report

The Board of Directors has prepared the Annual Report in accordance with the Capital Market Law and CMB's Corporate Governance Principles and in a way that would help the public to obtain complete and



accurate information about the Company's activities. The Annual Report is disclosed to public on the Public Disclosure Platform (PDP) along with financial statements. The Annual Report is prepared in Turkish and in English and disclosed to the public on the corporate website. The annual reports of the last five years are also made available to the public on the website.

The annual reports include:

- Board Members' and senior executives' résumés, start dates and terms of their service
- Information on the Company's field of operations and position in the industry
- Information on the organization's financial resources and the qualification and amount of capital market instruments issued,
- Changes to the Articles of Association made during the reporting period and their reasons
- Statement of Responsibility in the Financial Reports,
- Corporate Governance Principles Compliance Report,
- Independent Auditor's Report regarding the Annual Report.

In addition to topics specified in legislation and other sections of the Corporate Governance Principles, the Annual Reports also include:

- Information on the duties that Board members and executives assume outside the Company
- Declarations of independence by the Independent Board Members,
- Members of the committees formed under the Board of Directors, and meeting frequency of these committees, working principles including the activities carried out and the Board of Directors' assessment of the committees' effectiveness
- Number of Board meetings during the year and attendance of Board Members in the meetings,
- Information regarding some legislative changes that may materially affect the Company's operations
- Information on legal actions brought against the Company and their possible consequences,
- Information on social rights of employees, their vocational trainings and other corporate responsibility activities regarding the Company's operations that have impact on community engagement and the environment,
- Links to Corporate Sustainability Reports that include information on the Company's performance within the scope of Corporate Sustainability Principles,
- Information regarding the requirement that prior approval must be given by the General Assembly to shareholders who have management control, members of the Board of Directors, managers with administrative responsibilities, and their spouses, relatives by blood or marriage up to second degree to conduct significant transactions with the Company or its affiliates that may cause conflicts of interest, to compete or conduct such transactions, along with other topics related to the Company.

## 4. STAKEHOLDERS

### 4.1. Keeping Stakeholders Informed

Doğuş Otomotiv Group's stakeholders, namely the customers, shareholders, employees, subsidiaries and affiliates, Authorized Dealers and Aftersales Services, suppliers, OEMs, government and social milieu, are informed on topics that are relevant to them. Information may be provided in the form of announcements of material events on the Public Disclosure Platform, minutes of General Assemblies, Independent Auditor Reports and financial statements, presentations made to individual and corporate investors, reports drawn up about the Company by third parties and Corporate Sustainability Reports, through print and digital media and by publishing them on our corporate website. Furthermore, the annual Corporate Sustainability Report covers detailed explanation about all the stakeholder engagement platforms that involve individual stakeholder groups. The Company carries out stakeholder engagement activities to create dialogue platforms with stakeholders, which directly affect and are in turn directly affected by our operations, to provide benefits for all parties, understand their expectations using a clear and transparent communication strategy, respond to these expectations and manage social and environmental impacts in line with stakeholder expectations.

As a routine operation, the company procedures are evaluated as instruments of daily workflow developed under the control of Process Management by taking into account the opinions of all related departments and brands and by considering the company strategy. For this purpose, the employees are notified through the dedicated intranet on the company-related issues they need to be informed about. In periodic management information meetings, highlights such as achievements, strategies and targets and the

company's roadmap are shared transparently with employees. Furthermore, queries or requests received by phone are promptly taken into consideration and necessary information is provided.

All financial reports and information open to public are disclosed by Doğuş Otomotiv Investor Relations Department in an accurate, complete, fair, valid and comprehensible manner.

Regarding the protection/use of assets, ensuring the company's security and detection/prevention of fraud, there are mechanisms in place to allow stakeholders to report these instances to the Early Risk Detection Committee or the Audit Committee.

### 4.2. Stakeholder Participation in Management

Channels for the participation of stakeholders in management are implemented while continuous enhancements are introduced within the Corporate Governance Principles framework.

**Shareholders:** Shareholders' participation in management and protection of their rights are ensured within the framework of applicable laws and regulations.

**Employees:** In addition to involving employees in decision-making mechanisms to the extent of their authority and responsibilities, online platforms have been established on the intranet for them to share their requests, suggestions and opinions. The contributions that employees provide as part of the Suggestion and Award System are reviewed by authorized teams and awarded when deemed necessary. The answers to the social, environmental and economic topics included in the employee satisfaction surveys to understand employee expectations are consolidated and published in the Corporate Sustainability Report and regularly presented to senior management. Activities of the Corporate Sustainability Team, composed of delegates from all departments, are regularly shared with the Corporate Governance and Sustainability Committee reporting to the Board of Directors.

**Customers:** An independent firm regularly conducts customer satisfaction surveys. Customer requests received by Customer Relations and the results of customer surveys are evaluated by the responsible departments and necessary updates are implemented. Furthermore, customers are informed of the Company's strategies and plans at Authorized Dealer events organized throughout the year. In line with the philosophy of serving more effectively, efficiently and with higher quality, regular meetings are held with stakeholders to shape corporate policies and decisions. Necessary actions are taken according to the evaluation of results as part of the engagement process.

Meanwhile, other shareholders - who are not controlling shareholders that directly take part in management - participate in management via General Assemblies.

### 4.3. Human Resources Policy

Doğuş Otomotiv, as a service company, derives its power from its human resource, which is accepted as a corporate value. Accordingly, in our Human Resources Policy, we emphasize the importance of attracting and working with employees who:

- Adopt the values of Doğuş Group (We sincerely solve, apply, and develop),
- Have the competencies required by the dynamism of the company,
- Are well aware of the significance of the customer,
- Are eager to learn and develop,
- Take efficiency as a reference within the company,
- Employ a system-oriented approach and
- Sustain long – lasting high performance.

In line with the Human Resources Policy, we also strive to contribute to their professional and personal development and assist them in realizing their full potential. In addition to the Human Resources Policy, we have also disclosed "Our Employee and Quality Work Environment Policy" which covers our targets in the following topics: employee satisfaction, occupational health and safety, sustainable employment, equal rights and opportunities for employees, open dialogue and transparent communication with employees and establishing platforms to enable direct communication with senior management.

The goal of in-house and outsourced human resources and employer brand activities is to ensure that we reach existing and potential employees most effectively. Doğuş Otomotiv maintains its place among the top 50 employers in Universum's annual "Turkey's Most Attractive Employers Survey" based on the valuations of students and professionals. In 2018, the Company rose to 31<sup>st</sup> place in the "Administrative and Economic Sciences" category.

#### 4.4. Code of Ethics and Corporate Sustainability

##### Doğuş Otomotiv Code of Ethics/Sustainability

Doğuş Otomotiv Code of Ethics, which was completed and implemented in 2012, provides detailed explanation of our ethical ways of business conduct and concerns not only the Company managers and employees but also our suppliers, authorized dealers, aftersales services and all the stakeholders we work with. Doğuş Otomotiv Code of Ethics is shared clearly with all our stakeholders in our Corporate Sustainability Report and on the corporate website.

The trainings organized in order for the employees to fully understand our Code of Ethics were planned following one-on-one Q&A sessions. Throughout the 2018 reporting period 139 employees of Doğuş Otomotiv received a total of 347.5 man/hours of Code of Ethics training during e-orientation. In the same period, a total of 22 Doğuş Otomotiv (DIM) employees received a total of 55 man/hours one-on-one Code of Ethics training. Informative activities to familiarize the Authorized Dealers and Aftersales Services with Doğuş Otomotiv Code of Ethics continued in 2018. Accordingly, authorized dealers and suppliers included within the scope of the Corporate Sustainability Report were instructed about the Code of Ethics in detail during info meetings.

##### Corporate Sustainability

Corporate Sustainability refers to the methods we use in developing solutions for the social, economic and environmental issues in our industry and our corporate behavior that encompasses all of our operations. Doğuş Otomotiv has been taking the necessary steps to undertake all its operations in line with its strategy of sustainability since 2009. Sustainability, which has become a component of all our business lines and units, is also a part of our corporate goals and vision.

- We believe in the importance of our employees' contributions in ensuring our existence as a strong and trustworthy corporation across all stages of the automotive value chain.
- We value the reputation of the brands we manage in the eyes of our stakeholders and ensure that this reputation grows in parallel with our performance in all of our areas of responsibility.
- We are aware that the right to safer, healthier, more environmentally friendly and more comfortable mobility is a part of social welfare.
- We ensure continuous development through dialogue platforms built on open communication, mutual respect and tolerant service with our employees, customers, Authorized Dealers and Aftersales Service Centers and all other key stakeholders.
- We regularly question our key stakeholders' expectations and cooperate with them to respond to these expectations in the best way possible.
- As one of the most important representatives of the international trust and quality approach in our country, we strive to constantly raise our stakeholders' awareness of and performance in this area.
- Through activities that younger generations will embrace and that will lead to changes in behavior, we draw attention to the vital importance of traffic safety.
- We plan, establish and implement policies to minimize the potential negative impact of our operations on the environment.
- We are well aware of the critical importance of our employees' social, mental and professional contributions for the Doğuş Otomotiv Group and consider their health and safety a top priority.

We have continued to carry out our activities in line with our sustainability approach in 2018. Some of key topics that stand out in our sustainability performance in 2018 are as follows:

- **Stakeholder Engagement and Materiality:** The second priority focus area study, which we first conducted in 2009 was renewed in December 2017 and a one-day workshop was held attended by managers from all departments of the Company. Priorities determined at the workshop were confirmed by the Corporate Governance and Sustainability Committee in 2018. Action plans and calendar will be created in 2019 regarding the priority areas.

- **Sustainable Supply Chain:** In order to make our procurement process more sustainable, we continued to work with Authorized Dealers and Services in 2018. With the addition of 11 suppliers instructed about sustainability in 2018, the number of suppliers included in the report rose to 18.
- **Work Ethics:** In 2018, Doğuş Otomotiv continued the comprehensive ethics code training program, first launched in 2015. The details of this topic are provided above under the heading Doğuş Otomotiv Code of Ethics/Sustainability.
- **Efficiency and Innovation:** 75 projects realized in 2018 led to nearly TRY 2,000,000 in savings. Throughout the year, 2,242 proposals were received for Doğuş Otomotiv and Doğuş Oto, 2,134 proposals were evaluated, 915 were approved and 812 were implemented. Additionally, 12 employees received lean leader training for four days in 2018. As part of the in-house training activities that aim to develop employees that recognize and solve the problem and strive to improve themselves, their workplace and the community for the better, 49 employees received a one-day Basic Lean Training in 2018, which provides information on the lean culture.



- **Traffic is Life!** The Company continues its social responsibility project "Traffic is Life!", launched in 2004, with a view to positively enhance the general responsibility, awareness and perception of society about traffic safety without interruption for 14 years. Detailed information about these activities in 2018 is provided in the Traffic is Life! section of our annual report.
- **Vocational High Schools:** Our cooperation with vocational schools with the aim of contributing to education and quality recruitment for employment continued comprehensively in 2018. Further information regarding our Corporate Sustainability activities are covered in greater detail in the General Information section under Article 4.13.4. Corporate Sustainability Activities.
- **Doğuş Otomotiv Volunteers Platform:** The processes and procedures of the platform, which was established to encourage employees as responsible corporate citizens to willingly participate in volunteering activities as part of community engagement, were defined and implemented in 2018. The platform started to operate in order to launch volunteering activities in 2019 in line with its areas of impact.

#### 5. BOARD OF DIRECTORS

##### 5.1. Board of Directors' Function

The Board of Directors has maintained the Company's risk, growth and return balance at optimal levels by making strategic decisions and managed and represented the Company by first and foremost protecting the long-term interests of the Company through rational and prudent risk management. Driven by the



Company's vision and mission, the Board of Directors has coordinated the operations performed by the executive body and at the same time overseen Company management's performance, monitoring how the Company's operations and activities complied with the legislation, the Articles of Association, internal regulations and policies. The Board is the highest authority in the Company for decision-making, strategy and representation.

#### Corporate Vision, Mission and Strategy

Doğuş Otomotiv has strived to balance profitability levels and market share in 2018 while ensuring that corporate strategies are applied. In the rapidly digitalizing automotive industry where technological developments play a significant role, the company regards digital transformation as a top priority in improving service quality and strengthening business processes. Accordingly, digital transformation works were initiated in cooperation with Boston Consulting Group (BCG) in 2018. This cooperation will enable Doğuş Otomotiv to review its critical business processes, identify development areas and further enhance our priorities, particularly in digitalization through value flow diagrams.

Our goal is to continue to strengthen our cost management in line with the Company's vision and mission, implement digital transformation in all possible business processes, create "fan customers" and become an efficient company that develops sustainably for our employees, business partners, customers and shareholders. With the need for fast and agile adaptation that new technologies require in the continually evolving global automotive industry, the Company will create a new roadmap in 2019 and determine its medium and long-term strategy.

#### Vision:

To provide innovative services beyond expectations.

#### Mission:

Doğuş Otomotiv is an automotive company with a customer-focused approach and deep insights into the industry, that understands stakeholder expectations, defines new requirements and delivers them with excellence, that possesses creative manpower and uses technology optimally to provide efficient and profitable services across the automotive value chain.

#### Strategy:

Our key corporate strategies are based on the following goals:

BE SIZABLE – BE CLOSE – BE CREATIVE

#### BE SIZABLE:

For Doğuş Otomotiv to achieve systematic, efficient and profitable expansion across the value chain in Turkey and to ensure career development of human resource.

#### BE CLOSE:

To acquire insights into the expectations of our stakeholders and particularly our customers and elevate our relations with them to levels of perfection beyond expectations as rapidly as possible; to establish effective systems to achieve operational excellence, monitoring and analyzing financial and operational position closely.

#### BE CREATIVE:

To create distinction and competitive edge through constant innovations based on a participative approach to product development, customer service and business concept; to develop actions and methods that will render the business in a "leaner, faster, affordable" manner with participation and teamwork in process improvement.

Since its inception, Doğuş Otomotiv, in line with its strategic plans, has focused on reinforcing its position in the industry, forming and expanding its Authorized Dealer and Aftersales Service network and improving awareness and reputation of the international brands it represents in the domestic market. Following the Company's initial public offering in 2004 as an importer and distributor of all the brands it embodies, the Company has evolved its strategy by focusing on the development and performance of its other core and automotive-related ancillary businesses with a local and global perspective.

We aim at being the first organization to implement newly developed applications using innovation and technology and creating synergy with our employees and other stakeholders based on the Company's sustainable and stable growth strategy. Therefore, we see it as our priority to work on new projects to continuously increase the quality of our core and automotive-related ancillary businesses. Furthermore, based on the knowledge and experience we have accumulated for more than 20 years, we intend to build on the success we attained by capturing opportunities and move forward.

Knowing that the long-term success of Doğuş Otomotiv can only be sustained through the ultimate satisfaction of our stakeholders, we have built our strategy on four pillars:

#### One Step Beyond Customer Satisfaction: Turning Customers into Fans!

With uncompromising customer satisfaction-oriented dynamic and attentive service approach, our strategy is to make our customers feel valued and offer high quality and creative service by attending to all of their demands and needs.

- Value and Care Center (DIM) that supports our brands at every stage of the customer lifecycle became operational in November 2014.
- In the upcoming period, we will work on being constantly connected with and accessible for our customers through "Connectivity" to generate quick and creative solutions in every instance of communication
- With a virtual showroom concept that offers a digital experience for customers, the "Audi Cities" represent the future of the current "store" culture; these life-size, virtual versions of all Audi models can be shown on giant LED screens.

#### Achieving Operational Excellence through Increased Efficiency!

Doğuş Otomotiv offers sales, aftersales service and spare parts services for 12 international brands at nearly 550 customer touch points and aims to continue its activities as Turkey's leader in automotive imports and distribution by achieving optimum profitability.

- Our internet-based and mobile device compatible software "Turkuaz", already used by Doğuş Otomotiv and all Authorized Dealers/Aftersales Services, adds value to the automotive processes by including manufacturers and suppliers as well and with constant software updates, it serves our digitalization targets significantly.
- The aim is to identify development areas through continuous measurement of quality standards at all customer touch points and to review the capacities of Authorized Dealers for the purpose of making revisions.
- The employee infrastructure will be reinforced for more efficiency as business volume in our Company increases and new technologies are integrated.
- Investment opportunities will be continually assessed for new business areas and the Company's development plans will be reviewed.
- Within the scope of Lean Management practices, necessary programs will be implemented to ensure that our employees contribute to the efficiency of business processes and savings-oriented process improvement programs will be launched.

#### Maintaining Leadership in the Automotive Market!

- The Company aims at maintaining its market leadership in the automotive industry and optimized operational profitability.
- The Company aims to enable the international brands it represents to perform successfully in Turkey and to benefit from those brands' value and competitive advantage to ensure sustainable growth with "creative service beyond expectations" vision and "customer-satisfaction oriented work" principle.
- The Company will continue to focus fully on domestic operations with a lean approach.

#### Fan Employees are Essential for Creating Fan Customers!

The Company offers a common culture for more than two thousand valuable employees, engages in innovative and sustainable human resources practices and carries out projects that improve employee experience and loyalty.

- The Company's employer brand "Bir'iz" (Together) gives the message of "we act together and make our mark", which is spread across the company through brand ambassadors.
- "GO - Development School", built on the basis of gamification-motivation for training, offers a digital platform where the focus is on employee experience, allowing employees to have fun as they develop, win rewards, write blog posts and perform mutual trainer-employee assessments. In this manner, employees are able to monitor their personal and professional development and training processes and improve their social engagement within the company.
- "GONK" seminars, launched in 2018 as part of the Training and Development activities, offered the employees development opportunities with mini seminars on various topics during lunch breaks.
- Talent management in our company includes a system based on potential and succession plans. Talents showing potential according to specific criteria are selected to participate in a series of training and development programs. Coaching and mentoring programs are also offered by the Company within the scope of Talent Management.
- With the biannual Employee Commitment and Satisfaction Survey conducted companywide, the employees' commitment to the company is scored based on the principle of confidentiality and development areas are identified. According to the results, action plans to improve employee commitment are created and the activities to be carried out during the year are also included in the executive level targets.
- In accordance with the activities of the "Equality at Work" platform, coaching and mentoring training is provided for women in the Company as they are offered opportunities to get prepared for the next management level. With this program, female employees are supported about managing their own impact, which contributes to their personal/professional development. Several other practices have been introduced to help women achieve better work/private life balance.
- With the DRIVE (Doğuş Otomotiv's Route is toward People and Education) team, the objective is to support the development of Doğuş Otomotiv authorized dealers with Doğuş Otomotiv's corporate structure and values and to integrate Human Resources processes to achieve sustainable success in customer satisfaction with business results. With DRIVE, investments are made for continuous improvement of employees working at authorized dealers and aftersales services. Within this scope, consultancy support is provided for the development of human resources processes at nearly 550 Authorized Dealers and Aftersales Service Centers where 7,500 employees work.
- An Employee Commitment Survey was conducted in 2018 by the "DRIVE" team among the Authorized Dealers and consequently development areas were identified based on the expectations of the employees at Authorized Dealers and action plans were created.
- Training and development activities such as expert guest speakers and seminars, personalized educational content, online trainings, development festivals and university collaborations; activities that support work-private life balance such as adjusting working hours, practices for female employees and gender equality and activities for employees' children; activities aimed at creating employee experiences such as personalized birthday gifts, festivals, happy hours, healthy lifestyle practices (dieticians, pilates, yoga) and artistic activities are carried out to make each employee feel valued and special.
- Employees' contributions to the Company's social responsibility projects are greatly appreciated. As part of the "Young Women's Development Project in Partnership with TEV", launched by the Human Resources department in 2018, a mentorship program aimed at students was created with the support of a group of TEV scholar female students and the female coaches who are part of the coaching and mentoring program within the company.

The programs that Doğuş Otomotiv develops and carries out to enhance employee experience and satisfaction are addressed in detail in the annual Corporate Sustainability Reports.

## 5.2. Board of Directors' Working Principles

The Board of Directors conducts its activities in a transparent, accountable, fair, and responsible manner.

The Board of Directors plays a key role in maintaining effective communication with shareholders and resolving possible disputes. For this purpose, the Board of Directors works in close cooperation with the Investor Relations Department.

While performing its duties and responsibilities, the Board of Directors engages in continuous and effective collaboration with executives. When deemed necessary, executives participate in the Board meetings. The responsibilities and duties of the Board members and executives are covered in Articles 9 through 13 of the Articles of Association.

The Board Members of the Company are covered by an umbrella insurance, the "Directors and Officers Liability Insurance Policy" by Doğuş Holding A.Ş. as insurer for an amount of \$25 million per annum against any damages resulting from their managerial misconduct that may have adverse financial consequences to the company.

With regard to the working principles and procedures of the Board of Directors:

- Administrative structure, duties and responsibilities of the Board of Directors
- Processes for calling Board members to meetings and preparation for meetings
- Information on the frequency and planning of annual meetings
- Method used to set meeting agenda
- Process of sharing information and documents with the Board members regarding agenda items
- Each member having the right to one vote,
- Obligation of the Board members to share information with one another, and of executives to inform the Board of Directors.
- Distribution of duties and responsibilities within the Board of Directors, and committees,
- Performance appraisal of the Board of Directors, and several other topics stated in the principles are adjudicated. In execution, this regulation is applied.

## 5.3. Structure of the Board of Directors

The Company's Board of Directors is made up of six (6) directors; one (1) chairman and five (5) members. In this respect, the rule of having at least five (5) directors to set up a Board is complied with. This number is sufficient for the Board to carry out efficient and constructive work and to effectively form committees and organize their activities. The Board of Directors has one (1) executive and five (5) non-executive directors. Most of the members are therefore in non-executive roles. On the other hand, two (2) members of the Board of Directors who are non-executive are also independent directors, as required by the Corporate Governance Principles. The independent directors have submitted to the Board of Directors their written declaration stating their independence within the framework of relevant legislation, Articles of Association and the criteria set forth in the Principles. Currently there are there (3) female directors serving on the Board. In its current state, the Company's Board of Directors consists of 50% female directors. On 28 November 2018, Doğuş Otomotiv was named the Company with the highest score in the "BIST Women Empowered Board Index" with 50% female director ratio.

The selection of Board Members in the Company complies with the qualifications mentioned in Chapter IV of the CMB Corporate Governance Principles and is carried out in accordance with the relevant articles of the Turkish Commercial Code.



The Board Members of the Company are Emir Ali Bilaloğlu, Gür Çağdaş, Koray Arıkan, Özlem Denizmen Kocatepe, Adalet Yasemin Akad and Emine Gülten Özgül. The Board of Directors was elected during the General Assembly meeting on 29 March 2018 and announced on PDP and Emir Ali Bilaloğlu was named Chairman. Due to the decrease in the number of directors on the Board and considering Chairman Emir Ali Bilaloğlu's long years of experience serving both as a Board member and also as CEO, it has been found appropriate that the positions of Chairman of the Board of Directors and CEO are filled by the same person. The two (2) independent directors on the Board are Adalet Yasemin Akad and Emine Gülten Özgül. At the General Assembly meeting on 29 March 2018, Emine Gülten Özgül was elected to serve one (1) year and the other directors for three (3) years on the Board of Directors.

In order to provide the newly appointed Board Members with more information about the company, a briefing and orientation program took place on 10 May 2018 with details about the current status of each business unit as well as their medium and long-term strategies and expectations.

The résumés of the Directors can be found on page 12.



**Declarations of Independence by the Independent Board Members:**

<p>February 26, 2018</p> <p><b>DECLARATION OF INDEPENDENCY</b></p> <p>I hereby declare my candidacy to serve as an independent member on the Board of Directors of Doğuş Otomotiv Servis ve Ticaret A.Ş. ("Company") within the framework of applicable legislation, the Company's articles of association, and the criteria set forth in the Communiqué of Corporate Governance Principles regulated by the Capital Markets Board, and confirm that:</p> <p>a) In the last five years, there has not been any relationship in terms of employment in a key management position with significant duties and responsibilities, or that would involve equity or materially substantial commercial transactions between the Company, the Company's related parties or corporate entities, which are related to shareholders with direct or indirect capital shares of 5% or more in the management and capital of the Company, and myself, my spouse, my blood or affinity relatives up to the second degree;</p> <p>b) In the last five years, I have not had held shares (of 5% or more) in, or been employed in a key management position with significant duties and responsibilities by, or served as a board member for any company, which the Company procures from or supplies to any goods or services at a substantial level under any respective contract, involving Company audit in particular (including tax inspections, legal inspections and internal audits), rating and consultancy services during the provision of such goods or services;</p> <p>c) I possess adequate professional training, knowledge and experience to fulfill the duties I will assume as an independent board member;</p> <p>d) In compliance with applicable legislation, I will not work full time for public institutions and organizations except as a faculty member in universities after my election as an independent board member;</p> <p>e) I qualify as a resident in Turkey under the Income Tax Law;</p> <p>f) I possess strong ethical standards, professional reputation and experience to provide positive contributions to the Company's operations, to maintain my objectivity in case of any conflicts of interest that may arise between the Company and its shareholders, and to make independent decisions taking into consideration the rights of the stakeholders;</p> <p>g) I will be able to devote time to the extent required to follow the functioning of the Company and to fully perform my duties;</p> <p>h) I have not served on the Board of Directors of the Company for more than six years in the last decade;</p> <p>ı) I do not serve as an independent member on the Boards of Directors of more than three companies in which the Company or the shareholders that have management control over the Company have management control, and in total more than five companies listed on the stock exchange, and that</p> <p>j) I have not been registered and announced to represent the legal entity elected as a board member.</p> <p>Sincerely,</p> <p><b>EMİNE GÜLDEN ÖZGÜL</b></p> 	<p>February 26, 2018</p> <p><b>DECLARATION OF INDEPENDENCY</b></p> <p>I hereby declare my candidacy to serve as an independent member on the Board of Directors of Doğuş Otomotiv Servis ve Ticaret A.Ş. ("Company") within the framework of applicable legislation, the Company's articles of association, and the criteria set forth in the Communiqué of Corporate Governance Principles regulated by the Capital Markets Board, and confirm that:</p> <p>a) In the last five years, there has not been any relationship in terms of employment in a key management position with significant duties and responsibilities, or that would involve equity or materially substantial commercial transactions between the Company, the Company's related parties or corporate entities, which are related to shareholders with direct or indirect capital shares of 5% or more in the management and capital of the Company, and myself, my spouse, my blood or affinity relatives up to the second degree;</p> <p>b) In the last five years, I have not had held shares (of 5% or more) in, or been employed in a key management position with significant duties and responsibilities by, or served as a board member for any company, which the Company procures from or supplies to any goods or services at a substantial level under any respective contract, involving Company audit in particular (including tax inspections, legal inspections and internal audits), rating and consultancy services during the provision of such goods or services;</p> <p>c) I possess adequate professional training, knowledge and experience to fulfill the duties I will assume as an independent board member;</p> <p>d) In compliance with applicable legislation, I will not work full time for public institutions and organizations except as a faculty member in universities after my election as an independent board member;</p> <p>e) I qualify as a resident in Turkey under the Income Tax Law;</p> <p>f) I possess strong ethical standards, professional reputation and experience to provide positive contributions to the Company's operations, to maintain my objectivity in case of any conflicts of interest that may arise between the Company and its shareholders, and to make independent decisions taking into consideration the rights of the stakeholders;</p> <p>g) I will be able to devote time to the extent required to follow the functioning of the Company and to fully perform my duties;</p> <p>h) I have not served on the Board of Directors of the Company for more than six years in the last decade;</p> <p>ı) I do not serve as an independent member on the Boards of Directors of more than three companies in which the Company or the shareholders that have management control over the Company have management control, and in total more than five companies listed on the stock exchange, and that</p> <p>j) I have not been registered and announced to represent the legal entity elected as a board member.</p> <p>Sincerely,</p> <p><b>ADALET YASEMİN AKAD</b></p> 
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**5.4. Board of Directors Meeting Procedures**

The Board of Directors meets whenever company business makes it necessary. The Board is required to meet at least once a month. The Articles of Association includes provisions on the number of meetings and quorum for Board meetings. Board meeting dates are set at the beginning of each year and announced to all participants. Pursuant to the working principle of the Board of Directors, relevant information and documentations are shared with the members three days in advance of the meeting. The Board of Directors convened 12 times in 2018, all of which were attended. In the absence of some members, they were duly informed and their opinions were taken in accordance with the general principles. Topics addressed in Board of Directors meetings are recorded as minutes of the meeting and saved. Board Members have the right to declare different opinions on any subject and to get their reservations recorded in the minutes. The Company's operational results, performance indicators as well as financial, operational and sustainability targets are monitored regularly by the Board of Directors through monthly meetings.

Each member of the Board of Directors has the right to one vote and none of the members has a right to veto. The Board of Directors meetings are held in compliance with the legislation and the relevant sections of the Articles of Association.

Attendance ratios of the Board members in the Board of Directors Meetings in 2018 are listed below:

Attendance Ratios	
Emir Ali Bilaloğlu	100%
Gür Çağdaş	91%
Koray Arıkan	100%
Özlem Denizmen Kocatepe	91%
Adalet Yasemin Akad	100%
Emine Gülden Özgül	100%

**5.5. Committees Formed under the Board of Directors**

Audit Committee, Corporate Governance and Sustainability Committee, Early Risk Detection Committee and Remuneration and Nomination Committee have been formed in order for the Board of Directors to fulfill its duties and responsibilities in a healthy manner. Separate Nomination and Remuneration Committees have not been established due to the structure of the Board of Directors, and their duties are fulfilled by a single Remuneration and Nomination Committee.

Duties, working principles and members of the Committees have been determined by the Board of Directors, publicly disclosed through approved written documents and announced on the corporate website. All members of the Audit Committee are independent Board Members. Among the Corporate Governance and Sustainability Committee, the Early Risk Detection Committee, and the Remuneration and Nomination Committee, at least one Committee Head is an independent Board Member while the Chairman/CEO does not serve on any of these committees.

The Board of Directors has provided the Committees with all kinds of resources and support required to fulfill their duties. Committees may invite the independent specialists and related executives to the meetings to obtain their views on matters that they find necessary with regard to their operations. Committee reports have been evaluated by the Board of Directors, and necessary actions taken by our Company.

**AUDIT COMMITTEE****Emine Gülden Özgül (Head of Committee – Independent Board Member), Adalet Yasemin Akad**

The Audit committee, consisting of Independent Board Members as defined by the CMB's Corporate Governance Principles, carries out its activities according to the Audit Committee Bylaws approved by the Board of Directors. The Committee assists Board of Directors in the oversight of accounting, auditing, internal control system and financial reporting.

In this respect, the Audit Committee, on behalf of the Board of Directors, defines methods and criteria for internal audits, effectiveness and sufficiency of internal control and risk management, functioning of the accounting and reporting systems in accordance with the Capital Markets Law and the principles therein, integrity of information, confidential assessment and resolution of complaints made to the Company regarding the internal control system and independent auditing and discretion in evaluation of notifications.

In addition to public disclosure of financial information and regular monitoring of independent auditing activities, the Audit Committee also reports its findings as a result of its own duties and responsibilities and evaluations to the Board of Directors.

The Audit Committee provides written information about its evaluations with regard to the veracity and accuracy of the annual and interim financial statements to be disclosed to public, supported by the opinions of the Company's responsible executives and independent auditors. Accordingly, three (3) written briefs were presented to the Board of Directors in 2018.

The Committee convened ten (10) times in 2018, including one (1) joint meeting with the Early Risk Detection Committee. During the presentations by the Internal Audit Department, the Committee was informed about internal control, risk management, governance and sustainability processes as a result of audits and the decisions reached were recorded in the minutes of the Committee meeting. The Committee Members gave three (3) presentations to the Board of Directors in 2018 about audit findings.

**CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE****Adalet Yasemin Akad (Head of Committee – Independent Board Member), Gür Çağdaş, Koray Arıkan, Hasan Hüsnü Güzelöz, Halide Müge Yücel**

The Corporate Governance and Sustainability Committee identifies whether or not Corporate Governance Principles are applied, the reasons if not and conflicts of interest that may arise due to lack of compliance and fulfills its public disclosure duty with the Corporate Governance Compliance Report. The Committee also informs the Board of Directors on preventive/remedial measures for ensuring the implementation of sustainability principles, areas of opportunity and operational results. The Committee consists of five (5)

members, including the Head of the Committee, who is an Independent Board member and two (2) non-executive Board members, with the fourth member the Manager of the Investor Relations Department and is an appointed member of the Corporate Governance and Sustainability Committee, pursuant to the CMB Communiqué No. II-17.1.

When the Corporate Governance and Sustainability Committee consists of two members, both of the members should be non-executive, whereas if there are more than two members, then the majority of the members should be non-executive. Currently, the Committee complies with the Corporate Governance Principles in terms of its formation. The Committee has convened four (4) times in 2018 and regularly reported its findings and resolutions to the Board of Directors.

#### EARLY RISK DETECTION COMMITTEE

**Emine Gülden Özgül (Head of Committee – Independent Board Member), Koray Arıkan, Gür Çağdaş, Hasan Hüsnü Güzelöz**

The Early Risk Detection Committee consists of four (4) members, with the Head of the Committee an independent director. The Committee was severed from the Corporate Governance and Sustainability Committee as of April 2013 and its working principles were established. The Early Risk Detection Committee fulfills its duties and responsibilities in accordance with the legislation. The Committee, formed for early diagnosis of causes that threaten the Company's existence, development and continuity, taking precautions/remedies for their prevention, and managing risks, is responsible to run and develop the system. The Committee held a total of four (4) meetings in 2018, including one joint meeting with the Audit Committee. The Committee also presented regular reports of risk assessments to the Board of Directors every two months and shared the said reports with the auditor as well.

In 2018, upon the Early Risk Detection Committee's proposal and the Board of Directors' agreement, a resolution was reached to form a Compliance Committee as a sub-committee to report to the Early Risk Detection Committee. The objective of the Compliance Committee is to provide realistic, comprehensive, timely and reasonable assurance for the structure and possible effects of the financial, operational, strategic and legal processes to help the Company drive toward its goals. The Compliance Committee is tasked with ensuring compliance with legal requirements for the protection of the Company and its brands as well as improving commitment to the Company's internal policies, ethical principles and values.

#### RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

Corporate Risk Management, which we established to revise and assess methods of defining volatilities in a timely and adequate manner and to take remedial measures in accordance with the objectives of our Company's overall code of conduct, continues to evolve into a corporate culture that extends from the governing body to entry-level employees.

The Financial Control Department, operating under the General Directorate of the Chief Financial Officer as a consequence of the importance we attach to risks in the Company, was restructured in May 2015 as the Financial Control and Risk Management Department. By addressing the complementary nature of risk and control concepts together under the same roof, we maintain our goal of creating one single responsibility center and a common language. In line with this objective, a direct, comprehensive and integrated service is provided for the Early Risk Detection Committee as the command center for effective risk management, with full support to the oversight duty of the Committee.

Our risk composition, considered on the basis of probabilities and possible effects of processes and scenarios, has been redefined and expanded to include our growing sensitivity for health, safety, environment, business continuity, and sustainability in the recent years. Risk measurement and assessment parameters, the use of common terminology, business continuity approach, as well as all related reporting and shareholder information activities also continue to be reinforced accordingly.

The revisions we have made in accordance with our changing organization and the current environment in which we operate are aimed at controlling and managing the risks following their analysis in line with the objective of the internal control system. Managerial bodies, including relevant committees and executive

management plan the necessary measures to be taken for assurance in accordance with our Company objectives and address and monitor them through authorized channels.

#### REMUNERATION AND NOMINATION COMMITTEE

**Adalet Yasemin Akad (Head of Committee – Independent Board Member), Özlem Denizmen Kocatepe**

Relevant executives and managers are invited for a meeting based on the topic and asked to provide their opinions and input.

The Remuneration and Nomination Committee consists of two (2) members, with the Head an independent director. The Committee has convened four (4) times in 2018, and the issues identified in the meeting, the actions taken and the results obtained were presented to the Board of Directors.

Further to the guidance and efforts of the Committee in 2017 and parallel to the activities carried out, Executive Board Dynamics Assessment and Leadership Development Project – aiming to analyze the structure, function, strengths and development areas of the Executive Board and to present findings and recommendations to the Board of Directors – was finalized during the year under the coordination of an independent firm and presented to the Board of Directors. Within this context, the firm has conducted surveys, face-to-face interviews and a workshop. The Remuneration and Nomination Committee convened on 4 October 2018 to discuss the topic of “postponing the development program intended for Executive Board members due to the changes in the executive board memberships” and resolved that this program be put off to a later date.

#### HUMAN RESOURCES AND DISCIPLINARY COMMITTEE

**Emir Ali Bilaloğlu (Head of Committee), Gür Çağdaş, Koray Arıkan, Özlem Denizmen Kocatepe**

This committee has been formed by the authority of the Board of Directors to provide guidance for human resources practices and disciplinary actions, monitor the activities and make decisions on these matters. The committee convened twice in 2018.

#### 5.6. Financial Benefits Provided to the Board of Directors and Executives with Administrative Responsibilities

The remuneration principles for the Board of Directors and executives with administrative responsibilities have been put into writing, presented to the General Assembly for approval and disclosed electronically to the general public. In remuneration of independent members of the Board of Directors, payment plans such as dividend, stock options or payment options based on the Company's performance have not been considered. The remuneration of independent members of the Board of Directors has been set at a level to maintain their independence.

The Company has not extended loans or credit to any members of the Board of Directors or executives with administrative responsibilities, nor granted anyone any loan through a third party under the guise of personal loans, nor given securities on their behalf. Performance appraisals of the Board members have been conducted with the support of a professional organization using objective criteria.

The sum of financial benefits, including salaries and similar payments, health insurance and employer's contribution of social security, granted to the Company's governing bodies and executives with administrative responsibilities amounted to TRY 37,539 thousand in 2018.



# GENERAL INFORMATION

## 1. GENERAL INFORMATION

This Annual Report covers the period from 1 January 2018 to 31 December 2018.

### 1.1. General Information on the Company

<b>Company Title :</b>	Doğuş Otomotiv Servis ve Ticaret Anonim Şirketi
<b>Company Address :</b>	Maslak Mahallesi, Ahi Evran Cad. No: 4 İç Kapı No: 13 (Doğuş Center Maslak) Sarıyer / İSTANBUL
<b>Head Office :</b>	Şekerpınar Mahallesi, Anadolu Caddesi, No: 22 41420 Çayırova / KOCAELİ
<b>Phone :</b>	(0262) 676 9090
<b>Fax :</b>	(0262) 676 9096
<b>Corporate Website :</b>	www.dogusotomotiv.com.tr
<b>Founded on :</b>	19.11.1999
<b>Trade Registry No :</b>	429183 / 376765

### 1.2. Information on Capital Structure and Shareholding

As of December 31, 2018, no changes have occurred in the Company's issued share capital. During the reporting period, the Company has not increased its capital or issued any capital market board instruments.

Shareholder's Commercial Title	Share in the Capital (TL)	Share in the Capital (%)
Doğuş Holding A.Ş.	98,946,629	44.98
Doğuş Araştırma Geliştirme ve Müşavirlik Hizmetleri A.Ş.	66,638,086	30.29
Doğuş Otomotiv Servis ve Ticaret A.Ş.*	22,000,000	10.00
Doğuş Sigorta Aracılık Hizmetleri A.Ş.	292	0.00
Free Floating Shares	32,414,993	14.73
<b>Total</b>	<b>220,000,000</b>	<b>100</b>

\* The Company maintains its own shares bought back from Borsa İstanbul A.Ş. in its own portfolio.

### 1.3. Privileged Shares

As of 31 December 2018, the current shareholding structure of the Company is described above and there are no privileged shares in the Company.

### 1.4. Managing Body, Senior Executives and Employees

In 2018, the Company has employed 907 blue-collar and 1,784 white-collar employees on average.

### 1.4.1. Information on Senior Executives and Board Members' Duties in 2018

Name Surname	Position	Starting Date	Term
Emir Ali Bilaloğlu	Chairman of the Board of Directors, CEO	29 March 2018	3 years
Gür Çağdaş	Vice Chairman of the Board of Directors, Corporate Governance and Sustainability Committee Member, Early Risk Detection Committee Member	29 March 2018	3 years
Koray Arıkan	Board Member, Corporate Governance and Sustainability Committee Member, Early Risk Detection Committee Member	29 March 2018	3 years
Özlem Denizmen Kocatepe	Board Member, Remuneration and Nomination Committee Member	29 March 2018	3 years
Adalet Yasemin Akad	Board Member, Head of Corporate Governance and Sustainability Committee, Audit Committee Member, Head of Remuneration and Nomination Committee	29 March 2018	3 years
Emine Gülden Özgül	Board Member, Head of Audit Committee, Head of Early Risk Detection Committee	29 March 2018	3 years

### 1.4.2. Employees with Senior Management Duties

Name Surname	Position	Education
Emir Ali Bilaloğlu	Chairman of the Board of Directors/CEO	M.Sc. in Engineering
Kerem Talih	Chief Financial Officer	Economics
Koray Bebekoğlu	General Manager Digital Transformation and Corporate Communications	Mining Engineering / MBA
Giovanni Gino Bottaro	General Manager VW Passenger Cars	Mechanical Engineering
İlhami Eksin	General Manager Scania, Thermo King, DOD Heavy Vehicles, Scania Industrial and Marine Engines	Economics
Anıl Gürsoy	General Manager DOD, SEAT, and Porsche	Business Administration
Kerem Galip Güven	General Manager Audi, Bentley, Lamborghini and Bugatti	Tourism and Hotel Management
Mustafa Karabayır	General Manager Spare Parts and Logistics	Geology Engineering / M. Sc. in Civil Engineering
Ela Kulunyar	General Manager Human Resources and Process Management	Business Administration
Tolga Senyücel	General Manager VW Commercial Vehicles	Business Administration / MBA

## 2. REMUNERATION OF THE BOARD MEMBERS AND SENIOR EXECUTIVES

Information pertaining to the remuneration of the governing body members and senior executives may be found in the Corporate Governance section under Article 5.3 Financial benefits provided to the Board of Directors and Executives with Administrative Responsibilities.

### 3. RESEARCH AND DEVELOPMENT ACTIVITIES

The Company has not carried out any research and development activities in 2018.

### 4. MATERIAL DEVELOPMENTS REGARDING COMPANY OPERATIONS

#### 4.1. Investments

The Company has invested TRY 179,392 thousand in fixed assets in 2018, including vehicle purchases, showroom renovations, service equipment, and Kartal investment costs.

#### 4.2. Internal Control and Internal Audit Activities

The internal control and internal auditing activities are carried out to ensure effective, reliable and seamless management of the Company's services and assets as a secure environment is created to ensure the integrity and consistency, timely availability and protection of information.

With internal control practices as an integral part of our policies and procedures, our objective is to protect the rights of shareholders and stakeholders, ensure that the Company's financial and non-financial information are realistic and accessible, comply with legislation and the Articles of Association and carry out operations effectively and efficiently. Given that internal control is an ongoing activity and its assessments provide an instant view of the system, our existing structure has been reinforced with three lines of defense. The internal control system, conducted by executives and employees, constitutes the primary defense line while the Financial Control and Risk Management activities, which have been restructured under the General Directorate of the Chief Financial Officer, create a second line of defense. Functioning directly at operational level, Financial Control and Risk Management acts in coordination with the other control units such as Internal Audit and Legal. Our third and final line of defense is composed of our internal audit activities.

The Internal Audit Department reports to the Audit Committee and operates in accordance with the legislation and international standards. The department regularly and systematically audits and reviews the Company processes and internal control activities according to a risk-based annual audit plan approved by the Board of Directors. The Audit Committee held ten (10) meetings including one (1) joint meeting with the Early Risk Detection Committee throughout 2018 to discuss and review the independent audit results and the regular audits, inspection and investigations carried out by the Internal Audit Department.

The Internal Audit Department, taking utmost care to comply with international standards of internal audit activities, evaluates development opportunities by considering senior management expectations and similar industry practices. In this respect, studies for the audit of Information Technologies were continued and follow-up audits were conducted in 2018. In addition, the ongoing continuous auditing, which commenced in 2016, has contributed to the effectiveness, efficiency and timeliness of audits by providing daily, weekly and monthly reporting through the system and by developing audit methodology that can generate results over all data instead of sampling. The objective for 2019 is to increase the weight of continuous audits in the regular audits.

### 4.3. Information on Direct and Indirect Subsidiaries and Share Ratios

Company Title	Area of Operation	Paid-in / Issued Capital	Company's Share in Capital	Monetary Unit	Company's Share in Capital (%)	Relation to Company
Doğuş Holding A.Ş.	Holding Company	856,027,050.00	31,839,470.00	TL	3.75	LONG TERM SECURITY
Vdf Sigorta Aracılık Hizmetleri A.Ş.	Insurance and Brokerage Services	2,000,000.00	80.00	TL	0.00	LONG TERM SECURITY
D-Auto Limited Liability Company	Vehicle Trading and AS Services – Iraq	150,000,000.00	150,000,000.00	IQD	100.00	SUBSIDIARY
Doğuş Oto Pazarlama ve Ticaret A.Ş.	Vehicle Trading and AS Services	45,000,000.00	43,288,270.00	TL	96.20	SUBSIDIARY
Doğuş Bilgi İşlem ve Teknoloji Hizmetleri A.Ş.	IT Infrastructure and Software	19,000,000.00	8,740,000.00	TL	46.00	AFFILIATE
Doğuş Sigorta Aracılık Hizmetleri A.Ş.	Insurance and Brokerage Services	1,265,000.00	531,232.00	TL	41.99	AFFILIATE
vdf Servis ve Ticaret A.Ş.	Automotive Products and Services	5,100,000.00	1,924,230.00	TL	37.73	AFFILIATE
Volkswagen Doğuş Finansman A.Ş.	Automotive Consumer Financing	180,000,000.00	86,399,987.00	TL	48.00	AFFILIATE
Yüce Auto Motorlu Araçlar Ticaret A.Ş.	ŠKODA Turkey Distributor	2,100,000.00	1,049,999.40	TL	50.00	AFFILIATE
TÜVTURK Güney Taşıt Muayene İstasyonları Yapım İşletim A.Ş.	Vehicle Inspection Stations	25,250,000.00	8,332,836.00	TL	33.00	BUSINESS PARTNERSHIP
TÜVTURK Kuzey Taşıt Muayene İstasyonları Yapım İşletim A.Ş.	Vehicle Inspection Stations	67,100,000.00	22,143,895.00	TL	33.00	BUSINESS PARTNERSHIP

Detailed information about the transactions performed during the year pertaining to Company's Direct and Indirect Subsidiaries is provided in the footnotes of the consolidated financial statements for the year ending on 31 December in the "Note 28: Balances and Transactions with Related Parties" section.

#### 4.4. Information on the Company's Share Buy-Back Policy and Program

In the event that the Board of Directors of Doğuş Otomotiv resolves to buy back its shares or accept them as pledge, all necessary public disclosures and announcements will be made pursuant to "Communiqué No: II-22.1 on Share Buy-Back", which was published in the Official Gazette No. 28871 on 3 January 2014.

The Company currently retains the shares, corresponding to 10% of its capital, traded on the stock exchange and bought back in 2016 in accordance with CMB regulations.

#### 4.5. Information on Private and Public Audits within the Fiscal Period

No private or public audits that could materially affect the company's operations during the reporting period have been carried out.

#### 4.6. Information on the Legal Actions Brought Against the Company, Actions that may Affect The Company's Financial State and Operations, and Their Possible Consequences

There were no cases brought against the Company within the reporting period that could affect the Company's financial state and operations.



#### 4.7. Information on the Administrative and Judicial Sanctions Imposed on the Company and its Managing Body due to Noncompliance with the Legislative Provisions

No administrative or judicial sanctions have been imposed on the members of the governing body due to practices against legislation within the reporting period.

The Company was previously fined TRY 3,652,011.20 in administrative fines on the grounds for device sales without tax labels and therefore violation of Article 3 of the Law on Revenues of the Turkish Radio and Television Supreme Board No. 3093. The Company exercised the right for advance payment discount and paid the fine and also filed a suit for cancellation of the said administrative fines. No administrative fines have been imposed on the Company within the reporting period that could affect the Company's operations pursuant to various legislation and as part of its regular activities.

#### 4.8. Information on Materially Significant Asset Acquisitions or Sales

Information on asset acquisitions or sales is provided in the footnotes of the consolidated financial statements of the years ending on December 31, under "Note 12 – Fixed Assets" and "Note 13 – Intangible Assets".

#### 4.9. Information on Possible Conflicts of Interest with Service-Providing Companies

During the reporting period, there were no conflicts of interest between the Company and other firms that provide investment consultancy, rating and other services. Diligent efforts are made to prevent conflicts of interest via agreements and intercompany activities in line with the Company's Code of Ethics.

#### 4.10. Information on Some Legislative Changes that may Materially Affect the Company's Operations

The following legislative changes with possible impact on the automotive industry have occurred during the reporting period:

- "Regulation on Land Transportation" published in the Official Gazette on 8 January 2018
- "Regulation on Vehicle Sales, Transfer and Registration Services" published in the Official Gazette on 31 January 2018
- "Regulation on Commercialization of Used Land Vehicles" published in the Official Gazette on 13 February 2018
- "Regulation on Market Oversight and Audit of Automotive Products" published in the Official Gazette on 22 February 2018
- "Communiqué on the Procedures and Principles to be Observed for Fulfilling Disclosure Obligation" and "Communiqué on the Procedures and Principles of Applying to Data Controller", both published in the Official Gazette on 10 March 2018; and the Personal Data Protection Board's resolution no. 2018/88 dated 19 July 2018 on the "Starting Dates of Registration Obligation", all under Personal Data Protection Law No. 6698
- Update on SCT rates by the Council of Ministers decree no. 2018/11542 dated 27 March 2018
- "Decree (No. 132) on the Readjustment of Special Consumption Tax Base Subject to Special Consumption Tax Rates of Specific Goods on List No. (III) annexed to Special Consumption Tax Code No. 4760" published in the Official Gazette on 24 September 2018
- "Communiqué (No. 2018-31/51) on the Amendment to Communiqué 32 (No: 2008-32/34) on Protecting the Value of Turkish Currency" published in the Official Gazette on 6 October 2018
- Pursuant to Presidential decree (No. 535) published in the fourth recurrent Official Gazette No. 30642 on 31 December 2018, extension of the deadline pertaining to "Regulation on Special Consumption Tax and Value Added Tax Rates" - which was effective until 31 December 2018 according to the Presidential Decree (No. 287) published in the Official Gazette No. 30581 on 31 October 2018 - to 31.03.2019
- "Regulation on the Amendment of the Regulation on Services for Tachograph Devices" published in the Official Gazette on 8 November 2018
- "Communiqué (No. 2018-32/52) on the Amendment to Communiqué 32 (No: 2008-32/34) on Protecting the Value of Turkish Currency" published in the Official Gazette on 16 November 2018

#### 4.11. Information on Attaining Targets Set in the Previous Terms and Fulfilling General Assembly Resolutions

There were no targets that the Company did not attain, nor any General Assembly resolutions unfulfilled by the Company during the reporting period. Detailed information on our Company's evaluation of 2018 may

be found in the General Information section under article "5.2. Operational and Financial Indicators" sub section "Evaluation of 2018 and Expectations for 2019".

#### 4.12. Information on the Extraordinary General Assembly

The Company did not convene an Extraordinary General Assembly in 2018.

#### 4.13. Information on Relations with Customers and Suppliers

##### 4.13.1. CRM - Customer Relations Management Unit

In order to manage customer experience in the best manner possible along the customer lifecycle based on innovations and changing dynamics, streamline and simplify customer communication processes with a proactive approach, design personalized offers and services based on centralized data management and analyses, reinforce the customers' confidence in the Company and the brands, plan actions to increase customer loyalty and maximize customer satisfaction, CRM (Customer Relations Management) Unit has been positioned under the Digital Transformation and Corporate Communication Department.

The key responsibilities of the CRM Unit include:

- Taking necessary actions and introducing developments to ensure that customer data are stored properly and kept up-to-date;
- Ensuring that a customer-oriented working concept is adopted as a corporate culture across the entire organization;
- Conducting internal and external customer satisfaction surveys (CSS, CSI, DSS) to improve processes, and measuring, evaluating and reporting results;
- Measuring and reporting the outcome of direct marketing activities (email, SMS, MMS, direct mailing and web) in response to the demands of authorized dealers and brands;
- Developing and carrying out analytical projects in collaboration with third parties for the brands, authorized dealers and aftersales services;
- Enriching available customer data with consumer data on social and digital media to ensure continuity, turning customer complaints received via social media into sales opportunities;
- Enhancing the customer recognition, monitoring and information functions in the Turkuaz system, which is used by all brands and Authorized Dealers, to make them more effective, simpler and more comprehensive as needed;
- Designing, managing and coordinating loyalty projects;
- Campaign management and communication activities on the loyalty platform;
- In processing personal data that customers share with the Company according to the Personal Data Protection Law, protecting the fundamental rights and freedoms of individuals, and particularly privacy of personal life, managing the processes in line with our obligations, and carrying out marketing activities aimed at the customers' specific areas of interest and needs within the framework of Permission Marketing Law and through the permitted channels;
- Coordinating collaborative projects for the benefit of our customers;
- Managing each step and stage in communication with the customer through contact mapping across every business and process where Doğuş Otomotiv brands engage with consumers;
- Delivering Customer Experience Management (CEM) training to our Authorized Dealers;
- Designing and managing sales and service campaigns and projects based on data analytics, conducting customer segmentation and loyalty-focused analyses and supporting integration of online and offline services.

The Customer Experience activities carried out in 2018 included:

Customer experience management involves the whole range of perceptions and emotions created as a result of the relations established with customers at each contact point we engage with them. In order to manage customer communications proactively and seamlessly by placing the customer at the center, the activities and steps in the pre-sales, sales and aftersales processes of the VW Passenger Car, Audi, Porsche, SEAT, Scania and DOD brands that Doğuş Otomotiv represents are monitored with customer contact maps.

Customer satisfaction surveys conducted by an independent research firm to follow up our customers' satisfaction levels have been converted from a structure that measures customer processes to a system – now called Customer Experience Management (CEM) – that measures customer experience. Accordingly, questions have been shortened and surveys have evolved into a system that focuses on obtaining the customers' reviews of their experiences with a view to transforming into one on one services in the future. As the need for phone calls decreases and online survey increase with the advent of digitalization, work on online surveys continued with the completion of infrastructure preparations for technological advances. As part of these works, system integration has been ensured to migrate customer data to the independent firm, and important steps were taken toward monitoring data quality. In 2018, more than 60,000 customers in total were interviewed with questions about their satisfaction with sales and aftersales services, and improvement measures were planned by relevant management units.

Doğuş Otomotiv joined the CEMTRIC portal, which is created by VW AG and used by all markets. The customers with negative statements have been tracked with CEM monitoring and systematically reported to VW AG via this portal.

In line with increasing use of mobile apps, our brands' communications and campaigns via the ZUBIZU loyalty platform continued in 2018. Companies from different industries offer numerous advantages for Doğuş Otomotiv customers on the ZUBIZU platform. The platform is also used as a channel offering communication opportunities to reach micro segments created according to specific criteria among Doğuş Otomotiv customers with exclusive promotions. Throughout 2018, we continued to partner with ZUBIZU and Shell for a fuel advantage program.

Aiming to create “Fan Customers” to increase the customers' loyalty to our brands and/or Doğuş Otomotiv, certain criteria were defined and customers that met these criteria were identified. In order to further improve these customers' satisfaction and reinforce their loyalty, the services are continuously enhanced by evaluating every touch point.

A “Value Segmentation” study has been launched for the purpose of getting to know Doğuş Otomotiv customers in terms of their sales and aftersales activities as well as various behavioral aspects to personalize all actions for individual customers and manage their lifecycles.

In order to increase the continuity of our customers' loyalty to aftersales services, big data on the Turkuaz system was analyzed, and churning customers that are most likely to stop coming to the aftersales services were identified using statistical modeling. After the pilot study with our SEAT brand was completed in 2017, all brands were included in the bonus systems at our Authorized Aftersales Services in 2018.

In order to conduct behavioral analyses by monitoring Doğuş Otomotiv customers' sales and aftersales activities, get to know customers better and take personalized action for individual customers, a project titled “Hot Lead” was launched with the aim of enhancing customer experience by directly calling the customers who visit/call the same or different Authorized Dealers but do not take action within 48 hours.

The infrastructure work on a project to enable our current and prospective customers, who are active in social media, to query the Turkuaz system with personal and social media account credentials was completed. Leveraging an advanced algorithm that evaluates customer resemblance rate within the scope of unified customer data, duplicate customer records have been significantly reduced.

Under the Personal Data Protection Law, a Web Permission Portal has been created and added to brands' websites where customers can edit their permissions for use of their personal data and direct marketing activities.

The Data Warehouse Renovation Project will offer multi-dimensional analysis opportunities, including first and foremost the creation of a Data Glossary, which aims to build common definitions and terminology among all the brands of Doğuş Otomotiv, as well as enabling users to generate their own reports, accelerating the reporting process and increasing performance. Work on Data Glossary as the first step of the project has been initiated and the project will be completed in 2019.

With the DMP (Data Management Platform) investment, work on unifying online and offline data of Doğuş Otomotiv companies started as we began to uniquely identify each customer under the right segments and by a single digital identity. Communication with customers, who opt in for communication on digital marketing touchpoints, is carried out on digital platforms based on their needs and areas of interest.

The Central Switchboard Project, which has been developed with the aim of setting up a modern switchboard system, will enable effective management of the increasing phone call traffic at our Authorized Dealers and allow faster and easier access to Authorized Dealers and Aftersales Services thanks to features such as customer recognition, voice recording and analysis, maximizing customer experience and satisfaction, call reporting and efficiency measurement, monitoring call durations and answering ratios on employee basis and enhancing the efficiency of sales consultants and service quality. After observing the product and service quality of different suppliers, the ideal solution will be determined and the project will be more widely implemented across Authorized Dealers.

#### 4.13.2. Value and Care Center (DIM)

Aiming to increase customer satisfaction in sales and aftersales services in line with the vision of “Creating Fan Customers,” the Company has brought together the previously outsourced services such as dialogue (care management), roadside assistance, and call center operations (surveys and bookings) under its own roof with a new quality concept. Named “Value and Care Center” (DIM) to highlight how much the customers are valued and cared for, the unit was structured under the Digital Transformation and Corporate Communications Department in November 2014 and set up at a separate location in Kavacık to deliver creative services beyond expectations, create positive customer experiences and increase the number of fan customers by promoting value and inspiring trust.

In addition to lending support to all our brands at every stage of customer lifecycle, DIM also continues to improve the quality and variety of its services through projects. The DIM operation that aims at bringing a service and quality standard to customer contact points makes it possible for brands and authorized dealers to follow consumer expectations and opinions transparently and in real time with its reporting functions.

DIM is conceived with the idea that not only customers but also employees need to feel valued. This is why the environment is designed to make employees feel valued and important, show initiative and participate in decision-making.

DIM provides the following services:

**1. Care Management (Dialogue):** Managing demands (requests, complaints, suggestions, gratitude, etc.) concerning vehicles of brands that Doğuş Otomotiv imports as well as authorized dealers and aftersales services, and meeting customer needs and expectations mean our customers receive the value and care they deserve. These demands are conveyed to DIM through various communication channels such as phone calls, email, live chat, social media and letters.

In 2018, DIM successfully responded to 174,050 dialogue calls, which correspond to a 3% decrease year on year while the average speed of answer (ASA) is at an impressive level of 15 seconds. Meanwhile, service level is rated 84%.

Customer emails answered totaled 36,577 with average email response time of 1 minute in 2018. DIM also held a total of 45,242 online chats and replied to 100,266 notifications on social media (twitter and facebook).

**2. Roadside Assistance:** DIM offers roadside assistance services for vehicles imported by Doğuş Otomotiv, VDF Insurance policyholders and VDF Fleet Rental vehicles' users. Primary goal of roadside assistance services is to enable customers to continue with their journeys. The aim is to make customers feel safe against adverse situations that may arise on the road and to reach them as quickly as possible to provide all-encompassing roadside assistance.

DIM responded to 265,183 calls for roadside assistance in 2018 while the average speed of answer (ASA) for these requests was recorded as 10 seconds. Service level was rated at 89%.



In 2018, the “emergency service” offered by DIM to its customers reached 25,722 in number with an increase of 16% year on year. This is a positive development in terms of solving the requests of the customer at the scene of the incident and ensuring seamless mobility.

Meanwhile, the “car towing services” offered to customers by DIM in 2018 decreased 19% year on year and amounted to 23,041 in number.

During these operations, DIM provided its customers with 4,306 temporary vehicles as another service.

The number of tickets opened for road assistance calls rose to 125,885 with a year on year increase of 6% in 2018.

Customer satisfaction with roadside assistance was rated at 90%.

**3. Surveys:** Surveys are conducted by calling customers to verify data and service quality with the aim of getting specific answers to scripted questions. The primary goal is to enable our brands to retain their current customers and proactively reach prospective buyers. Calling customers and recording data are essential in terms of managing CRM operations accurately and effectively to maximize sales opportunities with new and loyal customers and using potential and existing customers' data properly. DIM conducted surveys with 319,339 respondents for 25 different projects in 2018. The joint activities of the brands and the CRM department are supported by DIM and field studied are conducted by the survey team.

**4. Appointments:** Appointments are booked and planned for maintenance and repair works at Authorized Aftersales Services, which are the initial contact with the customer after a vehicle is sold. Attending to the customer's needs and expectations forms the basis of this process, which also involves coordination with the relevant Authorized Aftersales Service regarding workshop planning. Accordingly, the appointment line that serves DoğuŖ Oto in all regions received 305,404 calls, with 97,499 resulting in bookings for all brands in 2018. New projects are also carried out from time to time for DoğuŖ Oto in general or for specific regions.

**5. Used Vehicle Sales:** As part of used vehicle sales, the requests received from DOD customers through the website, social media and by phone about buying, selling and trading used vehicles and their insurance and financing conditions are analyzed, results are shared with the customers and contact is established between customers and authorized dealers. DOD calls decreased 37% year on year down to 19,974 in 2018.

While the world average for Service Level as one of the key indicators for the call center industry is 75%, DIM's score was 87% in 2018 as a total value for all units.

NPS surveys that evaluate customer representatives, service quality and the impressions left on the customers revealed a score of 86.1 points in 2018.

As a result of the quality measurement of DIM customer representatives, the quality of the calls with customer representatives was scored at 89.41 in 2018.

DIM always considers service excellence a priority and works on contract with towing companies operating in important and high-intensity areas, followed by quality measurements, which aim at higher service standards in terms of quality and efficiency.

The employees at DIM also contributed to this process with 121 suggestions in 2018, once again topping the list with the highest number of suggestions submitted within the entire organization.

DIM employees are offered a platform where they compete against each other on a monthly basis with the aim of offering a unique experience to their customers. The platform, named “Passion for the Road,” rewards the employee that creates the best experience for their customers. In 2018, 17 out of 34 candidates for unique customer experience received the “Passion for the Road” award.

## 6. Other applications:

**DİM Rent A Car (RAC):** Since 2015, DIM has been providing temporary car rental service for authorized dealers with VW and Audi brands to better serve our customers stranded on the road, allowing them to experience our upper segment vehicles such as VW Passat or Audi A4.

**D-Pedia Portal:** A new web-based FAQ portal has been set up to allow customer representatives to answer customer questions in a timely manner and to record these questions and problems in corporate memory.

**Online Performance Appraisal System:** The new software developed especially for DIM has been integrated into the performance appraisal system, informing customer representatives about appraisal results (call quality, tests, etc.) simultaneously as they are measured.

**Dialog Mobile App:** The first phase of DIALOG mobile app developed to meet customer expectations and deliver a unique customer experience has been implemented. When the customer is stranded on the road, their location can be identified through the app and communicated to the emergency service / towing company for immediate action. The location of the emergency service and the tow truck can be also monitored by the customers on their smart phones. The app helps the customers to benefit from roadside assistance services with one tap.

**Automated NPS Calls:** NPS calls to measure the satisfaction of customers from the DIM service were previously made by customer representatives and starting in 2017, these calls are made by the automated IVR system. This has resulted in savings in workforce and receiving more information from customers to develop and enhance processes.

In 2018, DIM continued using the Verint Speech Analytics system, which was implemented in 2017 with an important technology investment. In this system, all recorded calls are automatically converted to text using speech-to-text technology, and data mining methods are applied to these texts to conduct various analyses. The Speech Analytics system has contributed to DIM in terms of performance management, efficiency and marketing.

DIM holds the ISO EN 15838 Customer Management System certification, which is an international standard with industry requirements for Call Centers and granted to customer-oriented service providers; as well as ISO 10002 certification compliant with ISO 9001, a management approach that enables forming more useful and long-term relationships with customers and improves those relationships.

DIM implemented the Porsche Premium Customer Representative project launched by Porsche in 2018. As part of the project, the Dialog and Roadside Assistance calls made to DIM are answered by a dedicated consultant.

With the Positive Discrimination Project launched in 2016, DIM has implemented a new practice to provide faster service to people with disabilities, women and +60 age group among the customers they serve and to minimize their waiting times. Defining these customers in the system connected to DIM and the operator system enables them to be automatically taken to the front of the queue, with a sign appearing on the screen of the customer representatives about the customer's special case (female, +60, or disabled, etc.). This practice makes a difference in service both in terms of treating the customer and also service time.

## 7. Project-based Activities:

- Analyzing and reporting requests, complaints and demands received from the field and implementing improvement projects;
- Giving regular feedback to aftersales service teams regarding emergency services, contributing to the efforts for compensating for shortages and maintaining standards;
- Carrying out brands' customer relations projects [such as managing the Lead system, providing exclusive call center service for the VW Commercial Vehicles Premium project and similar projects such as Digiturk Portal, DMF leads, VW Shop, D-Gym, meeting periodical campaign demands (dost drive, etc.), and Scania Corporate operations];

- d. Updating customer data on project basis by calling customers of a specific brand or authorized dealer;
  - e. Developing projects for brands by taking part in their annual planning process;
  - f. Carrying out activities aimed at improving customer relations by observing customer experiences at authorized dealers that are open to improvement and making results available to the entire organization;
  - g. Carrying out training and motivation programs for emergency services and towing companies to improve processes and increase customer satisfaction.
8. DIM also manages the “CRM Scorecard”, a special project designed to measure the effects of CRM activities on brand performance.
9. Telemarketing activities (sales of accessories, warranties, etc.) are carried out by DIM as well.

4.13.3. Suppliers

Our cooperation with the suppliers that we count among our primary stakeholders is based on an understanding of building open and productive relationships. This is how Doğuş Otomotiv develops long-lasting collaboration with all suppliers.

The company, as the holder of ISO 9001:2000 certification by TÜV Germany, covering the Volkswagen, Audi and SEAT brands and the Logistics Center, regards customer satisfaction and quality as two of its most important values.

Doğuş Otomotiv exercises utmost diligence in selecting its suppliers. The businesses that meet the main selection criteria are audited on site. Based on the audit scores, the suppliers are then evaluated to determine whether or not they would be eligible to remain on the approved list. Those criteria also apply to companies yet to be included in the list.

The wide range of selection criteria includes holding TSI, ISO 9001 / TSI Quality Certifications, manufacturer's seal of approval, a current and industry-standardized Capacity Report by the Union of Chambers and Commodity Exchanges of Turkey and not having any outstanding tax liabilities, or debts to the Social Security Institution. Companies operating in 16 main services fields, including cleaning, catering, printing, printed documentation, personnel transportation, security, and textiles are regularly audited for their compliance with the selection and evaluation criteria.

In 2011, a supplementary protocol to the existing agreements with our suppliers was drawn up to ensure that economic, environmental and societal risk predictions in Doğuş Otomotiv's corporate responsibility vision were adopted by our suppliers. Eleven of our suppliers are included in the Corporate Sustainability Report as of 2018 and they have been informed about the monitoring of their sustainability performance.

In 2017, a survey was conducted to measure satisfaction of suppliers and internal customers. Furthermore, a Suppliers Day event has been organized to promote sustainability and corporate responsibility among our suppliers and raise their awareness. According to a Supplier Satisfaction Survey conducted in June 2018, satisfaction with Doğuş Otomotiv is rated at 96.94%

Doğuş Otomotiv also manages its supply chain in a very effective manner. The Company's supply chain management is presented in detail in Corporate Sustainability Reports and under Sustainability on the corporate website. (<http://www.dogusotomotiv.com.tr/en/sustainability/corporate-sustainability/sustainability-performance-of-suppliers>)

4.13.4. Corporate Sustainability Activities

BIST SUSTAINABILITY INDEX

For the fourth consecutive year, Doğuş Otomotiv has been included in the BIST Sustainability Index, composed of companies that are traded on Borsa Istanbul and that demonstrate the highest corporate sustainability performances, for the period from November 2018 to October 2019.

CORPORATE SUSTAINABILITY

Doğuş Otomotiv is committed to being an exemplary sustainable company both at home and in the world by generating ultimate sustainable and innovative solutions for its social and ecological stakeholders across the automotive value chain and also committed to manage its sphere of influence.

Our Corporate Sustainability strategy is built on managing our social and environmental sphere of influence and also becoming an indispensable and trustworthy business partner for our stakeholders by focusing on continuous growth across our value chain, and delivering outstanding performance with complete, timely and accurate service. We monitor and manage our performance by evaluating it according to the priorities set in line with our policies.

We, at Doğuş Otomotiv have defined our strategy of Corporate Sustainability by considering the requirements of global standards, our priorities directly related to our field of activities, and the expectations of our stakeholders. Corporate Sustainability is the method we use to determine the solutions we generate for the social, economic and environmental issues in our industry and our organizational approach to all of our operations.

STRATEGIC APPROACH

Ultimate Customer Satisfaction	Digital Transformation	Sustainability and Business Ethics	Employees	Stakeholder Engagement
Doğuş Otomotiv prioritizes ultimate customer satisfaction in all its services with the largest Authorized Dealer and Aftersales Service network in Turkey.	Adopting the operational excellence approach, Doğuş Otomotiv started its organizational restructuring process with the aim of shaping the future by defining customer expectations according to contemporary trends and redefining the value chain and established the Digital Transformation department in 2017.	We highly value the importance of integrating the Doğuş Otomotiv Ethical Principles and Code of Ethics into all of our business processes while achieving our targets. We address and manage sustainability with a holistic approach in all of our business strategies and policies.	As an organization that places human resources above all other assets, we consider being close to employees and improving employee loyalty one of the Company's priority topics.	At Doğuş Otomotiv, we build all of our activities on the basis of ethics, transparency and accountability and act in line with the same management culture in our relations with our stakeholders.

Doğuş Otomotiv has been releasing Corporate Sustainability Reports in compliance with the GRI (Global Reporting Initiative) since 2009. The corporate policies pertaining to the performance areas reported within this framework were studied by subcommittees composed of the Corporate Sustainability Work Group members in 2010, and the policies prepared were presented to and approved by the Corporate Sustainability Steering Committee. In 2017, existing priority areas were updated with the participation of members of the Corporate Sustainability Team and Corporate Sustainability Committee. Starting in 2018, performance is monitored according to these updated priority areas. Our policies, priority areas and performances thereof are published within the scope of Corporate Sustainability Reports and disclosed on our corporate website.

CORPORATE SUSTAINABILITY MANAGEMENT

At Doğuş Otomotiv, Corporate Sustainability management is organized to apply the principles of responsibility and accountability in all our business processes, to lead in areas related to sustainability and to promote guidance. We know that being a leader of sustainability at the Board of Directors and the Executive



Board level is critically important for integrating sustainability management and related performances into the culture, processes, and business relations of the Company.

We approach sustainability management systematically to understand the risks related to our activities and manage them proactively. Including meticulously calculated risks and their careful management in our business decisions brings long-term value for all of our stakeholders.

Corporate Governance and Sustainability Committee, reporting to the Board of Directors, monitors activities, sets targets and manages processes regarding sustainability. This committee determines whether or not corporate governance principles are implemented within the company, identifies the reasons if not and conflicts of interest that arise from not fully implementing these principles, and proposes improvements for these practices to the Board of Directors. Furthermore, the committee informs the Board of Directors about preventive/remedial measures to ensure the implementation of sustainability principles, areas that can create opportunities and results of the activities. The committee implements corporate governance principles and carries out management, advisory and coordination activities that relevant institutions and stakeholders may need in line with social, environmental, economic and ethical responsibilities of the Company. Moreover, the Committee may directly transfer parts of its duties and responsibilities by requesting a subcommittee directly reporting to it. This subcommittee should be composed of senior executives appointed by the Board of Directors. The subcommittee fulfills its duties and responsibilities with the support of a working group or commission formed by division managers of its own choosing, takes part in Committee meetings and reports directly and regularly to the Committee. The Corporate Sustainability Working Group, consisting of managers and employees from all departments of the Company, reports to the committee.

#### STAKEHOLDER ENGAGEMENT

As Turkey's leading automotive distributor, Doğuş Otomotiv's approach to corporate leadership, is based on its policy of taking stakeholder expectations into account in all decision-making processes and setting targets accordingly, and establishing continuous, transparent and regular communication with its stakeholders. Doğuş Otomotiv considers all platforms, where the Company engages with its stakeholders, who can express their expectations, as a natural part of the business processes.

As an organization that inspires confidence among the public with its size and standing, and embraces principles of corporate governance and ethics, Doğuş Otomotiv continues to succeed in all lines of business, managing its sphere of influence in accordance with global standards and fulfilling its responsibilities. The Company plays an active role in managing corporate communications and relations. Doğuş Otomotiv also presents information with a specific approach and steers industry-related developments. Aiming to stand close to its stakeholders, Doğuş Otomotiv complies with the principles of high business ethics and honest codes of conduct.

In terms of its business targets, strategic growth and social participation policies, Doğuş Otomotiv attaches great importance to being regarded as a company that values the views of its stakeholders, respects the protection of their best interests, identifies and monitors their expectations, offering creative services beyond expectations. In line with its pioneering position and leadership in the industry, Doğuş Otomotiv also plays an active role in the civil society institutions and industry-related trade organizations and makes necessary collaborations and also takes part in initiatives. Doğuş Otomotiv's corporate communications and relations are based on integrity, transparency, dialogue and willingness to provide information. The Company's communication strategies and practices are managed and carried out by the Digital Transformation and Corporate Communications Department. All the information that Doğuş Otomotiv shares with its stakeholders concerning the Company and its spokespersons are prepared by the Digital Transformation and Corporate Communications Department, using an accountable and transparent communication method based on the integrity principle.

#### Stakeholder Engagement Strategy

Doğuş Otomotiv's Stakeholder Engagement Strategy, focused on continuous and reciprocal communication, was determined by the Doğuş Otomotiv Corporate Sustainability Team through a number of workshops held in 2009. Every dialogue platform with key stakeholders is evaluated according to the feedback received. Doğuş Otomotiv's Stakeholder Engagement Strategy is based on raising awareness of social, environmental, economic and ethical responsibility areas, maintaining continuous and open communication, feedback and improvement performances in the medium and long term. Detailed information on Doğuş Otomotiv's

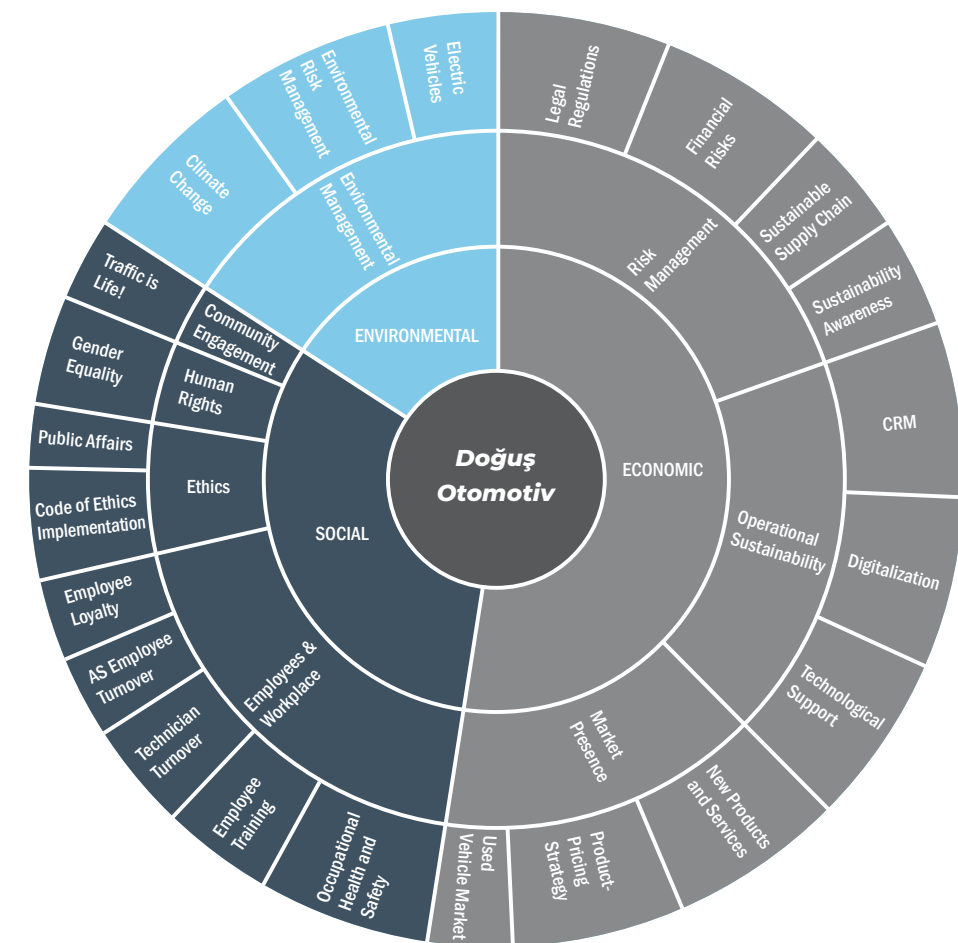
stakeholder engagement process management is disclosed in the annual Corporate Sustainability Report and in the Sustainability section on the website: <https://www.dogusotomotiv.com.tr/en/sustainability/corporate-sustainability/sustainability-home>

Considering stakeholder expectations and demands, Doğuş organized a workshop with the participation of the Corporate Sustainability Team members in December 2017 to review and update priority areas. Activities will continue in these priority areas aimed at meeting stakeholder expectations.

Starting with the 2017 Corporate Sustainability Report, Doğuş Otomotiv began to publish the United Nations Sustainable Development Goals, combining these 17 global goals with its sustainability strategy. Goals 1, 2, 3, 4, 7, 8, 10, 11, 12, 16 and 17, which correspond to the Company's operations and impact, are explained together with compliance and targets in the Doğuş Otomotiv Corporate Sustainability Report.

Doğuş Otomotiv disclosed details of its performance in the priority areas that were updated in December 2017 with wide participation to its stakeholders in the 2018 Corporate Sustainability Report.

#### Stakeholder Engagement Priority Focus Areas



As a result of the priority focus area study, priorities were grouped under eight key topics in social, environmental and economic aspects. The economic aspect includes risk management, operational sustainability and market presence while employee and workplace, ethics, human rights and community engagement were determined as the priority areas in social aspect. Environmental Management is the priority focus area of the Environmental aspect. Performance and goals related to priority areas are addressed in detail in the 2018 Corporate Sustainability Report.

**SUSTAINABLE ENVIRONMENT**

The automotive industry's ecosystem is undergoing massive transformation due to the changing expectations of consumers, technological developments at an overwhelming pace, globalization, new mergers and acquisitions, and partnerships. We are living in a new century when the way people approach mobility will also change rapidly. Multi-modal transportation systems are becoming more popular and smart vehicles that meet the environmental responsibility, safety and information needs of the consumers are in higher demand. Meanwhile, automotive companies are in intense competition to develop new business models that will help them in ensuring responsible growth. In this dynamic new age, Doğuř Otomotiv believes that the key to success in the next decade lies in customized mobility solutions, innovative sales techniques in retail industry and inclusive partnerships and collaborations in line with global regulations and practices. As a distributor within the automotive ecosystem, Doğuř Otomotiv increasingly builds on its environmental performance with the conviction that the companies that lead change are destined to become the companies of the future and commits to:

- Reinforcing customer confidence,
- Making a difference in impact through its network of Authorized Dealers and Aftersales Service Centers,
- Raising awareness of waste management and efficiency, and
- Using resources economically by recognizing the ecological environment as a key stakeholder.

Doğuř Otomotiv is further committed to managing medium and long-term risks that may stem from climate change and ensuring that the necessary improvements are made. Doğuř Otomotiv declares its Environmental Responsibility Policy, and performance in key areas annually in the Corporate Sustainability Report:

<http://www.dogusotomotiv.com.tr/en/sustainability/corporate-sustainability/sustainability-home>

**TRANSPARENCY AND ACCOUNTABILITY**

Doğuř Otomotiv has been openly reporting to the public its social, economic, environmental and ethical performance in its fields of activity according to international standards since 2009. The Company evaluates stakeholder feedback on how these activities were performed every year and duly sets targets for the next year. Our explanations about the sanctions and penalties, if any, imposed on our Company due to incompliance with the regulations are also stated in the GRI Index presented in our Corporate Sustainability Report. Doğuř Otomotiv's Corporate Sustainability Reports are available on our corporate website at: <http://www.dogusotomotiv.com.tr/en/sustainability/corporate-sustainability/sustainability-home>

**DOĞUŞ OTOMOTİV CODE OF ETHICS**

Doğuř Otomotiv published its Code of Ethics in 2012, describing its way of conducting business with all its stakeholders and aiming to create a perception about the future of our country and the world, spread this perception and deepen where necessary and act with the vision of setting an example for the whole community beyond the industries. With the Doğuř Otomotiv Code of Ethics, which became the first of its kind in Turkey not to be adopted from international sources but prepared according to global standards, the Company has pledged to uphold honest and ethical behavior in all its relationships with the employees, customers, business partners as well as competitors, and has documented this commitment. In this manner, the Company has once again emphasized that one of its primary goals is to be an honest, trustworthy and highly respected company, known for its unwavering commitment to ethical rules while successfully continuing to operate under the current economic conditions and competitive environment, and remaining the leader of the industry.

Doğuř Otomotiv continued to share its Code of Ethics with suppliers, business partners and third parties in 2018. In addition to 22 Doğuř Otomotiv (DIM) employees who received 55 man/hours of face-to-face Code of Ethics training, 139 employees were informed about Code of Ethics during 347.5 man/hours of e-orientation.

In the 2015-2018 period:

- 735 employees of Doğuř Otomotiv received 1,501.5 man/hours of training and
- 1,324 employees of Doğuř Oto received 2,168.5 man/hours of training (Code of Ethics trainings at Doğuř Oto were only provided in 2015).

Information on Code of Ethics was included in the 1,247.5 man/hours of e-orientation of 499 new employees that started in this period.

Doğuř Otomotiv Code of Ethics includes all the Company's commitments and policies on ethical matters and is published openly on the corporate website at: <http://www.dogusotomotiv.com.tr/en/sustainability/corporate-sustainability/governance-risk-management-ethics/ethics/dogus-otomotiv-code-of-ethics>

**EMPLOYEES: OUR PRIORITY STAKEHOLDERS**

Doğuř Otomotiv believes that its greatest strength that would sustain the business and help the Company continue to provide strong, ethical and high-quality services in the future lies in its employees.

Doğuř Otomotiv is well aware that its employees, whom the Company regards as its key stakeholder, can become indispensable contributions to both the society and the Company value by reinforcing the effective work processes with a sense of responsibility. With the policy published in the 2010 Corporate Sustainability Report and the corporate website, Doğuř Otomotiv has declared that its employees and the decent work environment provided for them are the pillars of its Corporate Sustainability approach.

The Company places employee satisfaction and loyalty at the top of its business goals and believes that the main reason for the continuous increase in Corporate Sustainability performance is the employees' efforts and the level of awareness attained.

The changing nature of the business world, with expectations and conditions diversifying, requires that companies should not only manage employees but also collaborate with them, establish dialogue and learn their expectations, ensure that their suggestions and feedback are directly communicated to senior management and involve them in all processes. This is how a far more efficient working environment can be created, a more innovative and competitive organization is built and healthier relations are established with other stakeholders through the employees. Accordingly, Doğuř Otomotiv's Performance System has been redesigned by considering the latest local and global human resources trends. A simpler and leaner performance management system focused on feedback and based on development culture going beyond just scoring has been introduced.

As part of Doğuř Otomotiv's Digital Transformation approach, digitalization has been implemented across all areas Human Resources. Digital projects continue to be developed in several areas, including recruitment and placement, training and development, employee rights and information, process management, and administrative and technical affairs. In 2018, the employee information system Dynamic's interface was renewed and a user-friendly structure was built. With the orientation program offered to new recruits, a gamification-based program was designed to be used on the mobile app. Dashboards were created, and improvements in reporting tools and new report designs were introduced on the BI (Business Intelligence System), which is used for Human Resources reporting and is open to the Company management as well. The Administrative and Technical Affairs were moved to a platform where the employees could track their shuttles and routes on a mobile app. The correspondence system was digitalized, enabling all courier processes to be digitally tracked.

**Equal Rights**

Doğuř Otomotiv states in its Code of Ethics under Article 3 on "Justice and Equality": "We treat all of our stakeholders and each other justly and avoid discrimination". Doğuř Otomotiv applies the "Employees and Decent Workplace Policy", which stipulates that employees are protected regardless of their faith, language, race, color, gender, age, ethnic origin, disability, citizenship or other social statuses protected by legal regulations.

Diversity principle at Doğuř Otomotiv is continuously supported by a number of Human Resources programs. Various activities including practices for female employees and mothers, Reverse Mentoring programs as part of cooperation between the Company's senior management and Y generation, meetings with university and high school interns at certain intervals and events to come together with employees with disabilities are carried out to promote diversity.



### Employee Benefits

“Doğuş Otomotiv Basic Rights and Responsibilities Procedure” explicitly states that Doğuş Otomotiv employees who all work fulltime have the same rights and that each employee is a key stakeholder of the Company. Health insurance, life insurance, meals and transportation services are social rights available to all employees. Doğuş Otomotiv also offers daycare and shuttle opportunities for mothers. Employees, who are unable to bring their children to the company nursery, benefit from daycare support. Other benefits provided for Doğuş Otomotiv employees along with detailed information on the training opportunities are publicly announced each year in the Corporate Sustainability Report.

### Dialogue with Employees

Each Doğuş Otomotiv employee can communicate directly with his/her superior any time. The executives and senior management also exchange information about the Company's activities and operations at the quarterly Management Briefings.

Human Resources and Process Management General Directorate held Open Door Meetings in 2018. These meetings bring together employees from each brand/department with HR teams and enable them to direct questions and express their ideas and suggestions in a transparent manner.

Go-Fest is organized at certain intervals as a day for all employees to attend the trainings and seminars in their fields of interest, take part in activities, win surprise gifts, have fun together and improve at the same time. The GO-Fest program launched with the approval of the management brings together employees at a training and development festival filled with different training topics, guest speakers, interesting seminars, various development content and entertaining booths. Featuring brand trainers, in-house trainers, special programs for Human Resources, programs appealing to all employees, GO-Fest also provides information about the following year's training schedule. The program joined by Doğuş Group employees is supported by training and development activities.

During the “Bir’iz” Employee Committee workshops, which were held four times in 2018, with one employee invited as a representative from each department, employees' opinions and suggestions are received about the practices and activities of the Bir’iz Employer brand and the Human Resources department. Viable suggestions are included in the work plan while updates about the company and legal regulations, etc. are shared via intranet and email.

The dialogue platforms with employees, trainings and all employee strategies and policies that Doğuş Otomotiv develops are explained in detail in the annual Corporate Sustainability Reports: <http://www.dogusotomotiv.com.tr/en/sustainability/corporate-sustainability/sustainability-home>

With the Suggestion System, which is one of the effective platforms to enhance the performance of the company and improve processes, allowing the employees of Doğuş Otomotiv and Doğuş Oto to share their suggestions and views about the company and all the processes, the employees have submitted 2,242 suggestions in 2018 and helped make the processes leaner. 915 of these proposals have been approved and 812 have been implemented and improved business processes.

At the “Birthday of Ideas at Doğuş”, an event that brings all employees together, the best projects of the year consisting of innovations that employees implement in their own processes with their own creative ideas are presented and the projects that contribute to the company's performance are explained by the project owners to all employees. In this manner, innovation culture is spread across the entire company by sharing the projects that enable cost and labor savings, new business management approaches and activities that improve efficiency. This event is held annually with the participation of an average of 200 participants and senior management.

These process improvement projects developed by employees are awarded at an event, also attended by senior management. In addition to providing a platform where lean leaders present the projects they develop after their training and receive certificates, the Birthday of Ideas Graduation Ceremony, open to all Doğuş Group companies, also offers an opportunity to come together with employees.

Dialogue platforms that Doğuş Otomotiv creates together with its employees, trainings and all employee strategies and policies are explained in detail in the annual Corporate Sustainability Report: <http://www.dogusotomotiv.com.tr/en/sustainability/corporate-sustainability/sustainability-home>

### DOĞUŞ OTOMOTİV AND COMMUNITY

#### “Traffic is Life!”

In line with its strategy to generate sustainable and innovative solutions, Doğuş Otomotiv regards it as a key priority to launch corporate responsibility activities that consider the company's responsibility to its industry and that will add value to the community. Driven by the experiences accumulated in its line of business, the Company is committed to introducing and carrying out sustainable initiatives, which include “Traffic is Life!” platform, a special project launched in 2004.

For over 14 years, the Traffic is Life! platform, as the industry's longest-running corporate responsibility project, has been carrying out awareness raising activities for various target groups that can change the traffic behavior and habits of individuals in every age group. The platform believes that positive cultural transformation in traffic will contribute positively to all areas of life and will lead to more livable cities in the future.

The “Child Safety in Traffic” project, which was launched in 2016, continued to be the focal point of the Traffic is Life! platform in 2018, due to the fact that children aged 5-14 are one of the groups most affected by traffic accidents and child safety in traffic is crucial in Turkey. Aiming to raise awareness on child safety in traffic and in vehicles, several promotional, educational and supportive events were organized in many channels through the year.

One of the most notable events was the “Child Safety in Traffic” summit, which was organized in Ankara in cooperation with the Turkish Police Force during Traffic Week. At the summit, which was attended by approximately 250 people, one attendee received a child seat as a gift as the winner of a competition during the event.

Another initiative of the platform in 2018 to reach a large segment of the society, and especially younger people, was a collaboration with Kral FM, which appeals to eight percent of all radio listeners in Turkey. Popular figures of Turkish pop music, including Oğuzhan Koç, Sinan Kaynakçı, founder and lead singer of the band Pinhani, Derya Uluğ, Gripin, the band, Emre Aydın and Cem Belevi gave their voices to the four key messages of “Traffic is Life!”. These messages were broadcast on Kral FM and Kral Pop TV to raise awareness about traffic safety. As the Traffic is Life! brand ambassador, Professor Üstün Dökmen also joined radio shows. Twelve young people who recently got their driver's licenses and answered the questions correctly were offered safe driving training. The plan is to continue the trainings in 2019.

In social media, the Facebook Chat Bot application, applied as a social responsibility for the first time offered driver candidates the opportunity to take a test with questions from previous years' driving test questions approved by the Ministry of Education. Over 150,000 users benefited from the application.

Throughout the year, social media was actively used to reach the widest possible audience for child safety and traffic safety. As of December 2018, the Facebook account of the Traffic is Life! platform has reached nearly 128,000 followers as regular content sharing continues to provide all segments of the society with informative / educational benefits.

The Traffic is Life! platform started 2018 with an award and the jingle project with Nil Karaibrahimgil was recognized as the “Social Responsibility Project of the Year” by the Automotive Distributors Association (ADA).

As in 2017, the Traffic is Life! platform was again ranked among the top 10 projects in Capital magazine's best Corporate Social Responsibility survey in 2018.

#### Vocational High Schools and Doğuş Otomotiv Cooperation

Doğuş Otomotiv aims at contributing to education that leads to quality employment through developing cooperation with vocational high schools, and our collaboration with eight institutions continued in 2018.

In 2018, 97% of the students studying in the Doğuş Otomotiv Volkswagen Training Laboratories were included in the winter internship program. Students who graduated from our classes were offered employment in Authorized Aftersales Service Centers. Of the 130 students who graduated, 32 were hired by Authorized Aftersales Service Centers.

In the meetings organized this year as part of the “Doğuş’tan Meslek Sahibi” (Born with a Profession) project implemented in Vocational High Schools in 5 cities and 7 schools with 394 parents and 2,339 students were provided information to encourage orientation toward the sector.

Through cooperation with Yıldız Technical University Lifelong Learning Center, an advisory board consisting of faculty members was formed to provide a multidisciplinary academic infrastructure for “Doğuş’tan Meslek Sahibi” project activities. Following three different trainings by Yıldız Technical University Lifelong Learning Center, 185 students from seven schools were certified. Our cooperation with Yıldız Technical University for “Doğuş’tan Meslek Sahibi” project ended in June 2018.

#### 4.14. Donations and Aid

No changes were made to the Doğuş Otomotiv Donation and Aid Policy and the donations made in 2018 are listed below:

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş. and SUBSIDIARIES	
Donations and Aid in 2018	AMOUNT -TL
Fenerbahçe Sports Club Association	1,000,000
Turkish Police Force - İstanbul Police Department	100,707
Turkish Education Foundation	18,870
Other Associations and Institutions	41,950
<b>Total</b>	<b>1,161,527</b>

#### 4.15. Group of Companies

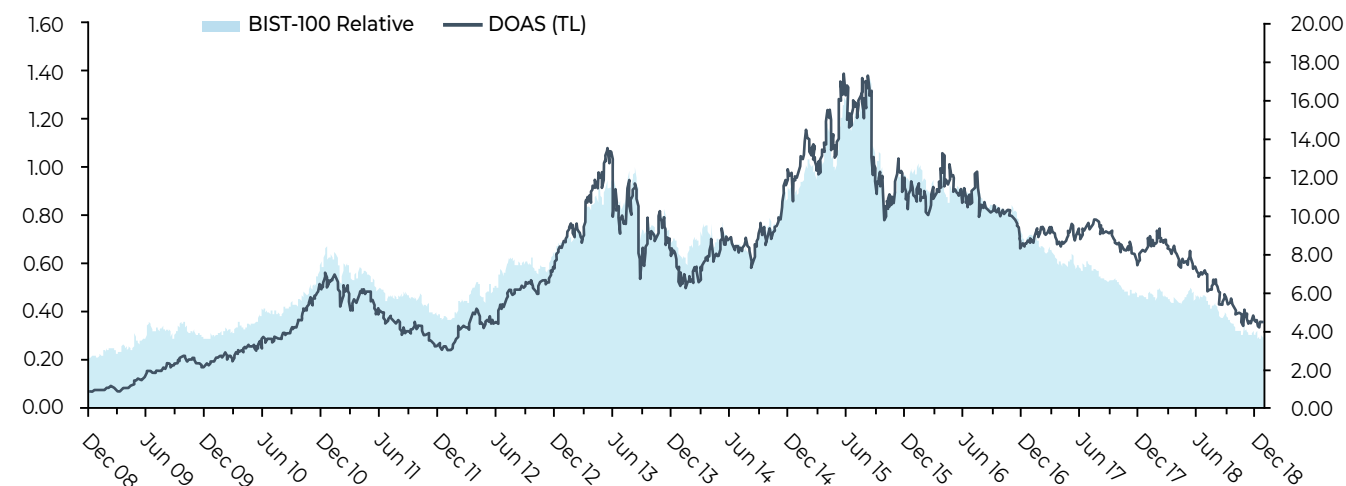
The Company, in its interactions with the parent company and its subsidiaries, has not engaged in any actions/transactions unjustly serving to the advantage of these companies in 2018. Therefore, our Company does not have any assessments for the compensation made for disadvantages and for the measures taken regarding the transactions made with the parent company and its subsidiaries, as required by Article 199 of the Turkish Commercial Code.

### 5. FINANCIAL STANDING

#### 5.1. Doğuş Otomotiv Stock Information

Reuters ticker symbol: DOAS.IS  
Bloomberg ticker symbol: DOAS.TI

Doğuş Otomotiv’s initial public offering took place on 17 June 2004 and the Company’s shares are traded on Borsa İstanbul (BIST) with the “DOAS.IS” ticker.



#### 5.2. Operational and Financial Indicators

The equity of the Company is TRY 1,307,872 thousand, and the capital is secured and covered, without running into debt. The Company presents a solid financial standing and does not plan to take further actions to improve its financial structure.

The Company’s sales and sales volume decreased by 19% and 43% respectively, whereas net profit decreased by 27%, year on year. In line with our Company’s cautious expenditure management, OpEx/Sales ratio was realized as expected at 7.2%.

In analyzing and interpreting the Company’s financial standing and results, the financial information below should be considered along with other financial information included in the Consolidated Financial Statements and Footnotes.

	2018	2017	2016
<b>Consolidated Income Statements</b>			
Sales/Unit (Wholesale)	105,268	184,692	213,185
Sales (mio TRY)	10,688	13,220	11,925
Gross Profit (mio TRY)	1,301	1,301	1,153
Operating Expenses (mio TRY)	774	827	727
EBIT (mio TRY)	527	474	426
Income from Investment Activities, net (mio TRY)	55	20	23
Income from Investments Accounted by Equity Method (mio TRY)	61	81	99
Net Financial Expenses (mio TRY)	494	349	273
Net Profit for the Period (mio TRY)	134	184	238
Earnings Per Share	0.67	0.93	1.11
Price/Earnings Ratio (%)	6.45	8.90	7.91
Gross Profit Margin (%)	12.2%	9.8%	9.7%
Operating Expenses/Sales (%)	7.2%	6.3%	6.1%
EBIT Margin (%)	4.9%	3.6%	3.6%
Net Profit Margin (%)	1.3%	1.4%	2.0%
<b>Consolidated Statements of Financial Position</b>			
Total Assets (mio TRY)	4,799	5,167	4,852
Net Financial Debt* (mio TRY)	2,345	2,868	2,669
Total Equity (mio TRY)	1,308	1,327	1,119
CapEx** (mio TRY)	179	315	208
ROA (%)	2.8%	3.6%	4.9%
ROE (%)	10.3%	13.8%	21.3%
Net Financial Debt/Equity	1.79	2.16	2.39

\* Short-term loans, short term portions of long-term loans, long-term loans, cash and equivalents have been taken into consideration.

\*\* Tangible asset entries have been taken into consideration.



EVALUATION OF 2018 AND EXPECTATIONS FOR 2019

	2018 Expected	2018 Realized	2019 Expected
Total Automotive Market (Passenger + Light Commercial + Heavy Commercial) (thousand units)	850-875	612	230-240
Doğuş Otomotiv Sales Volume (including ŠKODA) (thousand units)	155-165	105	45-50
Investment Expenditures (mio TL)	140-150	179	60-70

TIn 2018, sales in the automotive industry were lower than expectations due to the higher than projected exchange rate levels, increasing interest rates, and the effects of early elections as well as the “Worldwide Harmonized Light Vehicle Test Procedure” (WLTP) launched worldwide by auto manufacturers. Despite all these conditions, the Company has maintained its targeted market share of 18.1%. The Company worked to reinforce operational efficiency and also continued to follow a cautious expenditure management approach in light of all the project and marketing plans that were re-evaluated, and determined its investment expenditures as XXX after some revisions in investment plans.

Our Company aims to achieve the following in 2019:

- Maintaining optimum operating profitability and market share at 16-18% levels for long-term success;
- In light of all reassessed projects and marketing plans, following a cautious expenditure management structure; and
- Making necessary improvements and reinforcing operational efficiency through constant monitoring of key performance indicators.

Investment expenditures planned for 2019 include:

- Expenditures for head office, logistics, spare parts, training areas and subsidiaries
- Machinery and equipment investments
- Investments in information technologies
- Investments presenting potential to create value

The company will focus on domestic operations by purging activities without any potential in the short term and concentrate on mobility, digitalization and service-oriented works in the medium to long term. Furthermore, critical business processes will be fortified within a holistic structure that considers digitalization trends as part of continuous development and manufacturers’ strategies. The Company will also continue to maintain its competitive position with new vehicle models of the international brands represented.

We have identified the following risks for 2019:

- Geopolitical risks and their potential impact
- Exchange rate fluctuations and their reflections on strategic financial risk management
- Protective policies depending on the developments in global markets, and liquidity movements

The principles regarding the management of risks are explained in detail in the “6. Risks and Evaluation of the Governing Body” section under the General Company Information heading of the Annual Report.

6. RISKS AND EVALUATION OF THE GOVERNING BODY

6.1. Risk Management Policy

The Company's risk management policy was created within a framework configured by internal control and audit activities where all the roles and responsibilities from the Board of Directors to the lowest level were determined and the risk processes were planned and managed. Within the existing structure, the most fundamental topic we emphasize is for risk, as a common corporate culture, to be expressed in the same terms by all our stakeholders. It is essential that the models and methods designed for application within the company are addressed in line with generally accepted references. Identifying the factors that might pose a threat for our organization, assets and stakeholders, taking measures and improving the effectiveness of oversight will, as always, determine the direction of our efforts.

6.2. Early Risk Detection Committee Activities

The Early Risk Detection Committee conducts activities for effective risk management by detecting early on the potential causes that may endanger the existence, development and continuation of the Company, and taking the necessary precautions. Most of the time, the interpretation of future scenarios and uncertainties, as the main theme of these activities, are not perceived solely as absolute barriers due to the Committee's strategic perspective and encouragement as they are considered potential opportunities by the Company to lay the groundwork for systematic self-evaluation and new advantages. With a qualified team and accurate information flow, the Committee provides assurance and supports the oversight role of the Board of Directors and reviews the risk management systems at least once a year. The Committee presented to the Board of Directors within the year the assessment reports drawn up following meetings on the dates set according to working principles and also shared them with the auditor.

6.3. Risk Factors and Practices

The Company's risk perspective, shaped according to its field of operations, scale and business structure, continuously evolves and matures in line with international developments and examples of best practices. The fact that the risks involved in this process would not remain limited to financial, operational and natural phenomena and would eventually require management with a much wider perspective and sustainability approach is a key issue that determines our corporate risk management actions. With the activities we created as an integrated blueprint taking into account the interconnected risks, the processes included in risk management are guided on a path leading up to a strategic and proactive business model.

FINANCIAL RISKS

Liquidity Risk

The overall financial standing of the Company has been monitored in an environment where financial sensitivities are carefully considered and solutions generated to that end. Particularly, a reporting template based on the variations in commercial transactions is used to monitor risk management asset-liability cash flow.

The continuity of high-quality lenders and relations, access to competitive rates, diversity of financial instruments and services (loans, factoring capacity etc.) and liquidity strength were among the issues that were carefully considered, as has been the case in previous years. As a result, the management of payables and receivables was secured through both amount and maturity-planned cash movement controls, ensuring that funding requirements for growth and investment policies were balanced.

Exchange Rate Risk

The net FX position was monitored, again, on the basis of the Company's commercial transactions and communicated regularly to the risk-related governing body as well as the Early Risk Detection Committee through monthly risk management reports. The effects of devaluation, parity and inflation movements were analyzed and necessary precautions were taken.

As a business with intensive import transactions, which are constantly exposed to foreign exchange risks, forward exchange contracts were executed and planned cash has been partially kept in foreign currency to keep the payments in check. Some additional measures were taken, including model-based agreements

negotiated with manufacturers according to product portfolio and action plans and pricing options to minimize the negative effects of currency fluctuations.

#### Interest Risk

The risk management of the Company is grouped into currencies while strategic interest position is determined by also taking into account the effective maturities according to yield and costs of assets and liabilities.

For the circumstances where the loan amounts and interest rates change according to our scenario projections, measures are taken proactively according to the load that the cost increases would impose and suitable instrument/rate options are selected and implemented.

#### Receivables Risk

With joint factoring projects and cooperation, the receivable/payable risks between Doğuş Otomotiv and the authorized dealers and aftersales services have been minimized.

#### Product Cost/Price Risk

Import planning and resource management are considered as a whole with the quantities and amount of stock in bonded warehouses, in transit, loading or at the ports while the brands are monitored daily for their foreign exchange positions. The direct impact of potential and sudden spikes in foreign exchange rates on both cost composition and the capacity of generating income are analyzed according to various scenarios. In the studies carried out about working capital on the other hand, cash flows, loan limit/risk projections and the financing of the working capital are planned against possible lack of revenues in the scenarios. All of the summarized activities were included in the monthly risk management reports and the relevant management levels were informed regularly during the year.

### OPERATIONAL RISKS

#### Relations with Suppliers

The Company takes precautionary measures against risks such as supply discontinuity or interruption, possible delivery and quality problems and the supplier's financial and technical incompetency. Some of these ongoing practices include monitoring supplier performance, an evaluation system based on minimum offer and bidding procedures, binding agreements and where necessary legal approval, letter of guarantee and other similar instruments to ensure the provision of the service. The precautions taken for and the supervision of issues regarding Supply Chain Management and managing the suppliers' social, environmental and economic risks are explained in detail within the scope of the Sustainability Report. (<https://www.dogusotomotiv.com.tr/en/sustainability/corporate-sustainability/sustainability-home>)

#### Occupational Health and Safety (OHS)

Certain OHS committees and an organizational structure have been formed to effectively perform/manage the OHS processes in the Company. However, it has been resolved to outsource these services starting from 2018 rather than using our employees, and a three-year agreement has been signed, thus expanding the scope of services and sharing risks. Within the scope of OHS, risk analyses of our facilities and work environments, accident studies, civil defense trainings and drills are carried out. Furthermore, current circumstances and legal responsibilities are regularly reviewed during OHS committee meetings and monitored. Trainings aimed at raising the employees' awareness are offered throughout the year with tests conducted under the supervision of experts to measure knowledge levels. Detailed information on Doğuş Otomotiv and Doğuş Oto's OHS activities is available in the Sustainability section on the corporate website. (<https://www.dogusotomotiv.com.tr/en/sustainability/corporate-sustainability/sustainability-home>)

#### Business Continuity and Crisis Management

This activity, based on the principle of raising awareness being guided by the relevant ISO standards and the action plan released by the Institute of Internal Auditors by adopting key concepts that better align with literature, was conducted in direct contact with Doğuş Teknoloji and task owners for comprehensiveness and applicability in real life. As an important detail of this work, business continuity and disaster recovery are addressed as two different but complementary vital factors within the integrated structure. Work on

Business Continuity were shared with the Early Risk Detection Committee during the year and opinions and suggestions were noted.

The emergency action plans and crisis management scenarios developed to recover the processes that may potentially be interrupted as a result of destructive risks despite the Company's proactive efforts are also reviewed. Generally accepted tools and consulting services were utilized in these plans and scenarios that aim to prevent loss of life, goods and information, meet the expectations of right holders, take the correct legal steps and protect the organization's reputation.

#### Information Technologies

An integrated information system (Turkuaz) is used to carry out the operations at the Company. The processes that require intensive transactions such as procurement, inventory management, sales and accounting are generally performed through the applications available on this system. There are also a number of ongoing activities and efforts aimed at resource planning, the use of defined authorities and access rights, training and certifications toward the use of professional equipment, follow-up on reference models and taking action in accordance with audit results.

#### Decision Making Processes and Practices

As a precaution against the violation of Company policies and as part of our governance principles, the Code of Ethics, created in global standards and approved by the Company's governing body, states a way of doing business even beyond the regulations and directives at every stage of the company operations. The code has been adopted in a simple blueprint and with exemplified narrative content, and carefully prepared as a guide for all stakeholders. Regular internal trainings as well as reminders/notifications help to maintain awareness while access to the Code of Ethics is possible on various platforms.

### 7. MISCELLANEOUS

After the operation term ended, there has not been any specific or significant incident that may affect the rights of the shareholders, creditors and other relevant persons or institutions.

This report has been prepared in compliance with the provisions of the Turkish Commercial Code, the Capital Markets Law and relevant regulations and has been signed and approved by the members of the Board of Directors pursuant to the Board resolution no. 2019/06 dated 14 February 2019.

The Responsibility Statement by the Board members responsible for financial reporting and the executive responsible for financial reporting for the 2018 operating term is presented in ANNEX 1.

Further to the Board of Directors resolution no. 2019/06 dated 14 February 2019, it has been agreed to approve the Company's Consolidated Financial Statements and its Notes for the fiscal year that ended on 31 December 2018 and prepared in compliance with Capital Markets Board standards and to disclose the Independent Audit Report prepared and submitted by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi with the Financial Statements and Footnotes on the Public Disclosure Platform (KAP).



## APPENDIX 1. STATEMENT OF RESPONSIBILITY ON FINANCIAL REPORTS



RESOLUTION OF THE BOARD OF DIRECTORS CONCERNING THE APPROVAL OF FINANCIAL STATEMENTS AND ANNUAL REPORTS

RESOLUTION DATE: 14 FEBRUARY 2019

RESOLUTION NUMBER: 2019/06

### STATEMENT OF RESPONSIBILITY PURSUANT TO THE ARTICLE 9 OF THE CAPITAL MARKETS BOARD'S COMMUNIQUE ON THE "PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS"

We have examined the Consolidated Financial Statements, the Annual Report of the Board of Directors, the Corporate Governance Compliance Report (URF) and the Corporate Governance Information Form (KYBF) prepared for the fiscal year ending on 31 December 2018 pursuant to the Capital Markets Board Communiqué on the "Principles of financial Reporting in Capital Markets, and we hereby state, the best of our knowledge with respect to our duties and areas of responsibility in the Company, that;

- The consolidated financial statements and notes contain no misrepresentation of the fact on any major issues or any omissions that may be construed as misleading as of the date of the related disclosure;
- The financial statements, including those subject to consolidation, prepared in accordance with Turkish Accounting Standards, accurately reflect the fact about the Group's assets, liabilities, financial position, profit and loss and other comprehensive income.

Respectfully yours,

Doğuş Otomotiv Servis ve Ticaret A.Ş.

E. Gülden ÖZGÜL  
Board Member and  
Head of Audit Committee

A. Yasemin AKAD  
Board Member and  
Member of Audit Committee

Kerem TALİH  
Chief Financial Officer

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## APPENDIX 2. INDEPENDENT AUDITORS' REPORT RELATED TO ANNUAL REPORT



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ey.com  
Ticaret Sicil No : 479920

(Convenience translation of a report originally issued in Turkish)

### INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders of Doğuş Otomotiv Servis ve Ticaret Anonim Şirketi

#### 1) Opinion

We have audited the annual report of Doğuş Otomotiv Servis ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries ("the Group") for the period of 1/1/2018-31/12/2018.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

#### 2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 14, 2019 on the full set consolidated financial statements of the Group for the period of 1/1/2018-31/12/2018.

#### 4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting in Capital Markets ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

- Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- The annual report also includes the matters below:
  - Subsequent events occurred after the end of the fiscal year which have significance,
  - The research and development activities of the Group,
  - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.



(Convenience translation of a report originally issued in Turkish)

**5) Auditor's Responsibilities for the Audit of the Annual Report**

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Ferzan Ülgen.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



Ferzan Ülgen, SMMM  
Partner

February 14, 2019  
İstanbul, Türkiye