BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2011 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010

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

	Notes	2011	2010
ASSETS			
Current assets:			
Cash and cash equivalents	4	4.263.331	30.330.257
Financial assets	5	-	464.105
Trade receivables	8	333.259.971	219.380.198
Other receivables	9	1.344.480	1.086.234
Derivative financial instruments	7	3.096.192	932.696
Inventories	10	299.187.425	180.875.391
Other current assets	15	22.081.709	5.984.634
Total current assets		**663.233.108**	**439.053.515**
Non-current assets:			
Trade receivables	8	282.445	431.222
Other receivables	9	91.414	45.622
Property, plant and equipment	11	364.536.409	327.432.205
Intangible assets	12	27.465.867	18.314.132
Deferred income tax assets	22	2.694.721	2.248.386
Other non-current assets	15	5.496.227	3.442.858
Total non-current assets		**400.567.083**	**351.914.425**
Total assets		**1.063.800.191**	**790.967.940**

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010

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

	Notes	2011	2010
LIABILITIES			
Current liabilities:			
Financial liabilities	6	278.092.836	137.060.968
Derivative financial instruments	7	16.689	785.186
Trade payables	8	165.695.291	110.878.371
Other payables	9	12.192.573	11.122.233
Taxes on income	22	2.444.762	-
Provisions	13	3.193.534	3.633.729
Provision for employee benefits	14	5.901.399	5.035.740
Other current liabilities	15	370.441	1.539.843
Total current liabilities		**467.907.525**	**270.056.070**
Non-current liabilities:			
Financial liabilities	6	100.750.000	50.000.000
Provision for employee benefits	14	23.383.792	21.939.659
Total non-current liabilities		**124.133.792**	**71.939.659**
Total liabilities		**592.041.317**	**341.995.729**
EQUITY			
Attributable to equity holders of the parent			
Share capital	16	7.441.875	7.441.875
Adjustment to share capital		352.660.701	352.660.701
Share premium		4.903	4.903
Restricted reserves		30.866.091	25.760.116
Hedging reserves		2.463.602	118.008
Retained earnings		6.448.617	6.301.922
Net income for the period		71.871.945	56.684.522
Attributable to equity holders of the parent		**471.757.734**	**448.972.047**
Non-controlling interests		**1.140**	**164**
Total equity		**471.758.874**	**448.972.211**
Total liabilities and shareholders' equity		**1.063.800.191**	**790.967.940**
Provisions, commitments, contingent assets and liabilities	13		

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

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

	Notes	2011	2010
OPERATING REVENUE			
Revenue	17	1.347.777.289	979.897.971
Cost of sales (-)	17,18	(1.091.950.313)	(777.352.832)
GROSS PROFIT		**255.826.976**	**202.545.139**
Marketing, selling and distribution expenses (-)	18	(102.015.052)	(88.188.745)
General administrative expenses (-)	18	(41.428.774)	(39.418.821)
Research and development expenses (-)	18	(11.845.963)	(9.160.540)
Other operating income	19	1.466.879	1.225.279
Other operating expense (-)	19	(1.034.654)	(1.361.667)
OPERATING PROFIT		**100.969.412**	**65.640.645**
Financial income	20	27.113.549	16.866.704
Financial expense (-)	21	(38.507.221)	(12.107.068)
INCOME BEFORE TAXATION ON INCOME		**89.575.740**	**70.400.281**
Taxation on income		**(17.702.819)**	**(13.715.759)**
- Income tax expense for the period	22	(18.735.553)	(15.610.076)
- Deferred tax income	22	1.032.734	1.894.317
NET INCOME FOR THE PERIOD		**71.872.921**	**56.684.522**
Net income for the period attributable to:			
Equity holders of the parent		71.871.945	56.684.522
Non-controlling interests		976	-
		71.872.921	**56.684.522**
Earnings per share	23	9,06	7,14

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

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

	2011	2010
NET INCOME FOR THE PERIOD	**71.872.921**	**56.684.522**
Other Comprehensive Income:		
Changes in fair value of derivative financial instruments	2.931.993	147.510
Tax effect	(586.399)	(29.502)
OTHER COMPREHENSIVE INCOME	**2.345.594**	**118.008**
TOTAL COMPREHENSIVE INCOME	**74.218.515**	**56.802.530**
Total comprehensive income attributable to:		
Equity holders of the parent	74.217.539	56.802.530
Non-controlling interests	976	-
	74.218.515	**56.802.530**

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

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

	Attributable to equity holders of the parent									
	Share capital	**Adjustments to share capital**	**Share premium**	**Restricted reserves**	**Hedging reserves**	**Retained earnings**	**Net income for the period**	**Total**	**Non-controlling interests**	**Total equity**
Balances at 1 January 2010	**7.441.875**	**352.660.701**	**4.903**	**22.267.584**	**-**	**6.029.391**	**39.062.477**	**427.466.931**	**-**	**427.466.931**
Transfers	-	-	-	3.492.532	-	35.569.945	(39.062.477)	-	-	-
Dividends paid	-	-	-	-	-	(35.297.414)	-	(35.297.414)	-	(35.297.414)
Effect of acquisition of subsidiary (Note 3)	-	-	-	-	-	-	-	-	164	164
Total comprehensive income	-	-	-	-	118.008	-	56.684.522	56.802.530	-	56.802.530
Balances at 31 December 2010	**7.441.875**	**352.660.701**	**4.903**	**25.760.116**	**118.008**	**6.301.922**	**56.684.522**	**448.972.047**	**164**	**448.972.211**
Balances at 1 January 2011	**7.441.875**	**352.660.701**	**4.903**	**25.760.116**	**118.008**	**6.301.922**	**56.684.522**	**448.972.047**	**164**	**448.972.211**
Transfers	-	-	-	5.105.975	-	51.578.547	(56.684.522)	-	-	-
Dividends paid	-	-	-	-	-	(51.431.852)	-	(51.431.852)	-	(51.431.852)
Total comprehensive income	-	-	-	-	2.345.594	-	71.871.945	74.217.539	976	74.218.515
Balances at 31 December 2011	**7.441.875**	**352.660.701**	**4.903**	**30.866.091**	**2.463.602**	**6.448.617**	**71.871.945**	**471.757.734**	**1.140**	**471.758.874**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6)

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

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

	Notes	2011	2010
Net income for the period		**71.871.945**	**56.684.522**
Adjustments to reconcile net income before taxation and minority interest to net cash provided by operating activities:			
Depreciation of property, plant and equipment		51.141.132	50.468.171
Amortization of intangible assets		6.362.534	5.246.310
Employment termination benefits	14	4.389.986	6.236.057
Deferred taxation	22	(1.032.734)	(1.894.317)
Interest income	20	(22.417)	(412.492)
Interest expense	21	25.493.698	9.361.867
Income from sale of property, plant and equipment	19	(265.105)	(842.702)
Provisions		6.670.638	7.645.469
Provision for doubtful receivables	8	1.122.223	1.683.335
Derivative financial instruments		(2.892.880)	868.607
Taxes on income	22	18.735.553	15.610.076
Unrealised credit finance expense	8	213.474	110.974
Unearned credit finance income	8	(3.318.993)	(1.865.944)
Foreign exchange losses/(gains)		2.493.209	(4.227.756)
Non-controlling interests		976	-
Net cash generated from operating activities before changes in operating assets and liabilities		**180.963.239**	**144.672.177**
Trade receivables		(104.684.196)	(74.215.691)
Inventories		(113.253.327)	(36.937.282)
Other current receivables and assets		(17.076.697)	3.233.258
Other non-current receivables and assets		(2.099.161)	(1.997.415)
Trade payables		54.603.446	10.800.984
Other current payables and liabilities		96.702	(1.370.461)
Payments/reversals of provisions		(6.440.938)	(5.821.099)
Employment termination benefits paid	14	(2.945.853)	(1.994.793)
Taxes paid		(15.569.415)	(18.329.185)
Net cash (used in)/generated from operating activities		**(26.406.200)**	**18.040.493**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	11,12	(109.542.932)	(49.909.963)
Proceeds from sale of property, plant and equipment		507.685	4.660.598
Interest received		22.417	412.492
Cash outflow on acquisition	3	-	(5.052.016)
Proceeds from sale of financial assets held for sale		464.105	(11.977)
Net cash used in investing activities		**(108.548.725)**	**(49.900.866)**
Cash flows from financing activities			
Proceeds from borrowings		174.636.667	90.224.867
Interest paid		(17.691.736)	(6.178.076)
Derivative financial instruments paid		3.374.920	(1.603.479)
Dividends paid		(51.431.852)	(35.297.414)
Net cash generated from financing activities		**108.887.999**	**47.145.898**
Net (decrease)/increase in cash and cash equivalents		**(26.066.926)**	**15.285.525**
Cash and cash equivalents at the beginning of the period	4	30.330.257	15.044.732
Cash and cash equivalents at the end of the period	**4**	**4.263.331**	**30.330.257**

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. ("Brisa" or "Company") was established in 1974 as a subsidiary of Hacı Ömer Sabancı Holding A.Ş..

Brisa is primarily engaged in manufacturing, marketing and selling vehicle tires in Turkey. In 1988, the Company entered into a license agreement with Bridgestone Corporation for the purpose of manufacturing and selling Bridgestone tires.

The control of the Company is jointly held by H.Ö. Sabancı Holding A.Ş. and Bridgestone Corporation.

Brisa is registered with the Capital Markets Board ("CMB") and its shares have been quoted in the Istanbul Stock Exchange ("ISE") since 1986. As of the same date, the main shareholders and their respective shareholding in the Company are as follows (Note 16):

	%
Hacı Ömer Sabancı Holding A.Ş.	43,63
Bridgestone Corporation	43,63
Other	12,74
	100,00

The address of the registered office of the Company is as follows:

Sabancı Center Kule 2 Kat: 3
4. Levent 34330 Beşiktaş / İstanbul

Subsidiary

The nature of the business of the subsidiary and its country of operations are as follows:

Subsidiary	**Country**	**Nature of business**
Bandag Lastik Mamulleri Tic. A.Ş. ("Bandag")	Turkey	Tire retread

The Company acquired 99,99% shares of Bandag on 30 December 2010 in consideration of TL5.604.120 (Note 3). Bandag has changed its corporate type from limited company to corporation on 19 October 2011. Brisa and its subsidiary will be named as the "Group" hereafter.

These consolidated financial statements as at and for the year ended 31 December 2011 have been approved for issue by the Board of Directors on 29 March 2012 and signed on behalf of the Board of Directors by Mübin Hakan Bayman, General Manager, and by Bora Çermikli, Chief Financial Officer.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

2.1.1 Financial Reporting Standards Applied

The Capital Markets Board of Turkey (“CMB”) regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”). This Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI-25 “The Financial Reporting Standards in the Capital Markets”. According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards (“IAS/IFRS”) endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board (“IASB”) are announced by Turkish Accounting Standards Board (“TASB”), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/ Turkish Financial Reporting Standards (“TAS/TFRS”) issued by the TASB which are in line with the aforementioned standards shall be considered.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards the application of inflation accounting is no longer required. Accordingly, the Company did not apply IAS 29 “Financial Reporting in Hyperinflationary Economies” issued by IASB in its financial statements for the accounting periods starting 1 January 2005.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB has not been announced by TASB as of date of preparation of these financial statements, the consolidated interim financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB in accordance with the accounting and reporting principles accepted by the CMB (“CMB Financial Reporting Standards”) which is based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats required by the CMB on 14 April 2008 including the compulsory disclosures. Accordingly, required reclassifications have been made in the comparative consolidated financial statements.

Brisa and its subsidiary maintain their books of account and prepare their statutory financial statements in accordance with the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards.

The consolidated financial statements are prepared in Turkish Lira based on the historical cost convention except for the financial assets and liabilities which are expressed with their fair values and are presented in thousands of Turkish Lira.

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

2.5 Amendments and Interpretations in Standards

a) Amendments and standards adopted by the Group

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011, but are not currently relevant for the Group.

- IAS 24 (Revised) "Related Party Disclosures" (effective for annual periods beginning on or after January 1, 2011): The definition of a related party has been clarified and partial exemption from the disclosures for all transactions of government-related entities with other government-related entities and government has been included. This amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It clarifies and simplifies the definition of a related party. The Group will apply the revised standard as of 1 January 2011. When the revised standard is applied, the Group will need to disclose any transactions between its subsidiaries and its special purpose entities.

b) New standards, amendments and interpretations effective for the financial year beginning 1 January 2011 but not relevant to the Group

- IAS 32 (Amendment), "Financial Instruments: Presentation" applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer.

- IFRIC 19, "Extinguishing financial liabilities with equity instruments" is effective from 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability.

- IFRS 1 (Amendment), "First-time adoption" is effective for annual periods beginning 1 July 2010. This amendment provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7, 'Financial instruments: Disclosures', regarding comparative information for the new three-level classification disclosures.

- IFRIC 14, "Prepayments of a minimum funding requirement" are effective for annual periods beginning 1 January 2011. The amendments should be applied retrospectively to the earliest comparative period presented. The amendments correct an unintended consequence of IFRIC 14 on IAS 19, "The limit on a defined benefit asset, minimum funding requirements and their interaction".

- Annual improvements related to the IFRS in 2010 are effective for annual periods beginning 1 January 2011. This set of amendments includes changes to six standards and one IFRIC, namely; IFRS 1, IFRS 3, IFRS 7, IAS 27, IAS 34 and IFRIC 13.

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

c) Standards, amendments and interpretations not yet effective as of 1 January 2011 and not early adopted by the Group:

- IFRS 7 (Amendment), "Financial instruments: Disclosures" is effective for annual periods beginning on or after 1 July 2011. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position.

- IFRS 1 (Amendment), "First time adoption" is effective for annual periods beginning on or after 1 July 2011. Amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

- IAS 12 (Amendment), "Income taxes" is effective for annual periods beginning on or after 1 January 2012. This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value.

- IAS 1 (Amendment), "Financial statement presentation" is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in Other comprehensive income (OCI)on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments.

- IAS 19 (Amendment), "Employee benefits" is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.

- IFRS 9, "Financial Instruments" is effective for annual periods beginning on or after 1 January 2015. This standard is the first step in the process to replace IAS 39, "Financial instruments: recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets.

- IFRS 10, "Consolidated financial statements" is effective for annual periods beginning on or after 1 January 2013. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.

- IFRS 11, "Joint arrangements" is effective for annual periods beginning on or after 1 January 2013. This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed.

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

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

- IFRS 12, "Disclosures of interests in other entities" is effective for annual periods beginning on or after 1 January 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- IFRS 13, "Fair value measurement" is effective for annual periods beginning on or after 1 January 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

- IAS 27, "Separate financial statements" is effective for annual periods beginning on or after 1 January 2013. This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

- IAS 28, "Associates and joint ventures" is effective for annual periods beginning on or after 1 January 2013. This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

- IFRIC 20, "Cost of dismantling of metals during the production"

2.1.2 Basis of consolidation

a) The consolidated financial statements include the accounts of the parent company Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. and its subsidiary (the "Group") on the basis set out in below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with CMB Financial Reporting Standards by applying uniform accounting policies and presentation. The results of operations of subsidiary is included or excluded from the effective date of acquisition or disposal respectively.

b) Subsidiary is a company in which Brisa has the power to control the financial and operating policies for the benefit of itself, either (a) through the power to exercise more than 50% of voting rights related to shares in the companies as a result of shares owned directly and/or indirectly by itself or (b) although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.

The table below sets out the subsidiary and demonstrates the shareholding structure as of 31 December 2011 and 2010:

	Direct and indirect ownership interest held (%)		Effective interest (%)	
Subsidiary	**2011**	**2010**	**2011**	**2010**
Bandag	99,95	99,99	99,95	99,99

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

2.2 Changes in the Accounting Policies

Significant changes in the accounting principles and significant accounting errors should be applied retrospectively and prior period financial statements should be restated. There are no changes in the accounting principles and significant accounting errors in the period 1 January - 31 December 2011.

2.3 Changes in or Corrections of the Accounting Estimations

Changes in the accounting estimates should be accounted in financial statements prospectively; if the change is related to only one period it should be accounted at the current year that the change is performed, but if it is related to more than one period it should be accounted at both the current and future periods. There are no changes in the accounting estimates in the period 1 January - 31 December 2011.

2.4 Summary of Significant Relevant Accounting Policies

2.4.1 Revenue recognition

Revenues are recognised on an accrual basis at the time deliveries are made, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods sold less sales returns and commissions, and exclude sales taxes. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on a time proportion basis that takes into account the effective yield on the asset.

Other revenues earned by the Group are recognised on the following bases:

Royalty and rental income- on an accrual basis.
Interest income- on an effective yield basis.
Dividend income- when the Group's right to receive payment is established.

2.4.2 Inventories

Inventories are valued at the lower of cost or net realisable value. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads. The unit cost of inventories is determined on the moving weighted average basis (Note 10). Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

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

2.4.3 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment, if any (Note 11). Depreciation is provided on property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows.

	Years
Land improvements	10
Buildings	25
Machinery and equipment	8
Motor vehicles	5
Furniture and fixtures	10

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their carrying amounts and are included in the related income and expense accounts, as appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset.

Expenses for the repair of property, plant and equipment are normally charged against income. They are, however, capitalised in exceptional cases if they result in an enlargement or substantial improvement of the respective assets. Major overhaul expenditure, including replacement spares and labour costs, is capitalised and depreciated over the average expected life between major overhauls.

2.4.4 Intangible assets

Intangible assets include acquired rights, software, special selling rights, licences and other identifiable rights. Intangible assets are carried at cost less accumulated amortization. Amortisation is calculated using the straight-line method over a period not exceeding 10 years (Note 12).

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.4.5 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months (Note 4).

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

2.4.6 Business combinations

All business combinations are accounted for through applying the acquisition method. Excess of acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the business combination cost is accounted for as goodwill. Goodwill recognized in a business combination is tested for impairment annually or more frequently if events or changes in circumstances indicate impairment, instead of amortization.

Excess of acquirer's interest in the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of business combination, is accounted for as income in the related period.

In combinations involving entities or businesses under common control, assets and liabilities subject to a business combination are recognised at their predecessor values in the consolidated financial statements. In addition, statements of income are consolidated from the beginning of the financial year in which the business combination takes place. Similarly, comparative consolidated financial statements are restated retrospectively for comparison purposes. As a result of these transactions, no goodwill is recognised. The difference arising in the elimination of the carrying value of the investment held and share capital of the acquired company is directly accounted for as contribution from shareholders under equity.

2.4.7 Trade receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortised cost. Short-term receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant. A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income (Note 8).

2.4.8 Due date income/(charges)

Due date income/(charges) represents the income/(charges) that are resulting from credit purchase or sales. These kind of income/(charges) are accepted as financial income and expenses which result from credit purchase or sales come true during the accounting period and included in the financial income and expense within the maturity period.

2.4.9 Finance leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Principal payments are disclosed as liabilities and decreased according to payments made (Note 6). The interest element of the finance cost is charged to the income statement over the lease period. Obligations under finance leases are stated in the consolidated financial statements at the acquisition values of the related property, plant and equipment and depreciated over the useful life.

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

2.4.10 Taxes on income

Taxes on income for the period comprise of current tax and the change in deferred taxes. Current year tax liability consists of the taxes calculated over the taxable portion of the current year income by reference to corporate income tax rates enacted as of the balance sheet date and adjustments provided for the previous years' income tax liabilities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

When the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred income tax assets and deferred income tax liabilities are offset accordingly (Note 22).

2.4.11 Borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement as financial expense over the period of the borrowings.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are charged to the income statement when they are incurred (Note 6).

2.4.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.4.13 Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at period-end. Exchange gains or losses arising on the settlement and translation of foreign currency items have been included in the statement of income.

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

2.4.14 Provisions, contingent assets and liabilities

Provisions are recognised when the Group has a present legal constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are treated as contingent assets or liabilities and not included in financial statements. (Note 13).

2.4.15 Provision for employment termination benefits

Provision for employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees calculated in accordance with the Turkish Labour Law (Note 14).

2.4.16 Share capital

Ordinary shares are classified as equity. Dividends payable are recognised in the financial statements as a result of profit distribution in the period in which they are declared.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.4.17 Derivative financial instruments

The derivative financial instruments of the Group consist of foreign exchange forward transactions. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at their respective fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has designated their derivatives ("hedging instrument") to hedge its cash flows on foreign purchases ("hedged item").

The Group documents, at the inception of the transaction the relationship between hedging instrument and hedged item, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statements of income.

The gain or loss relating to the ineffective portions of foreign exchange forward is recognised in the consolidated statements of income. Amounts previously recognised in other comprehensive income are transferred to the income statement in the periods when the hedged item affects profit or loss (when the forecast transaction that is hedged takes place). The gain or loss relating to the effective portions of foreign exchange forward is then recognised in the consolidated statements of income (Note 7).

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

2.4.18 Earnings per share

Earnings per share disclosed in the consolidated income statement are determined by dividing net income by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported (Note 23).

2.4.19 Related parties

For the purpose of these consolidated financial statements, shareholders, the group companies of Hacı Ömer Sabancı Holding A.Ş. and Bridgestone Corporation, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties The Group assigned its top management as board of directors, the president (CEO) and vice presidents, and the general managers of the subsidiaries (Note 24).

2.4.20 Reporting of cash flows

Consolidated statements of cash flows are reported by presenting cash flows from operating, investing and financing activities separately.

Cash flows from operating activities are the cash flows from Group's principal revenue-producing activities.

Cash flows from investing activities are the cash flows from Group's acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Cash flows from financing activities are the cash flows from Group's changes in the size and composition of the contributed equity and borrowings.

Cash and cash equivalents include cash on hand, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within 3 months (Note 4).

2.4.21 Offsetting

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

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

2.4.22 Comparatives and restatement of prior period financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in financial position and performance. The Group prepared the consolidated balance sheet at 31 December 2011 in comparison with its consolidated balance sheet at 31 December 2010, the Group also prepared the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the period 1 January - 31 December 2011 in comparison with the accounting period 1 January - 31 December 2010.

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

2.5 Critical Accounting Judgements, Estimates and Assumptions

Preparation of the consolidated financial statements in accordance with CMB Financial Reporting Standards necessitates the usage of estimations and assumptions that can affect amounts of reported assets and liabilities as of balance sheet date, the explanation for the contingent assets and liabilities and income and expenses reported during the accounting period. Although these estimations and assumptions are based on the best judgement of the Group management related with the current conditions and transactions, actual results may differ from these estimations. Estimations are revised on a regular basis; necessary adjustments and corrections are made; and they are included in the income statement when they accrue. Estimations and assumptions subject to the risk of leading to corrections in the registered value of the assets and liabilities in the next financial period are given below:

Net realisable value

Inventories are valued at the lower of cost or net realisable value as described the accounting policy in Note 2.4. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 10).

Useful lives of tangible and intangible assets

In accordance with the accounting policy explained in Note 2.4, tangible and intangible assets are stated at historical cost less depreciation and net of any impairment, if any. Depreciation on tangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Useful lives depend on best estimates of management, are reviewed in each financial period and necessary corrections are made (Note 11 - 12).

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

Provision for doubtful receivables

In accordance with the accounting policy explained in Note 2.4, the Group calculates the provision for impairment of trade receivables to cover the estimated losses resulting from the inability of its customers to make required payments. The estimates used in evaluating the adequacy of the provision for impairment of trade receivables are based on the aging of the trade receivable balances and the trend of collection performance. The provision for doubtful trade receivables is a critical accounting estimate that is formed by past payment performance and financial position of customers (Note 8).

Provision for warranty expenses

Warranty expenses are recorded as a result of repair and maintenance expenses for products sold under the scope of the warranty terms. Provision for warranty expenses is calculated based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period (Note 13).

Provisions

In accordance with the accounting policy explained in Note 2.4, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made (Note 13).

2.6 Convenience translation into English of consolidated financial statements originally issued in Turkish

The accounting principles described in Note 2.4 to the consolidated financial statements (defined as CMB Financial Reporting Standards) differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January and 31 December 2005. Accordingly, the consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

NOTE 3 - BUSINESS COMBINATIONS

Brisa has acquired Bandag's %99,99 shares in consideration of TL5.604.120 on 30 December 2010. The net assets acquired, except the special selling right and licence, are accounted for at their carrying values. The excess amount of the consideration of TL3.959.671 over the net assets acquired is associated with the special selling right and licence and accounted for under intangible assets (Note 12).

The details of identifiable assets, liabilities and contingent liabilities acquired are as follows:

Cash and cash equivalents	552.104
Trade receivables	3.581.933
Inventories	294.146
Property, plant and equipment	9.575
Intangible assets	3.959.671
Other current assets	570.296
Trade payables	(3.241.205)
Other current liabilities	(122.236)
Carrying value of net assets	5.604.284
Less: Non-controlling interests	(164)
Cost of acquisition	5.604.120
Total cash consideration	5.604.120
Less: Cash and cash equivalents in subsidiary acquired	(552.104)
Cash outflow on acquisition	**5.052.016**

NOTE 4 - CASH AND CASH EQUIVALENTS

	2011	**2010**
Cash	2.916	2.351
Bank - demand deposit	3.558.218	19.325.828
Bank - time deposit	702.197	11.002.078
	4.263.331	**30.330.257**

Maturities of the time deposits are less than three months and effective interest rate for TL denominated deposits is 8% (2010: 7,05%). Demand deposits comprise collections from direct debiting system (DDS) and cheques kept for 1 day under current accounts based on agreements made with banks.

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

NOTE 5 - FINANCIAL ASSETS

	2011	2010
Time deposits due more than 3 months	-	464.105
	-	**464.105**

There are not any time deposits in 2011. In 2010, maturities of USD denominated time deposits are 354 days and the effective interest rate is 2%.

NOTE 6 - FINANCIAL LIABILITIES

	2011	2010
Short-term bank borrowings	278.092.836	137.060.968
Total short-term financial liabilities	**278.092.836**	**137.060.968**
Long-term bank borrowings	100.750.000	50.000.000
Total long-term financial liabilities	**100.750.000**	**50.000.000**
Total financial liabilities	**378.842.836**	**187.060.968**

<u>Bank borrowings</u>

	2011		2010	
	Weighted average annual effective interest rate %	**TL**	**Weighted average annual effective interest rate %**	**TL**
Short-term bank borrowings:				
TL denominated borrowings	10,16	234.846.479	8,19	74.434.897
Euro denominated borrowings	2,05	24.481.140	1,72	61.705.109
USD denominated borrowings	2,72	17.042.146	-	-
		276.369.765		**136.140.006**
Short-term portion of long-term bank borrowings:				
TL denominated borrowings		1.723.071		920.962
Total short-term bank borrowings		**278.092.836**		**137.060.968**
Long-term bank borrowings:				
TL denominated borrowings	9,78	100.750.000	9,70	50.000.000
Total long-term bank borrowings		**100.750.000**		**50.000.000**

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

	2011		2010	
	Fair value	**Carrying value**	**Fair value**	**Carrying value**
TL denominated borrowings	335.656.988	337.319.550	123.764.848	125.355.859
Euro denominated borrowings	23.714.596	24.481.140	61.616.538	61.705.109
USD denominated borrowings	16.699.220	17.042.146	-	-
	376.070.804	**378.842.836**	**185.381.386**	**187.060.968**

Redemption schedules of long-term borrowings are summarised below:

	2011	**2010**
2013	98.000.000	-
2014	2.750.000	50.000.000
	100.750.000	**50.000.000**

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	2011	**2010**
Up to 3 months	107.693.457	34.675.082
3-12 months	168.325.257	102.385.886
1-5 years	116.724.315	63.809.027
	392.743.029	**200.869.995**

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

	2011		2010	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange forward contracts	3.096.192	16.689	932.696	785.186
	3.096.192	**16.689**	**932.696**	**785.186**

The Group entered into a number of foreign exchange forwards contracts with banks in order to hedge its exchange rate risk associated with the mismatch between raw material purchases denominated in USD and export sales denominated in Euro and raw material purchases denominated in USD and domestic sales denominated in TL.

The Group entered into forward contracts to sell EUR11.100.000 and purchase USD14.927.440 where the average exchange rate of Euro contract is TL2.5334 and USD contract is TL1.8777. At 31 December 2011 the Group recognised derivative financial assets amounting to TL1.114.591 and derivative financial liabilities amounting to TL16.689.

The Group entered into forward contracts to sell TL76.491.615 and purchase USD40.950.000 where the average exchange rate of USD contract is TL1.8718. At 31 December 2011 the Group recognised derivative financial assets amounting to TL1.981.601.

NOTE 8 - TRADE RECEIVABLES AND TRADE PAYABLES

Trade receivables	**2011**	**2010**
Trade receivables	325.842.694	218.245.795
Due from related parties (Note 24)	16.304.823	7.552.116
	342.147.517	**225.797.911**
Less: Provision for doubtful receivables	(5.568.553)	(4.551.769)
Less: Unearned credit finance income	(3.318.993)	(1.865.944)
	333.259.971	**219.380.198**
Long term trade receivables	282.445	431.222

As of 31 December 2011 and 2010 the maturities of trade receivables are 63 days on average and they are discounted with average annual interest rates of 11% and 7,68 %, respectively.

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

NOTE 8 - TRADE RECEIVABLES AND TRADE PAYABLES (Continued)

As of 31 December 2011, the trade receivables amounting to TL7.947.034 (2010: TL3.432.053) were past due but not impaired. The aging of these receivables as of 31 December 2011 and 2010 is as follows:

	2011	**2010**
Up to 1 month	6.607.312	2.290.546
1-3 months	1.160.982	615.762
3-12 months	178.740	525.745
	7.947.034	**3.432.053**

As of 31 December 2011, the trade receivables amounting to TL5.568.553 (2010: TL4.551.769) were impaired and provided for. The aging of these receivables as of 31 December 2011 and 2010 is as follows:

	2011	**2010**
1-3 months	-	234.624
3-12 months	260.128	880.322
Over 12 months	5.308.425	3.436.823
	5.568.553	**4.551.769**

Movements in provision for doubtful receivables as of 31 December 2011 and 2010 are as follows:

	2011	**2010**
Balances at 1 January	4.551.769	3.220.640
Additions	1.122.223	1.580.193
Collections	(105.439)	(352.206)
Addition due to acquisition of subsidiary	-	103.142
Balances at 31 December	**5.568.553**	**4.551.769**

Trade payables	**2011**	**2010**
Trade payables	96.039.716	61.522.020
Due to related parties (Note 24)	69.869.049	49.467.325
	165.908.765	**110.989.345**
Less: Unrealised credit finance expense	(213.474)	(110.974)
	165.695.291	**110.878.371**

As of 31 December 2011 and 2010 the maturities of trade payables are 33 days on average and they are discounted with average annual interest rates of 11% and 7,68%, respectively. The Group has financial risk management policy in order to manage maturity structure of liabilities.

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

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

Other short-term receivables	**2011**	**2010**
Other receivables from related parties (Note 24)	1.328.730	349.107
Prepaid taxes	-	721.376
Other	15.750	15.751
	1.344.480	**1.086.234**

Other long-term receivables	**2011**	**2010**
Deposits and guarantees given	91.414	45.622
	91.414	**45.622**

Other short-term payables	**2011**	**2010**
Social security premiums payable	6.241.341	2.948.696
Taxes and funds payable	4.961.239	5.240.918
Other payables to related parties (Note 24)	978.660	2.450.200
Guarantees received	11.333	473.076
Other	-	9.343
	12.192.573	**11.122.233**

NOTE 10 - INVENTORIES

	2011	**2010**
Raw materials	152.950.159	93.928.710
Materials and supplies	28.624.799	24.277.369
Semi-finished goods	19.520.133	13.828.924
Finished goods	76.565.496	32.305.584
Trade goods	21.304.341	14.435.132
Other inventories	222.497	2.099.672
	299.187.425	**180.875.391**

In the period 1 January - 31 December 2011 the cost of inventories recognised as expense and included in cost of goods sold is TL856.700.742 (1 January - 31 December 2010 : TL566.320.917).

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2011	Additions	Transfers	Disposals	31 December 2011
Cost:					
Land and land improvements	16.449.248	-	-	-	16.449.248
Buildings	208.405.612	164.682	40.653	-	208.610.947
Machinery and equipment	981.946.915	135.777	51.314.448	(3.987.602)	1.029.409.538
Motor vehicles	3.645.962	364.377	482.610	(596.474)	3.896.475
Furniture and fixtures	22.592.381	1.798.640	3.233.607	(29.057)	27.595.571
Other fixed assets	12.176.647	3.697.975	-	(73.574)	15.801.048
Construction in progress	28.121.166	91.523.709	(58.821.196)	-	60.823.679
	1.273.337.931	**97.685.160**	**(3.749.878)**	**(4.686.707)**	**1.362.586.506**
Accumulated depreciation:					
Land improvements	9.853.677	193.423	-	-	10.047.100
Buildings	112.498.463	6.677.347	-	-	119.175.810
Machinery and equipment	805.602.356	45.684.616	-	(3.987.602)	847.299.370
Motor vehicles	2.629.885	352.780	-	(461.048)	2.521.617
Furniture and fixtures	10.467.133	2.047.844	-	(5.889)	12.509.088
Other fixed assets	4.854.212	1.644.388	-	(1.488)	6.497.112
	945.905.726	**56.600.398**	**-**	**(4.456.027)**	**998.050.097**
Net book value	**327.432.205**				**364.536.409**

In the year ended 31 December 2011, TL43.700.220 of the depreciation expense is charged to "cost of goods sold", TL1.266.681 is included to "research and development expenses", TL4.968.496 is included in "selling and marketing costs", TL1.205.735 is included in general administrative expenses" and TL5.459.266 of the depreciation expense is included in "inventories".

As of 31 December 2011 borrowing costs amounting to TL106.592 have been capitalised on property, plant and equipment (2010: TL182.292).

As of 31 December 2011 there are no mortgages on property, plant and equipment (2010: None).

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2010	Additions	Transfers	Disposals	Additions due to acquisition of subsidiary	31 December 2010
Cost:						
Land and land improvements	16.240.403	-	208.845	-	-	16.449.248
Buildings	207.211.326	37.664	1.156.622	-	-	208.405.612
Machinery and equipment	938.237.893	176.301	49.512.826	(5.980.105)	-	981.946.915
Motor vehicles	5.464.498	106.662	222.514	(2.147.712)	-	3.645.962
Furniture and fixtures	20.987.974	1.058.174	607.871	(69.233)	7.595	22.592.381
Other fixed assets	10.424.076	1.751.548	-	(957)	1.980	12.176.647
Construction in progress	37.784.421	42.895.372	(52.558.627)	-	-	28.121.166
	1.236.350.591	**46.025.721**	**(849.949)**	**(8.198.007)**	**9.575**	**1.273.337.931**
Accumulated amortization:						
Land improvements	9.674.562	179.115	-	-	-	9.853.677
Buildings	105.867.959	6.630.504	-	-	-	112.498.463
Machinery and equipment	766.371.228	41.680.313	-	(2.449.185)	-	805.602.356
Motor vehicles	3.988.067	543.526	-	(1.901.708)	-	2.629.885
Furniture and fixtures	8.564.360	1.933.487	-	(30.714)	-	10.467.133
Other fixed assets	3.452.817	1.401.407	-	(12)	-	4.854.212
	897.918.993	**52.368.352**	**-**	**(4.381.619)**	**-**	**945.905.726**
Net book value	**338.431.598**					**327.432.205**

In the year ended 31 December 2010, TL43.332.744 of the depreciation expense is charged to "cost of goods sold", TL1.133.950 is included to "research and development expenses", TL4.859.477 is included in "selling and marketing costs", TL1.142.000 is included in general administrative expenses" and TL1.900.181 of the depreciation expense is included in "inventories".

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

NOTE 12 - INTANGIBLE ASSETS

	1 January 2011	Additions	Transfers	Disposals	31 December 2011
Cost:					
Rights	31.476.688	10.663.003	-	(17.000)	42.122.691
Other intangible assets	18.044.869	1.194.769	3.749.878	-	22.989.516
	49.521.557	**11.857.772**	**3.749.878**	**(17.000)**	**65.112.207**
Accumulated amortization:					
Rights	17.761.723	5.061.187	-	(5.100)	22.817.810
Other intangible assets	13.445.702	1.382.828	-	-	14.828.530
	31.207.425	**6.444.015**	**-**	**(5.100)**	**37.646.340**
Net book value	**18.314.132**				**27.465.867**

In the year ended 31 December 2011, TL652.234 of the amortisation expense is charged to "cost of goods sold", TL49.406 is charged to "research and development expenses", TL4.788.874 is included in "selling and marketing costs", TL872.020 expense is included in "general administrative expenses" and TL81.481 is included in "inventories".

	1 January 2010	Additions	Transfers	Disposals	Additions due to acquisition of subsidiary	31 December 2010
Cost:						
Rights	24.167.287	3.349.730	-	-	3.959.671	31.476.688
Other intangible assets	16.774.324	534.512	849.949	(113.916)	-	18.044.869
	40.941.611	**3.884.242**	**849.949**	**(113.916)**	**3.959.671**	**49.521.557**
Accumulated amortization:						
Rights	13.562.925	4.198.798	-	-	-	17.761.723
Other intangible assets	12.483.965	1.074.145	-	(112.408)	-	13.445.702
	26.046.890	**5.272.943**	**-**	**(112.408)**	**-**	**31.207.425**
Net book value	**14.894.721**					**18.314.132**

In the year ended 31 December 2010, TL607.350 of the amortisation expense is charged to "cost of goods sold", TL45.002 is charged to "research and development expenses", TL4.192.841 is included in "selling and marketing costs", TL401.117 expense is included in "general administrative expenses" and TL26.633 is included in "inventories".

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

NOTE 13 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Provisions	**2011**	**2010**
Provision for warranty claims (*)	931.278	1.020.010
Provision for lawsuits	1.155.188	1.200.245
Other	1.107.068	1.413.474
	3.193.534	**3.633.729**

(*) The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's 24-month warranty program for tires. The estimate has been made on the basis of historical warranty expenses and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

	Warranty claims	**Lawsuits**	**Other**	**Total**
1 January 2010	1.093.431	570.423	1.683.582	3.347.436
Additions	375.052	749.955	-	1.125.007
Payments/reversals	(448.473)	(120.133)	(270.108)	(838.714)
31 December 2010	**1.020.010**	**1.200.245**	**1.413.474**	**3.633.729**

	Warranty claims	**Lawsuits**	**Other**	**Total**
1 January 2011	1.020.010	1.200.245	1.413.474	3.633.729
Additions	523.347	409.163	-	932.510
Payments/reversals	(612.079)	(454.220)	(306.406)	(1.372.705)
31 December 2011	**931.278**	**1.155.188**	**1.107.068**	**3.193.534**

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

NOTE 13 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Investment incentives:

The Group has obtained a foreign investment incentive right amounting to TL285.304.000 with a certificate taken from Republic of Turkey Prime Ministry Undersecretariat of Treasury dated 1 June 2010 based on the 4875 Act of Direct Foreign Investment Law. Based on the related incentive right the Group incurred investment expenditure amounting to TL112 million and benefiting from reduced corporate tax.

Guarantees obtained:

	2011	**2010**
Direct debiting system limits	125.819.235	80.697.274
Letters of guarantees taken	104.836.058	76.184.933
Export insurance	36.799.870	25.769.481
Mortgages	22.317.394	17.906.564
Cheques and notes receivables taken as guarantee	12.867.528	7.972.846
Letter of credit	4.038.045	1.728.254
Export factoring	2.153.620	1.319.800
Cash blockage	-	463.800
	308.831.750	**212.042.952**

The Group has obtained bank collaterals and guarantee cheques and notes from its suppliers due to advances given to suppliers for purchases of goods and services.

In addition, the Group has guarantees comprising letters of guarantee received to minimise customer credit risk in forward sales made to domestic customers, encumbrances, debentures and limits for government debt securities allocated to customers through banks and export insurance, bank letters of guarantee, letters of credit, cash blockage and export factoring for trade receivables due from foreign customers on the basis of credit risk management.

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

NOTE 13 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Collaterals, Pledges and Mortgages given by the Company:

As of 31 December 2011 and 2010 collaterals, pledges and mortgages ("CPM") given of Company is as follows:

	2011			2010		
CPM given by the Company	**Currency**	**Amount**	**TL Equivalent**	**Currency**	**Amount**	**TL Equivalent**
A. Total of CPMs given on behalf of own legal personality	TL	40.485.261	40.485.261	TRY	9.838.560	9.838.560
	USD	4.592.827	8.675.391	USD	460.770	712.350
	Euro	2.141.500	5.233.398			
B. Total of CPMs given on behalf of subsidiaries consolidated in full	-	-	-	-	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
D. Total amount of other CPM						
i) Total amount of CPM given on behalf of the majority shareholder	-	-	-	-	-	-
ii) Total amount of CPM given to on behalf of other group companies which are not in scope of B and C	-	-	-	-	-	-
iii) Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
			54.394.050			**10.550.910**
Proportion of other CPM on equity			-			-

There are no CPMs given by the Company on behalf of third parties, other than those given on behalf of the Company itself.

The guarantees given by the Company comprise guarantees to customs office for import transactions made under the inward processing certificate, guarantees to executive offices for labour matters, guarantees to several governmental institutions to participate in several tenders, and guarantees to Eximbank for borrowings.

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

NOTE 14 - EMPLOYMENT BENEFITS

Short-term employment benefits	**2011**	**2010**
Bonus accruals	2.385.000	1.930.000
Accrued salaries and wages	1.923.144	1.735.655
Unused vacation pay liability	1.476.728	1.261.833
Accrued private pension premiums	116.527	108.252
	5.901.399	**5.035.740**

Movement schedule of bonus accruals and unused vacation pay liability is as follows:

	Bonus accruals	**Unused vacation pay liability**
1 January 2010	768.864	884.892
Additions	1.930.000	4.590.462
Payments/reversals	(768.864)	(4.213.521)
31 December 2010	**1.930.000**	**1.261.833**

	Bonus accruals	**Unused vacation pay liability**
1 January 2011	1.930.000	1.261.833
Additions	2.385.000	3.353.128
Payments/reversals	(1.930.000)	(3.138.233)
31 December 2011	**2.385.000**	**1.476.728**

Long-term employment benefits	**2011**	**2010**
Provision for employment termination benefits	23.383.792	21.939.659
	23.383.792	**21.939.659**

Provision for employment termination benefits

Provision for employment termination is allocated in accordance with the disclosures given below:

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to length of service prior to retirement. At 31 December 2011 the amount payable consists of one month's salary limited to a maximum of TL2.731,85 (2010: TL2.517,01) for each year of service.

The liability is not funded, as there is no funding requirement.

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

NOTE 14 - EMPLOYMENT BENEFITS (Continued)

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

IAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	2011	**2010**
Discount rate (%)	4,66	4,66
Turnover rate to estimate the probability of retirement (%)	100,00	100,00

The principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL2.805,04 (1 January 2011: TL2.623,23), which is effective from 1 January 2012, has been taken into consideration in calculating the provision for employment termination benefits of the Company.

Movements in the provision for employment termination benefits during the year are as follows:

	2011	**2010**
1 January	21.939.659	17.698.395
Increase during the year	3.367.598	5.411.312
Payments during the year	(2.945.853)	(1.994.793)
Actuarial loss	1.022.388	824.745
31 December	**23.383.792**	**21.939.659**

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

NOTE 15 - OTHER ASSETS AND LIABILITIES

	2011	2010
Other current assets		
Deferred VAT	17.110.878	1.980.826
Prepaid expenses	2.866.696	1.670.078
Advances given to personnel	1.566.398	1.448.431
Advances given to suppliers	262.951	738.701
Deductable VAT	1.377	1.377
Other	273.409	145.221
	22.081.709	**5.984.634**

	2011	2010
Other non-current assets		
Advances given for property, plant and equipment	5.496.227	3.442.858
	5.496.227	**3.442.858**

	2011	2010
Other current liabilities		
Advances received	335.401	1.525.758
Other	35.040	14.085
	370.441	**1.539.843**

NOTE 16 - EQUITY

Paid-in share capital

The Company's authorised and issued capital consists of 744.187.500 shares at Kr 1 nominal value each (2010: 744.187.500 shares). All shares are paid and there is no preferred stock. The Company's shareholders and their shareholdings at 31 December 2011 and 2010 are as follows:

Shareholders	(%)	2011	(%)	2010
H.Ö Sabancı Holding A.Ş.	43,63	3.246.619	43,63	3.246.619
Bridgestone Corporation	43,63	3.246.619	43,63	3.246.619
Other	12,74	948.637	12,74	948.637
Total paid-in share capital	**100,00**	**7.441.875**	**100,00**	**7.441.875**

NOTE 16 - EQUITY (Continued)

Restricted reserves and retained earnings

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. In accordance with the CMB regulations this amount is recorded under "Restricted Reserves". As of 31 December 2011 profit reserves comprise the legal reserves amounting to TL30.866.091 (2010: TL25.760.116).

In the General Assembly Meeting of Brisa dated 30 March 2011, it was resolved to allocate the legally unrestricted reserves to dividend distribution following the setting up of the necessary legal reserves and to distribute dividends amounting to gross TL51.431.852. Consequently, the distribution per share is a TL6,42 gross and net cash dividend per share with a nominal value of TL1 representing a ratio of 642% to institutional shareholders domiciled in Turkey. The amount of TL42.798.600 was distributed on 31 March 2011 and the remaining balance was distributed on 4 April 2011.

In accordance with the Board Decision dated 9 January 2009, the total amount of net income after the deduction of accumulated losses at statutory records and reserves that can be subject to dividend distribution shall be disclosed in the notes to the financial statements which will be prepared and publicly announced in accordance with Communiqué XI No:29. The concerning amount for the Company is TL117.130.498. The Company's reserve that can be subject to dividend distribution in accordance with financial statements prepared in accordance with the accounting principles of CMB Financial Reporting Standards amounts to TL78.320.562. As Brisa was founded by Hacı Ömer Sabancı Holding A.Ş. according to the Articles of Association of Brisa 100 usufruct shares were issued and granted to Hacı Ömer Sabancı Vakfı. According to the Articles of Association of Brisa, 5% of profit before taxation on income is allocated to owners of usufruct shares.

In accordance with the CMB regulations effective until 1 January 2008, the inflation adjustment differences arising at the initial application of inflation accounting which are recorded under "accumulated losses" could be netted off from the profit to be distributed based on CMB profit distribution regulations. In addition, the aforementioned amount recorded under "accumulated losses" could be netted off with net income for the period, if any, undistributed prior period profits, and inflation adjustment differences of extraordinary reserves, legal reserves and capital, respectively.

NOTE 16 - EQUITY (Continued)

In addition, in accordance with the CMB regulations effective until 1 January 2008, "Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment differences" at the initial application of inflation accounting. "Equity inflation adjustment differences" could have been utilised in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences (such as inflation adjustment differences) shall be disclosed as follows:

- if the difference is arising due to the inflation adjustment of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment to Share Capital";

- if the difference is due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings".

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Capital adjustment differences have no other use other than being transferred to share capital.

Based on CMB Decree No. 02/51, dated 27 January 2011, there is no mandatory minimum profit distribution requirement for the quoted entities on the stock exchange regarding for profits arising from operations in 2009. In regards to the profit distribution, in accordance with the decision of the General Assembly, the distribution can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares. It is also permitted to retain this amount in the Company reserves if the first dividend amount is below 5% of the paid- in/issued capital; however if the Company has increased its paid-in capital without dividend distribution in the previous year when the outstanding shares have been identified as "old" and "new", it is mandatory for companies that will make profit distribution from the net distributable profit of the 2007 to make this first dividend distribution in cash.

In accordance with the CMB's decision No. 7/242 dated 25 February 2005; if the amount of net distributable profit based on the CMB's requirement regarding the minimum profit distribution arrangements which is computed over the net profit determined according to the CMB's regulations does not exceed net distributable profit in the statutory accounts, the whole amount calculated according to the CMB's regulations should be distributed. On the other hand, the amount of net distributable profit based on the CMB's requirement regarding the minimum profit distribution arrangements which is computed over the net profit determined according to the CMB's regulations exceeds net distributable profit in the statutory accounts; distributable profit is limited to the profit per statutory accounts. In the event there is a net loss per statutory accounts or financial statements prepared in accordance with CMB financial reporting standards, a distribution of profit is prohibited.

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

NOTE 16 - EQUITY (Continued)

Inflation adjustment to shareholders’ equity can only be netted-off against losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years’ loss and used in the distribution of bonus shares and dividends to shareholders.

In accordance with the above explanation, the composition of Group’s equity, which is considered as the basis for profit distribution, in accordance with Communiqué No.: XI/29, is as follows:

	2011	**2010**
Share capital	7.441.875	7.441.875
Adjustment to share capital	352.660.701	352.660.701
Share premium	4.903	4.903
Restricted reserves	30.866.091	25.760.116
Hedging reserves	2.463.602	118.008
Net income for the period	71.871.945	56.684.522
Retained earnings	6.448.617	6.301.922
Total equity	**471.757.734**	**448.972.047**

NOTE 17 - REVENUE AND COST OF SALES

	2011	**2010**
Sales	1.507.789.891	1.081.357.477
Sales returns	(2.206.416)	(1.852.354)
Sales discounts	(128.165.585)	(75.261.394)
Other sales discounts	(29.640.601)	(24.345.758)
Net sales	**1.347.777.289**	**979.897.971**
Cost of sales	(1.091.950.313)	(777.352.832)
Gross profit	**255.826.976**	**202.545.139**

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

NOTE 18 - EXPENSE BY NATURE

	2011	**2010**
Raw materials used	827.605.643	529.068.364
Personnel expenses	165.496.251	147.006.012
Cost of trade goods sold	83.008.894	47.314.599
Production overheads	61.018.099	57.522.267
Depreciation and amortisation	57.503.666	55.714.481
Advertisement expenses	33.361.960	29.122.442
Royalty expenses	13.160.263	12.514.251
Transportation and storage expenses	7.360.295	6.543.893
Communication and information technology expenses	4.159.558	4.022.328
Insurance expenses	3.123.942	3.385.567
Energy expenses	2.208.825	2.039.463
Claims for defective tires	2.060.799	1.861.234
Change in work in progress	(9.081.291)	(5.343.297)
Change in finished goods	(39.291.757)	(2.791.935)
Other	35.544.955	26.141.269
	1.247.240.102	**914.120.938**

The functional breakdown of depreciation, amortisation and personnel expenses is as follows:

	2011	**2010**
Cost of sales	44.352.454	43.940.094
Marketing, selling and distribution expenses	9.757.370	9.052.318
General administrative expenses	2.077.755	1.543.117
Research and development expenses	1.316.087	1.178.952
	57.503.666	**55.714.481**

Personnel expenses	**2011**	**2010**
Cost of sales	124.338.271	107.643.740
General administrative expenses	16.868.386	19.126.720
Marketing, selling and distribution expenses	18.149.953	14.659.245
Research and development expenses	6.139.641	5.576.307
	165.496.251	**147.006.012**

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

NOTE 19 - OTHER INCOME/EXPENSES

Other income	**2011**	**2010**
Gain on sale of scrap material, net	446.257	-
Gain on sale of property, plant and equipment	265.105	842.702
Income from insurance damages	181.115	101.733
Gain on sale of raw materials	79.394	138.690
Income from insurance agency	-	498
Other	495.008	141.656
	1.466.879	**1.225.279**

Other expense	**2011**	**2010**
Loss on sale of supplies	520.456	559.929
Loss on sale of scrap materials	-	468.436
Other	514.198	333.302
	1.034.654	**1.361.667**

NOTE 20 - FINANCIAL INCOME

	2011	**2010**
Finance income on credit sales	20.241.102	12.226.456
Foreign exchange gains	6.850.030	891.756
Interest income on bank accounts	22.417	412.492
Foreign exchange gains on borrowings	-	3.336.000
	27.113.549	**16.866.704**

NOTE 21 - FINANCIAL EXPENSE

	2011	**2010**
Interest and commission expenses on borrowings	25.493.698	9.361.867
Foreign exchange losses on borrowings	9.343.239	-
Finance expenses on credit purchases	2.880.362	2.125.300
Derivative financial instruments	786.836	610.530
Interest expense of leasing	3.086	9.371
	38.507.221	**12.107.068**

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

NOTE 22 - TAXES ON INCOME

Corporate tax:

	2011	**2010**
Corporate tax currently payable	18.735.553	15.610.076
Less: Prepaid taxes	(16.290.791)	(16.331.452)
	2.444.762	**(721.376)(*)**

(*) The portion of the corporate tax amount paid in advance which exceeds the corporate tax amount to be paid as of 31 December 2010 is included under other short-term receivables (Note 9).

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

Corporate Income Tax Law has been changed with the law numbered 5520 which was published on 13 June 2006. Most of the rules of the new Corporate Income Tax Law are applicable from 1 January 2006. According to this, corporate tax rate applicable in Turkey is 20% (2009: 20%). Corporate tax rate is applied to the taxable profit which is calculated by adding non-deductible expenses and deducting some exemptions taken place in tax laws (exemptions for participation revenues, exemptions for investment incentives) from accounting profit of the Company. No additional taxes are paid unless profit is distributed (except 19.8% withholding tax paid over used investment incentives).

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

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. In accordance with the aforementioned law provisions, in order to apply inflation adjustment, cumulative inflation rate (SIS-WPI) over last 36 months and 12 months must exceed 100% and 10%, respectively. Since these conditions in question were not fulfilled after 1 January 2005, no inflation adjustments were performed.

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

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

NOTE 22 - TAXES ON INCOME (Continued)

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

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

There are numerous exemptions in the Corporate Tax Law concerning the corporations. Those related to the Group are real property, investment equity, preferential rights, usufruct shares, founding shares, sales exemption.

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

Brokerage houses and real estate companies who are dealing with the trading and the leasing of the real estate cannot benefit from this exemption.

Apart from the abovementioned exemptions considered in the determination corporate income tax base, allowances stated in Corporate Income Tax Law Articles 8, 9 and 10 and Income Tax Law Article 40 are also taken into consideration.

The taxes on income reflected to the consolidated statements of income for the years ended 31 December are summarised as follows:

	2011	**2010**
Current period corporate tax	(18.735.553)	(15.610.076)
Deferred tax income, net	1.032.734	1.894.317
	(17.702.819)	**(13.715.759)**

Current period tax reconciliation is as follows:

	2011	**2010**
Profit before taxation on income	89.575.740	70.400.281
Tax charge calculated at enacted tax rate	(17.915.148)	(14.080.056)
Disallowable expenses	343.411	310.500
Other exempt income	19.471	132.893
Reduced corporate tax	161.750	70.034
Non-deductible expenses	(312.303)	(149.130)
Tax expense	**(17.702.819)**	**(13.715.759)**

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

NOTE 22 - TAXES ON INCOME (Continued)

Deferred income taxes:

The Group recognises deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Financial Reporting Standards and their statutory tax financial statements.

Tax rates used for deferred income tax assets and liabilities calculated on temporary differences that are expected to be realised or settled based on the taxable income under the liability method are 20% in Turkey (2010: 20%).

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2011 and 2010 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred income tax assets/(liabilities)	
	2011	**2010**	**2011**	**2010**
Deferred income tax assets:				
Provision for employment termination benefits	23.383.792	21.939.659	4.676.759	4.387.932
Allowance for doubtful receivables	2.656.961	2.458.698	531.392	491.740
Unearned credit finance income	3.318.993	1.865.944	663.799	373.189
Provision for unused vacation liability	1.476.728	1.261.833	295.346	252.367
Forward foreign exchange contracts	16.689	785.186	3.338	157.037
Provision for warranty claims	931.278	1.020.010	186.256	204.002
Provision for lawsuits	1.155.188	1.200.245	231.038	240.049
Provision for personnel bonuses	2.385.000	1.930.000	477.000	386.000
			7.064.928	**6.492.316**
Deferred income tax liabilities:				
Property, plant and equipment	18.462.085	19.538.852	3.692.418	3.907.770
Inventories	79.275	637.129	15.855	127.426
Unincurred credit finance expense	213.474	110.974	42.695	22.195
Forward foreign exchange contracts	3.096.192	932.696	619.239	186.539
			4.370.207	**4.243.930**
Deferred income tax assets, net			**2.694.721**	**2.248.386**

The movements in deferred income tax assets/(liabilities) in the year ended 31 December are as follows:

	2011	**2010**
1 January	**2.248.386**	**383.571**
Recognised in income statement	1.032.734	1.894.317
Recognised in equity	(586.399)	(29.502)
31 December	**2.694.721**	**2.248.386**

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

NOTE 23 - EARNINGS PER SHARE

Earnings per share for each class of share disclosed in the consolidated statements of income is determined by dividing the net income attributable to that class of share by the weighted average number of shares of that class outstanding during the year.

	2011	**2010**
Total number of ordinary shares	744.187.500	744.187.500
Net income attributable to equity holders of the parent	71.871.945	56.684.522
Earnings per usufruct shares (TL)	44.788	35.200
Earnings per ordinary shares (TL)	9,06	7,14

NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from related parties as of 31 December 2011 have average maturity of 37 days (2010: 35).

Due to related parties as of 31 December 2011 have average maturity of 27 days (2010: 23). No interest is charged for payables.

Deposits on Akbank T.A.Ş.	**2011**	**2010**
Demand deposits	1.961.892	17.177.570
Time deposits	-	464.105
	1.961.892	**17.641.675**

Financial liabilities	**2011**	**2010**
Akbank T.A.Ş.	51.080.991	2.579.821
	51.080.991	**2.579.821**

Financial income	**2011**	**2010**
Akbank T.A.Ş.	3.990	363.991
	3.990	**363.991**

Financial expense	**2011**	**2010**
Akbank T.A.Ş.	3.035.524	29.925
Ak Finansal Kiralama A.Ş.	3.086	9.371
	3.038.610	**39.296**

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

NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Guarantees received	2011	2010
Birlas Mot. Spor Otom. San. ve Tic.Ltd.	1.290.000	1.290.000
Other	805.000	705.000
	2.095.000	**1.995.000**

Advances given	2011	2010
Vista Turizm ve Seyahat A.Ş.	504.351	-
	504.351	**-**

	2011			
Balances with related parties	**Current receivables**		**Current payables**	
	Trade	**Non-trade**	**Trade**	**Non-trade**
Shareholders				
H.Ö Sabancı Holding A.Ş.	-	-	22.679	-
Bridgestone Corporation	5.929.329	1.252.422	4.695.752	763.459
Other related parties				
Bridgestone Singapore Pte. Ltd.	-	-	42.688.248	-
Kordsa Global End. İp.Kord Bezi.San.Tic.A.Ş.	-	-	8.514.651	52.112
Enerjisa Enerji Üretim A.Ş.	-	-	4.171.129	-
Bridgestone (Shenyang) Steel Cord	-	-	1.758.203	-
Bridgestone (Huizhuo) Synthetic Rub.Co.	-	-	2.776.962	-
Bimsa Uluslararası İş. Bilgi ve Yön.Sis.A.Ş.	-	-	2.311.462	-
Birlas Mot. Spor Otom. San.ve Tic.Ltd.	7.242.466	-	-	-
Temsa San. ve Tic. A.Ş.	2.206.289	-	-	-
Akbank T.A.Ş.	826.274	-	-	-
Other	100.465	76.308	2.929.963	163.089
	16.304.823	**1.328.730**	**69.869.049**	**978.660**

Due from Akbank T.A.Ş. consists of credit card receivables.

Non-trade receivables balance consists of charges for common service usage invoices.

Non-trade payables balance consists of royalty liability amounting to TL503.049 (2010: TL1.685.806) and common service usage invoices.

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

NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	2010			
Balances with related parties	**Current receivables**		**Current payables**	
	Trade	**Non-trade**	**Trade**	**Non-trade**
Shareholders				
H.Ö Sabancı Holding A.Ş.	-	-	4.871	-
Bridgestone Corporation	1.520.877	292.512	4.861.197	2.013.456
Other related parties				
Bridgestone Singapore Pte. Ltd.	-	-	22.358.688	-
Bandag AG	-	-	7.484.668	-
Kordsa Global End. İp.Kord Bezi.San.Tic.A.Ş.	-	29.197	5.492.373	194.444
Enerjisa Enerji Üretim A.Ş.	-	-	3.759.407	-
Bridgestone (Shenyang) Steel Cord	-	-	1.323.061	-
Bridgestone Carbon Black Co.Ltd.	-	-	997.034	-
Bimsa Uluslararası İş. Bilgi ve Yön.Sis.A.Ş.	-	-	460.415	-
Birlas Mot. Spor Otom. San.ve Tic.Ltd.	2.846.066	-	56.109	-
Akbank T.A.Ş.	1.709.178	-	-	-
Temsa San. ve Tic. A.Ş.	1.375.871	-	20.960	-
Other	100.124	27.398	2.648.542	242.300
	7.552.116	**349.107**	**49.467.325**	**2.450.200**

Sales of finished goods and commercial goods	**2011**	**2010**
Shareholders		
Bridgestone Corporation	168.712.531	116.872.836
Other related parties		
Birlas Motor Sporları Otom.Ltd.Şti.	16.843.463	9.452.533
Temsa Global San.ve Tic. A.Ş.	6.983.962	4.481.480
Other	345.469	292.081
	192.885.425	**131.098.930**

Other sales	**2011**	**2010**
Shareholders		
Bridgestone Corporation	3.629.458	5.273.587
Other related parties		
Other	594.132	133.995
	4.223.590	**5.407.582**

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

NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Purchases of Raw Materials and Semi Finished	**2011**	**2010**
Shareholders		
Bridgestone Corporation	13.984.340	4.740.192
Other related parties		
Bridgestone Singapore Pte. Ltd.	353.144.237	189.140.143
Kordsa Glb End. İpl. Kordbezi San. Tic. A.Ş.	36.769.900	25.050.152
Bridgestone (Shenyang) Steel Cord Co.	19.355.421	16.010.213
Bridgestone (Huizhou) Synthetic Rubco. Ltd.	16.989.317	15.324.695
Bridgestone Carbon Black Co. Ltd.	9.271.146	5.905.429
Other	9.454.509	5.184.152
	458.968.870	**261.354.976**

Purchases of finished goods and commercial goods	**2011**	**2010**
Shareholders		
Bridgestone Corporation	47.874.858	35.409.737
Other related parties		
Enerjisa Enerji Üretim A.Ş.	33.611.441	33.621.971
Bridgestone Europe SA./N.V.	13.584.743	6.682.746
Other	348.003	2.809.346
	95.419.045	**78.523.800**

Purchase of Services	**2011**	**2010**
Shareholders		
Bridgestone Corporation	634.065	1.173.594
H. Ö. Sabancı Holding A.Ş.	138.396	60.236
Other related parties		
Naklog Lojistik ve Servis Hiz. Tic. Ltd. Şti.	18.155.333	14.883.914
Aksigorta A.Ş.	9.965.359	7.959.302
Bimsa Uluslararası İş. Bilgi ve Yön. Sis. A.Ş.	3.464.109	2.887.500
Lasder Lastik Sanayicileri Derneği	3.167.288	1.661.949
Vista Turizm ve Seyahat A.Ş.	2.028.920	2.479.386
Other	3.953.025	3.802.600
	41.506.495	**34.908.481**

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

NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Rent Expense	**2011**	**2010**
Shareholders		
H. Ö. Sabancı Holding A.Ş.	175.368	110.952
Other related parties		
Temsa San.ve Tic. A.Ş.	287.105	253.678
Aksigorta A.Ş.	36.072	33.900
Teknosa İç ve Dış Ticaret A.Ş.	10.057	790
	508.602	**399.320**

Purchase of Fixed Assets	**2011**	**2010**
Shareholders		
Bridgestone Corporation	20.171.009	1.633.596
Other related parties		
Bimsa Uluslararası İş. Bilgi ve Yön. Sis. A.Ş.	4.111.102	1.063.779
Bridgestone Plant Eng.	1.338.514	599.193
Other	1.214.098	716.208
	26.834.723	**4.012.776**

Commission Expense	**2011**	**2010**
Shareholders		
Bridgestone Corporation	13.160.263	12.514.251
Other related parties		
Birlas Motor Sporları Otom.Ltd.Şti.	2.469.794	1.040.685
Exsa UK Limited	-	2.953.734
Other	23.362	209.961
	15.653.419	**16.718.631**

Key management compensation:

Key management of the Group comprises members of board of directors

	2011	**2010**
Salaries and other short-term benefits	3.965.999	3.008.916
Employee termination benefits	206.756	13.920
Post-employment benefits	-	-
Other long-term benefits	91.110	58.082
Share-based payments	15.000	15.000
	4.278.865	**3.095.918**

NOTE 25 - FINANCIAL RISK MANAGEMENT

Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by Finance Department of Brisa under policies approved by the board of directors. Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Liquidity risk

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

The table below depicts the cash outflows the Group will pay for the financial liabilities in the balance sheet in accordance with the remaining maturities. The amounts in the table are contractual and non-discounted. The Group performs its liquidity risk management by considering expected non-discounted cash flows.

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

NOTE 25 - FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk analysis of the financial liabilities of the Group is as follows:

Non-derivative financial liabilities (1)(2):

2011	Carrying value	Contractual cash flows	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years
Financial liabilities	378.842.836	392.743.029	107.693.457	168.325.257	116.724.315	-
Trade payables	165.695.291	165.481.817	165.481.817	-	-	-
Other payables	24.102.709	24.102.709	17.047.447	7.055.262	-	-
	568.640.836	**582.327.555**	**290.222.721**	**175.380.519**	**116.724.315**	**-**

2010	Carrying value	Contractual cash flows	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years
Financial liabilities	187.060.968	200.869.995	34.675.082	102.385.886	63.809.027	-
Trade payables	110.878.371	110.989.345	110.986.985	2.360	-	-
Other payables	21.331.545	21.331.545	14.505.983	6.825.562	-	-
	319.270.884	**333.190.885**	**160.168.050**	**109.213.808**	**63.809.027**	**-**

(1) Only financial instruments comprise to maturity analysis and exclude legal liabilities.

(2) The aforementioned cash flows are contractual and non-discounted amounts. Since, discounted amounts for the balances with a maturity of less than 3 months are immaterial, the discounted amounts are equal to the book value.

(b) Market risk

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. To keep these exposures at a minimum level, the Group tries to borrow at the most suitable rates.

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

NOTE 25 - FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk table of the Group as of 31 December 2011 and 2010 is as follows:

	2011	**2010**
Financial instruments with fixed interest rate		
Financial liabilities	287.211.696	125.355.859
Time deposits	-	11.466.183
Financial instruments with variable interest rate		
Financial liabilities	91.631.140	61.705.109

Various scenarios are simulated by the Group for floating rate borrowings taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. According to these scenarios:

At 31 December 2011, if interest rates on TL denominated borrowings had been 10% higher/lower with all other variables held constant, post-tax profit for the year would have been TL671.500 (2010: None) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings

At 31 December 2011, if interest rates on Euro denominated borrowings had been 10% higher/lower with all other variables held constant, post-tax profit for the year would have been TL244.380 (2010: TL614.730) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Turkish Lira. Foreign Exchange risk is monitored with an analysis of foreign exchange positions. In addition, the Group aims to reduce foreign exchange risk arising from assets and liabilities by using currency forward instruments.

The Group has documented officially its currency risk policy practices and derivative transactions under its “Currency Risk Hedge Policy”, and performs this practice according to the rules and limits stated in the document and approved by senior management.

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

NOTE 25 - FINANCIAL RISK MANAGEMENT (Continued)

Derivative financial instruments

The derivative financial instruments of the Group consist of foreign exchange forward contracts. Such contracts while providing effective economic hedges for the associated risks also qualify for hedge accounting under the requirements of IAS 39 "Financial Instruments: Recognition and Measurement" thus they are accounted for as hedging derivatives financial instruments in the consolidated financial statements.

The Group presents the gains and losses relating to the hedging transactions under equity as "hedge reserves".

All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Foreign Currency Position

The Group's assets and liabilities denominated in foreign currencies at 31 December 2011 and 2010 are as follows:

	2011	**2010**
Assets	40.495.414	22.530.102
Liabilities	(47.742.155)	(71.661.918)
Net foreign currency position	**(7.246.741)**	**(49.131.816)**

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

NOTE 25 - FINANCIAL RISK MANAGEMENT (Continued)

2011	Total TL Equivalent	USD	Euro	JPY	GBP
Assets:					
Cash and cash equivalents	449.911	197.362	4.777	833.769	15.477
Trade receivables	32.154.903	6.053.314	6.990.969	-	1.246.578
Due from related parties	6.064.333	8.179	2.475.196	-	-
Other receivables	27.096	14.345	-	-	-
Other due from related parties	1.773.491	210.742	562.820	-	-
Other current assets	25.680	9.182	-	110.000	1.940
Total Assets	**40.495.414**	**6.493.124**	**10.033.762**	**943.769**	**1.263.995**
Liabilities:					
Trade payables	5.348.299	786.096	1.341.328	7.490.412	138.220
Due to related parties	92.573	1.033	-	3.723.181	-
Other payables	11.333	6.000	-	-	-
Other due to related parties	400.818	60.199	10.789	10.712.507	-
Other short-term liabilities	365.846	193.105	446	-	-
Short-term financial liabilities	41.523.286	9.022.260	10.017.653	-	-
Total Liabilities	**47.742.155**	**10.068.693**	**11.370.216**	**21.926.100**	**138.220**
Net Foreign Currency Position	**(7.246.741)**	**(3.575.569)**	**(1.336.454)**	**(20.982.331)**	**1.125.775**
Total foreign currency amount of off-balance sheet derivative financial assets	105.546.896	55.877.440	-	-	-
Total foreign currency amounts off-balance sheet derivative financial liabilities	27.126.180	-	11.100.000	-	-
Net foreign currency position of derivative financial instruments	78.420.716	55.877.440	(11.100.000)	-	-
Net foreign asset/(liability) position	**71.173.975**	**52.301.871**	**(12.436.454)**	**(20.982.331)**	**1.125.775**

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

NOTE 25 - FINANCIAL RISK MANAGEMENT (Continued)

2010	**Total TL Equivalent**	**USD**	**Euro**	**JPY**	**GBP**
Assets:					
Cash and cash equivalents	1.976.548	461.242	283.537	14.340	285.607
Financial assets	463.800	300.000	-	-	-
Trade receivables	18.218.697	2.781.574	5.244.615	-	1.327.825
Due from related parties	1.520.877	-	742.217	-	-
Other receivables	18.312	11.845	-	-	-
Other receivables from related parties	320.395	180.567	20.125	-	-
Other current assets	11.473	-	-	606.000	-
Total Assets	**22.530.102**	**3.735.228**	**6.290.494**	**620.340**	**1.613.432**
Liabilities:					
Trade payables	5.029.699	806.053	1.756.131	761.038	71.441
Due to related parties	1.127.236	202.778	8.817	42.025.838	-
Other payables	473.076	306.000	-	-	-
Other payables to related parties	1.801.039	882.148	10.789	17.305.771	36.624
Other current liabilities	1.525.759	460.277	67.035	-	283.350
Financial liabilities	61.705.109	-	30.113.274	-	-
Total Liabilities	**71.661.918**	**2.657.256**	**31.956.046**	**60.092.647**	**391.415**
Net Foreign Currency Position	**(49.131.816)**	**1.077.972**	**(25.665.552)**	**(59.472.307)**	**1.222.017**
Total foreign currency amount of off-balance sheet derivative financial assets	32.589.796	21.080.075		-	-
Total foreign currency amounts off-balance sheet derivative financial liabilities	32.478.235	-	15.850.000	-	-
Net foreign currency position of derivative financial instruments	111.561	21.080.075	(15.850.000)	-	-
Net foreign asset/(liability) position	**(49.020.255)**	**22.158.047**	**(41.515.552)**	**(59.472.307)**	**1.222.017**

NOTE 25 - FINANCIAL RISK MANAGEMENT (Continued)

2011

	TL Equivalent	USD	Euro	JPY	GBP
Export (*)	452.649.243	54.925.450	145.155.727	-	7.812.755
Import (*)	823.866.359	360.781.770	66.835.110	2.944.130.712	484.870

2010

	TL Equivalent	USD	Euro	JPY	GBP
Export (*)	317.552.053	48.599.190	114.694.297	-	6.240.481
Import (*)	485.778.490	228.712.949	50.264.623	2.553.763.298	18.069

(*) Imputed interest on receivables of sales and purchases in foreign denominated export and import balances is not taken into account. TL denominated export balances are carried at the prevailing rates at the export date. TL denominated import balances are measured at the annual average rate.

The Company is exposed to foreign exchange risk arising primarily with respect to transactions denominated in USD, Euro, GBP and JPY.

The following table details the Company's sensitivity to a 10% increase and decrease in the TL against USD, Euro, GBP and JPY. 10% is used in the reporting of currency risk to the key management and it represents the management's expectation on the potential exchange rate fluctuations. Sensitivity analysis can only made on the year-end outstanding foreign currency denominated monetary items and it shows the year-end effects of the 10% of exchange currency fluctuation on the related items. The analysis includes foreign loans as well as loans that are denominated other than the creditors' functional currency and used for the Company's foreign transactions. Positive value represents an increase in profit/loss and other equity items.

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

NOTE 25 - FINANCIAL RISK MANAGEMENT (Continued)

	Profit / Loss	
2011	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Change in USD against TL by 10%		
1 - USD Net Assets/Liabilities	(675.389)	675.389
2 - Hedged USD (-)	10.554.690	(10.554.690)
3 - USD Net Effect (1+2)	9.879.301	(9.879.301)
Change in Euro against TL by 10%		
4 - Euro Net Assets/Liabilities	(326.603)	326.603
5 - Hedged Euro (-)	(2.712.618)	2.712.618
6 - Euro Net Effect (4+5)	(3.039.221)	3.039.221
Change in JPY against TL by 10%		
7 - JPY Net Assets/Liabilities	(51.071)	51.071
8 - Hedged JPY (-)	-	-
9 - JPY Net Effect (7+8)	(51.071)	51.071
Change in GBP against TL by 10%		
10 - GBP Net Assets/Liabilities	328.389	(328.389)
11 - Hedged GBP (-)	-	-
12 - GBP Net Effect (10+11)	328.389	(328.389)
TOTAL (3+6+9+12)	**7.117.398**	**(7.117.398)**

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

NOTE 25 - FINANCIAL RISK MANAGEMENT (Continued)

	Profit / Loss	
2010	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Change in USD against TL by 10%		
1 - USD Net Assets/Liabilities	166.654	(166.654)
2 - Hedged USD (-)	3.258.980	(3.258.980)
3 - USD Net Effect (1+2)	3.425.634	(3.425.634)
Change in Euro against TL by 10%		
4 - Euro Net Assets/Liabilities	(5.259.128)	5.259.128
5 - Hedged Euro (-)	(3.247.824)	3.247.824
6 - Euro Net Effect (4+5)	(8.506.952)	8.506.952
Change in JPY against TL by 10%		
7 - JPY Net Assets/Liabilities	(112.599)	112.599
8 - Hedged JPY (-)	-	-
9 - JPY Net Effect (7+8)	(112.599)	112.599
Change in GBP against TL by 10%		
10 - GBP Net Assets/Liabilities	291.891	(291.891)
11 - Hedged GBP (-)	-	-
12 - GBP Net Effect (10+11)	291.891	(291.891)
TOTAL (3+6+9+12)	**(4.902.026)**	**4.902.026**

(c) Funding risk

The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders. The borrowings of the Group are from financially strong various financial institutions.

(d) Credit risk

Credit risk arises from deposits with banks, as well as credit exposures to customers, including outstanding receivables.

Ownership of financial assets involves the risk that counter parties may be unable to meet the terms of their agreements. The Group management covers these risks by limiting the aggregate risk from any individual counter party and if necessary by obtaining guarantee.

The Group uses internal credit control procedure, credit rating system and internal control policy for the credit risk management of receivables from customers. According to these procedures, the Group approves, increases or decreases individual customer credit limits for high balanced customers (excluding related parties). The credit limits are set by taking into account the financial position, past payment performance, the position of trade relations, growth potential and management style of the customers. These limits are annually revised and letter of guarantees, mortgages and other guarantees are received for the high risk customers.

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

NOTE 25 - FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2011, the credit risk regarding the financial instruments is as follows:

	Trade receivables		Other receivables (*)		Bank deposits	
2011	**Related party**	**Other**	**Related party**	**Other**	**Related party**	**Other**
Maximum credit risk based on financial Instruments as of reporting date	16.304.823	316.955.148	1.328.730	15.750	1.961.892	2.298.523
- Collateralized or secured with guarantees part of maximum credit risk	**2.116.274**	**201.185.817**	**-**	**-**	**-**	**-**
Net book value of not due or not impaired financial assets	16.227.715	309.008.114	1.328.730	15.750		
Net book value of past due but not impaired financial assets	77.108	7.947.034	-	-	-	-
- Collateralized or guaranteed part	-	3.276.046	-	-	-	-
Net book value of impaired financial assets	-	-	-	-	-	-
- Gross Amount of overdue part	-	5.568.553	-	15.216	-	-
- Impairment (-)	-	(5.568.553)	-	(15.216)	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-

(*) Excludes tax and other legal receivables.

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

NOTE 25 - FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2010, the credit risk regarding the financial instruments is as follows:

	Trade receivables		Other receivables (*)		Bank deposits	
2010	**Related party**	**Other**	**Related party**	**Other**	**Related party**	**Other**
Maximum credit risk based on financial Instruments as of reporting date	7.552.116	211.828.082	349.107	15.751	17.641.675	12.686.231
- Collateralized or secured with guarantees part of maximum credit risk	**2.999.178**	**134.735.267**	**-**	**-**	**-**	**-**
Net book value of not due or not impaired financial assets	7.533.267	208.396.029	349.107	15.751		
Net book value of past due but not impaired financial assets	18.849	3.432.053	-	-	-	-
- Collateralized or guaranteed part	-	2.239.476	-	-	-	-
Net book value of impaired financial assets	-	-				
- Gross Amount of overdue part	-	4.551.769	-	15.216	-	-
- Impairment (-)	-	(4.551.769)	-	(15.216)	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-

(*) Excludes tax and other legal receivables.

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

NOTE 25 - FINANCIAL RISK MANAGEMENT (Continued)

The Group assumes that its receivables from the related parties including the ones which are overdue bear no risk of collection since it takes into account that such receivables are to be collected from the Group companies and that all of such receivables had been collected in the previous periods.

The Group did not make any provisions for doubtful receivables since the overdue receivables are to be collected from the corporate customers who did not delay any collections in the previous periods, and even if they delayed, eventually managed to pay their debts. In addition, when the maturity composition of the receivables which are not impaired are analyzed, it is seen that a little time longer than three months has passed since the maturity date of most of them.

The aging table of the Group's overdue but not impaired trade receivables including due from related parties which takes into account the overdue terms is as follows:

	2011	**2010**
0-1 month	6.684.420	2.309.395
1-3 months	1.160.982	615.762
3-12 months	178.740	525.745
	8.024.142	**3.450.902**

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the debt/(total capital+net debt+non-controlling interest) ratio. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents.

As of 31 December 2011 and 2010 Net debt/equity+net debt+ non-controlling interest rates are:

	2011	**2010**
Total liabilities	592.041.317	341.995.729
Cash and cash equivalents	(4.263.331)	(30.330.257)
Net debt	587.777.986	311.665.472
Equity	471.757.734	448.972.047
Non-controlling interest	1.140	164
Equity+net debt+ non-controlling interest	1.059.536.860	760.637.683
Net debt/Equity+net debt+ non-controlling interest	55%	41%

NOTE 26 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group can realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Monetary assets

The fair values of balances denominated in foreign currencies, which are translated at period-end exchange rates, are considered to approximate carrying values.

The fair values of certain financial assets carried at cost, including cash and amounts due from banks, are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

Monetary liabilities

The fair values of bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Since, long term foreign currency loans generally have floating rate, air value is close to their book value. Fair value of long term bank loans are discounted amounts of contractual cash flows with the market interest rate (Note 6)

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

NOTE 26 - FINANCIAL INSTRUMENTS (Continued)

Fair value estimation:

Financial instruments measured at fair value in the balance sheet reclassified as flows:

Level: 1: Quoted prices in markets for assets and liabilities
Level: 2: Direct or indirect observable inputs for the assets or liabilities other than quoted prices in market
Level: 3: Inputs for the assets and liabilities where observable market data cannot be determined.

Derivative financial instruments	**2011**	**2010**
Level 1	-	-
Level 2	3.079.503	147.510
Level 3	-	-
	3.079.503	**147.510**

NOTE 27 - EVENTS AFTER THE BALANCE SHEET DATE

- Negotiations between Turkey Oil, Chemical and Rubber Industry Workers' Union and the Company for 17th Period Collective Labour Agreement started on 10 January 2012. As of the date of the consolidated financial statements, the negotiations are still in progress.

- In accordance with the CMB's decision No. 7/217 dated 2 March 2012, the merger of Brisa and Bandag through takeover of Bandag under Brisa has been approved before the general assembly meetings of these entities and this was announced by the company to the public on 15 March 2012.

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