BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2012 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

BALANCE SHEETS AT 31 DECEMBER 2012 AND 2011
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2012	2011
ASSETS			
Current assets:			
Cash and cash equivalents	4	11.568.838	4.263.331
Trade receivables	7	446.944.531	333.259.971
Other receivables	8	3.034.474	1.344.480
Derivative financial instruments	6	15.513	3.096.192
Inventories	9	250.775.471	299.187.425
Other current assets	14	14.835.062	22.081.709
Total current assets		**727.173.889**	**663.233.108**
Non-current assets:			
Trade receivables	7	2.714.118	282.445
Other receivables	8	93.090	91.414
Property, plant and equipment	10	482.888.598	364.536.409
Intangible assets	11	27.492.274	27.465.867
Deferred income tax assets	21	2.979.027	2.694.721
Other non-current assets	14	790.897	5.496.227
Total non-current assets		**516.958.004**	**400.567.083**
Total assets		**1.244.131.893**	**1.063.800.191**

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

BALANCE SHEETS AT 31 DECEMBER 2012 AND 2011

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

	Notes	2012	2011
LIABILITIES			
Current liabilities:			
Financial liabilities	5	553.852.177	278.092.836
Derivative financial instruments	6	817.029	16.689
Trade payables	7	141.737.388	165.695.291
Other payables	8	10.198.756	12.192.573
Taxes on income	21	2.063.040	2.444.762
Provisions	12	2.896.665	3.193.534
Provision for employee benefits	13	7.431.726	5.901.399
Other current liabilities	14	668.650	370.441
Total current liabilities		**719.665.431**	**467.907.525**
Non-current liabilities:			
Financial liabilities	5	3.783.766	100.750.000
Provision for employee benefits	13	30.361.966	23.383.792
Total non-current liabilities		**34.145.732**	**124.133.792**
Total liabilities		**753.811.163**	**592.041.317**
EQUITY			
Attributable to equity holders of the parent			
Share capital	15	305.116.875	7.441.875
Adjustment to share capital		54.985.701	352.660.701
Share premium		4.903	4.903
Restricted reserves		37.950.734	30.866.091
Hedging reserves		(641.213)	2.463.602
Retained earnings		18.540	6.448.617
Net income for the period		92.885.190	71.871.945
Attributable to equity holders of the parent		**490.320.730**	**471.757.734**
Non-controlling interests		**-**	**1.140**
Total equity		**490.320.730**	**471.758.874**
Total liabilities and shareholders' equity		**1.244.131.893**	**1.063.800.191**

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BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

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

	Notes	2012	2011
OPERATING REVENUE			
Revenue	16	1.424.003.474	1.347.777.289
Cost of sales (-)	16,17	(1.099.053.958)	(1.091.950.313)
GROSS PROFIT		**324.949.516**	**255.826.976**
Marketing, selling and distribution expenses (-)	17	(115.618.890)	(102.015.052)
General administrative expenses (-)	17	(58.531.102)	(41.428.774)
Research and development expenses (-)	17	(12.204.293)	(11.845.963)
Other operating income	18	1.252.877	1.466.879
Other operating expense (-)	18	(1.280.601)	(1.034.654)
OPERATING PROFIT		**138.567.507**	**100.969.412**
Financial income	19	29.936.329	27.113.549
Financial expense (-)	20	(53.824.761)	(38.507.221)
INCOME BEFORE TAXATION ON INCOME		**114.679.075**	**89.575.740**
Taxation on income		**(21.793.885)**	**(17.702.819)**
- Income tax expense for the period	21	(21.301.987)	(18.735.553)
- Deferred tax income	21	(491.898)	1.032.734
NET INCOME FOR THE PERIOD		**92.885.190**	**71.872.921**
Net income for the period attributable to:			
Equity holders of the parent		92.885.190	71.871.945
Non-controlling interests		-	976
		92.885.190	**71.872.921**
Earnings per share	22	0,27	0,22

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

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

	2012	2011
NET INCOME FOR THE PERIOD	**92.885.190**	**71.872.921**
Other Comprehensive Income:		
Changes in fair value of derivative financial instruments	(3.881.019)	2.931.993
Tax effect	776.204	(586.399)
OTHER COMPREHENSIVE (LOSS)/INCOME	**(3.104.815)**	**2.345.594**
TOTAL COMPREHENSIVE INCOME	**89.780.375**	**74.218.515**
Total comprehensive income attributable to:		
Equity holders of the parent	89.780.375	74.217.539
Non-controlling interests	-	976
	89.780.375	**74.218.515**

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(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 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**
Balances at 1 January 2012	**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**
Transfers	-	-	-	7.084.643	-	64.788.442	(71.871.945)	1.140	(1.140)	-
Capital increase (Note 15)	297.675.000	(297.675.000)	-	-	-	-	-	-	-	-
Dividends paid (Note 15)	-	-	-	-	-	(71.218.519)	-	(71.218.519)	-	(71.218.519)
Total comprehensive income	-	-	-	-	(3.104.815)	-	92.885.190	89.780.375	-	89.780.375
Balances at 31 December 2012	**305.116.875**	**54.985.701**	**4.903**	**37.950.734**	**(641.213)**	**18.540**	**92.885.190**	**490.320.730**	**-**	**490.320.730**

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

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

	Notes	2012	2011
Net income for the period		**92.885.190**	**71.871.945**
Adjustments to reconcile net income before taxation to net cash provided by operating activities:			
Depreciation of property, plant and equipment		59.190.600	51.141.132
Amortization of intangible assets		7.507.043	6.362.534
Employment termination benefits	13	10.600.406	4.389.986
Deferred taxation	21	491.898	(1.032.734)
Interest income	19	(66.885)	(22.417)
Interest expense	20	48.735.755	25.493.698
Income from sale of property, plant and equipment	18	(181.610)	(265.105)
Provisions		3.108.570	6.670.638
Provision for doubtful receivables	7	1.801.020	1.122.223
Derivative financial instruments	6	5.859.367	(2.892.880)
Taxes on income	21	21.301.987	18.735.553
Unrealised credit finance expense	7	117.731	213.474
Unearned credit finance income	7	(2.941.138)	(3.318.993)
Foreign exchange losses/(gains)		(2.399.341)	2.493.209
Non-controlling interests		-	976
Net cash generated from operating activities before changes in operating assets and liabilities		**246.010.593**	**180.963.239**
Trade receivables		(115.221.075)	(104.684.196)
Inventories		53.145.962	(113.253.327)
Other current receivables and assets		4.655.887	(17.076.697)
Other non-current receivables and assets		4.703.654	(2.099.161)
Trade payables		(24.075.634)	54.603.446
Other current payables and liabilities		(1.838.284)	96.702
Payments/reversals of provisions		(1.732.436)	(6.440.938)
Employment termination benefits paid	13	(3.622.232)	(2.945.853)
Taxes paid		(21.683.709)	(15.569.415)
Net cash (used in)/generated from operating activities		**140.342.726**	**(26.406.200)**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	10,11	(189.290.715)	(109.542.932)
Proceeds from sale of property, plant and equipment		482.045	507.685
Interest received	19	66.885	22.417
Proceeds from sale of financial assets held for sale		-	464.105
Net cash used in investing activities		**(188.741.785)**	**(108.548.725)**
Cash flows from financing activities			
Financial leasing	5	1.940.988	-
Proceeds from borrowings		165.690.832	174.636.667
Interest paid		(34.029.399)	(17.691.736)
Derivative financial instruments (paid)/received		(6.679.336)	3.374.920
Dividends paid		(71.218.519)	(51.431.852)
Net cash generated from financing activities		**55.704.566**	**108.887.999**
Net increase/(decrease) in cash and cash equivalents		**7.305.507**	**(26.066.926)**
Cash and cash equivalents at the beginning of the period	4	4.263.331	30.330.257
Cash and cash equivalents at the end of the period	**4**	**11.568.838**	**4.263.331**

The accompanying notes form an integral part of these 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:

	%
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

These financial statements as at and for the year ended 31 December 2012 have been approved for issue by the Board of Directors on 1 March 2013 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 ("CMB") Communiqué Serial: XI. No: 29 "Financial Reporting Standards in Capital Markets" ("Communiqué Serial: XI. No: 29") provides principles and standards on the preparation and presentation of financial statements. The Communiqué is applicable commencing from the first interim financial statements prepared subsequent to 1 January 2008 and Communiqué Serial: XI. No: 25 "The Capital Market Accounting Standards" ("Communiqué Serial: XI. No: 25") is annulled by the application of this communiqué. As per this communiqué, the financial statements should be prepared in accordance with the International Financial Reporting Standards ("IAS/IFRS") as endorsed by the European Union ("EU"). However, companies will apply IASs/IFRSs until the differences between the standards accepted by the European Union and the standards issued by International Accounting Standards Board ("IASB") are announced by Public Oversight, Accounting and Auditing Standards Board ("POAASB"). In this respect, Turkish Accounting / Financial Reporting Standards that are issued by POAASB and are not controversial to the adopted standards shall be taken as a basis in the application.

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

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 POAASB as of date of preparation of these financial statements, the 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 financial statement 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 financial statements.

Brisa 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 financial statement 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 financial statement 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.

Amendments and Interpretations in Standards

a) Standards, amendments and IFRICs applicable to 31 December 2012 year ends

- IFRS 7 (amendment), "Financial instruments: Disclosures on transfers of assets", is effective for annual periods beginning on or after 1 July 2011. This amendment 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, particularly those involving securitisation of financial assets.

- IFRS 1 (amendment), "First-time adoption of IFRS", is effective for annual periods beginning on or after 1 July 2011. The 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. Earlier adoption is permitted.

- IAS 12 (amendment), "Income taxes" on deferred tax, 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.

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

b) New IFRS standards, amendments and IFRICs effective after 1 January 2013

- IAS 1 (amendment), "Presentation of financial statements", regarding other comprehensive income 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 Company items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in other comprehensive income. Early adoption is permitted.

- 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. Early adoption is permitted.

- IFRS 10, "Consolidated financial statements", is effective for annual periods beginning on or after 1 January 2013. The 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 of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This new standard might impact the entities that a Company consolidates as its subsidiaries.

- IFRS 11, "Joint arrangements", is effective for annual periods beginning on or after 1 January 2013. IFRS 11 is 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. Based on the aforementioned standard, the consolidated financial statement is expected
to be effected by approximately 1% in terms of both total assets and revenue.

- IFRS 12, "Disclosures of interests in other entities", is effective for annual periods beginning on or after 1 January 2013. The 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 10, 11 and 12 on transition guidance (amendment), is effective for annual periods beginning on or after 1 January 2012. The amendment also provides additional transition relief in IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosure related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for the periods before IFRS 12 is applied.

- IFRS 13, "Fair value measurement", is effective for annual periods beginning on or after 1 January 2013. The 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.

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

- IAS 27 (revised), "Separate financial statements", is effective for annual periods beginning on or after 1 January 2013. The 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 (revised), "Associates and joint ventures", is effective for annual periods beginning on or after 1 January 2013. The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

- IFRS 7 (amendment), "Financial instruments: Disclosures', on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2013. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements.

- IAS 32 (amendment), "Financial instruments": Presentation', on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2014. The amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- IFRS 1 (amendment), "First time adoption", on government loans", is effective for annual periods beginning on or after 1 January 2013. The amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS.

- Annual Improvements to IFRSs 2011 is effective for annual periods beginning on or after 1 January 2013. Amendments affect five standards: IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.

- IFRS 9, "Financial instruments: Classification and Measurement", is effective for annual periods beginning on or after 1 January 2015. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.

- IFRS 10, (amendment) "Consolidated Financial Statements", IFRS 12 and IAS 27 for investment entities is effective for annual periods beginning on or after 1 January 2013. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.

- IFRIC 20, "Stripping costs in the production phase of a surface mine" is effective for annual periods beginning on or of 1 January 2013.

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 2012.

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

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

2.3 Changes in the Accounting Estimates and Errors

Changes in the accounting estimates should be accounted for 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 2012.

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 Company 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 Company are recognised on the following bases:

Interest income - on an effective yield basis.

2.4.2 Inventories

Inventories are valued at the lower of cost or net realisable value. Cost elements included in inventories are materials, labour, translation difference from financial and an appropriate amount of factory overheads. The unit cost of inventories is determined on the moving weighted average basis (Note 9). Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.4.3 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment, if any (Note 10). Land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

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

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.

Estimated useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Expenses for the repair and maintenance 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 11).

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).

2.4.6 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 5). 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 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)

2.4.7 Trade receivables

Trade receivables that are created by the Company 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 Company 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.

Those with maturities greater than 12 months are classified as non-current assets.

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 7).

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 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 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 21).

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

2.4.10 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 5).

2.4.11 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 (Note 7).

Those with maturities greater than 12 months are classified as non-current liabilities.

2.4.12 Foreign currency transactions

The financial statements are presented in Turkish Lira ("TL"), which is the functional currency and the presentation currency of the Company.

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

Foreign currency differences related with borrowings, cash and cash equivalents and other monetary assets and liabilities are recognised in the "financial income/(expense)" in the income statement.

Foreign currency differences related with non-monetary assets and liabilities are recognised as fair value gains and losses.

2.4.13 Provisions, contingent assets and liabilities

Provisions are recognised when the Company 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.

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

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate, used to calculate the present value of the provision should be pre-tax rate reflecting the current market assessments of the time value of money and the risks specific to the liability. The discount rate shall not reflect risks for which future cash flow estimates have been adjusted.

2.4.14 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 Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law (Note 13).

2.4.15 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.

2.4.16 Derivative financial instruments

The derivative financial instruments of the Company 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 Company has designated their derivatives ("hedging instrument") to hedge its cash flows on foreign purchases ("hedged item").

The Company 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 Company 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 statements of income.

The gain or loss relating to the ineffective portions of foreign exchange forward is recognised in the 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 statements of income (Note 6).

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

2.4.17 Earnings per share

Earnings per share disclosed in the 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 22).

2.4.18 Related parties

For the purpose of these financial statements, shareholders, the Company 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 Company assigned its top management as board of directors and the members of executive board (Note 23).

2.4.19 Reporting of cash flows

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 Company's principal revenue-producing activities.

Cash flows from investing activities are the cash flows from Company'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 Company'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).

2.4.20 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)

2.4.21 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.

2.4.22 Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4.23 Comparatives and restatement of prior period financial statements

The financial statements of the Company include comparative financial information to enable the determination of the trends in financial position and performance. The Company prepared the balance sheet at 31 December 2012 in comparison with its consolidated balance sheet at 31 December 2011, the Company also prepared the statements of income, the statements of comprehensive income, the statement of changes in equity and the statement of cash flows for the period 1 January - 31 December 2012 in comparison with its related consolidated statements in the accounting period 1 January - 31 December 2011.

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 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 Company 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:

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

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 10 - 11).

Provision for doubtful receivables

The Company 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 7).

Investment incentive

The recognition of deferred income tax assets is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. Deferred income tax assets are recognised to the extent that it is probable that investment incentive will be utilised. As discussed in Note 12 the Company has obtained a foreign investment incentive right amounting to TL369 million for 5 years period 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 Company utilised reduced corporate tax amounting to TL921.181 for the year ended 31 December 2012. The Company estimates to utilise TL23.594.524 reduced corporate tax in the future. In addition to this, as the Company estimates to utilise the related benefit within 20 years no deferred income tax asset has been accounted for in the context of prudency.

Provisions

In accordance with the accounting policy explained in Note 2.4, provisions are recognised when the Company 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 12).

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

The accounting principles described in Note 2.4 to the 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 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 - LEGAL MERGERS

The Company acquired 99,99% shares of Bandag on 30 December 2010 in consideration of TL5.604.120. On 19 October 2011, Bandag went through a conversion and transformed from a limited liability company to a joint stock company. At the extraordinary general assembly meeting of the Company on 27 April 2012, the decision was made to include Bandag in the scope of a merger by means of a takeover of Bandag by the Company. Legal procedures regarding the merger were registered by the Istanbul Trade Registry Office on 30 April 2012 and the merger was announced in the Turkish Trade Registry Gazette on 4 May 2012.

NOTE 4 - CASH AND CASH EQUIVALENTS

	2012	**2011**
Cash	1.153	2.916
Bank - demand deposits	11.565.447	3.558.218
Bank - time deposits	2.238	702.197
	11.568.838	**4.263.331**

Maturities of the time deposits are less than three months and effective interest rate for TL denominated deposits is 6,5% (2011: 8%). Demand deposits comprise collections from direct debiting system (DDS) and cheques kept for 1 day under current accounts based on agreements made with banks.

NOTE 5 - FINANCIAL LIABILITIES

	2012	**2011**
Short-term bank borrowings	552.944.955	278.092.836
Short-term finance lease liabilities	907.222	-
Total short-term financial liabilities	**553.852.177**	**278.092.836**
Long-term bank borrowings	2.750.000	100.750.000
Long-term finance lease liabilities	1.033.766	-
Total long-term financial liabilities	**3.783.766**	**100.750.000**
Total financial liabilities	**557.635.943**	**378.842.836**

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

NOTE 5 - FINANCIAL LIABILITIES (Continued)

Bank borrowings

	2012		2011	
	Weighted average annual effective interest rate %	**TL**	**Weighted average annual effective interest rate %**	**TL**
Short-term bank borrowings:				
TL denominated borrowings	9,28	509.151.554	10,16	234.846.479
Euro denominated borrowings	1,58	23.731.684	2,05	24.481.140
USD denominated borrowings	2,81	19.877.100	2,72	17.042.146
		552.760.338		**276.369.765**
Short-term portion of long-term bank borrowings:				
TL denominated borrowings		184.617		1.723.071
Total short-term bank borrowings		**552.944.955**		**278.092.836**
Long-term bank borrowings:				
TL denominated borrowings	10,60	2.750.000	9,78	100.750.000
Total long-term bank borrowings		**2.750.000**		**100.750.000**

	2012		2011	
	Fair value	**Carrying value**	**Fair value**	**Carrying value**
TL denominated borrowings	512.227.175	512.086.171	335.656.988	337.319.550
Euro denominated borrowings	23.731.684	23.731.684	23.714.596	24.481.140
USD denominated borrowings	19.877.100	19.877.100	16.699.220	17.042.146
	555.835.959	**555.694.955**	**376.070.804**	**378.842.836**

Redemption schedules of long-term borrowings are summarised below:

	2012	**2011**
2013	-	98.000.000
2014	2.750.000	2.750.000
	2.750.000	**100.750.000**

NOTE 5 - FINANCIAL LIABILITIES (Continued)

Repricing schedule of borrowings due to agreements are as follows:

	2012	**2011**
Up to 3 months	164.281.231	107.693.457
3-12 months	406.942.248	168.325.257
1-5 years	3.340.287	116.724.315
	574.563.766	**392.743.029**

Finance leases

Repayment schedule of finance leases are as follows:

	2012	**2011**
Less than 3 months	222.677	-
3-12 months	684.545	-
1-5 years	1.033.766	-
	1.940.988	**-**

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS

	2012		**2011**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange forward contracts	15.513	817.029	3.096.192	16.689
	15.513	**817.029**	**3.096.192**	**16.689**

The Company 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 Company entered into forward contracts to sell EUR6.750.000 and purchase USD8.770.275 where the average exchange rate of Euro contract is TL2,3477 and USD contract is TL1,8069. At 31 December 2012 the Company recognised derivative financial assets amounting to TL11.402 and derivative financial liabilities amounting to 256.087.

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

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The Company entered into forward contracts to sell TL52.995.570 and purchase USD29.200.000 where the average exchange rate of USD contract is TL1,8149. At 31 December 2012 the Company recognised derivative financial assets amounting to TL4.111 and derivative financial liabilities amounting to TL560.942.

Movement of derivative financial instruments for 31 December 2012 and 2011 are stated as below:

	2012	**2011**
As of 1 January	**3.079.503**	**147.510**
Recognised in other comprehensive income	(10.560.355)	6.306.913
Recognised in income statement	(6.341.409)	2.892.880
Recognised in balance sheet	(337.927)	482.040
As of 31 December	**(801.516)**	**3.079.503**

In the year ended 31 December 2012, TL3.205.226 of derivative financial instruments is included to sales income (2011: TL4.304.029 expense), TL7.452.029 is included to cost of goods sold (2011: TL7.983.745 income) and TL 2.094.606 is included to financial expenses (2011: TL786.836).

NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES

Trade receivables	**2012**	**2011**
Trade receivables	441.283.722	325.842.694
Due from related parties (Note 23)	15.707.671	16.304.823
	456.991.393	**342.147.517**
Less: Provision for doubtful receivables	(7.105.724)	(5.568.553)
Less: Unearned credit finance income	(2.941.138)	(3.318.993)
	446.944.531	**333.259.971**
Long term trade receivables	2.714.118	282.445

As of 31 December 2012 and 2011 the maturities of trade receivables are 70 and 63 days on average and they are discounted with average annual interest rates of 5,6% and 11,00%, respectively.

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

NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES (Continued)

As of 31 December 2012, the trade receivables amounting to TL24.862.448 (2011: TL7.947.034) were past due but not impaired. The aging of these receivables as of 31 December 2012 and 2011 is as follows:

	2012	**2011**
Up to 1 month	14.683.984	6.607.312
1-3 months	5.201.485	1.160.982
3-12 months	4.976.979	178.740
	24.862.448	**7.947.034**

As of 31 December 2012, the trade receivables amounting to TL7.105.724 (2011: TL5.568.553) were impaired and provided for. The aging of these receivables as of 31 December 2012 and 2011 is as follows:

	2012	**2011**
3-12 months	1.650.730	260.128
Over 12 months	5.454.994	5.308.425
	7.105.724	**5.568.553**

Movements in provision for doubtful receivables as of 31 December 2012 and 2011 are as follows:

	2012	**2011**
Balances at 1 January	5.568.553	4.551.769
Additions	1.801.020	1.122.223
Collections	(263.849)	(105.439)
Balances at 31 December	**7.105.724**	**5.568.553**

Trade payables	**2012**	**2011**
Trade payables	91.501.028	96.039.716
Due to related parties (Note 23)	50.354.091	69.869.049
	141.855.119	**165.908.765**
Less: Unrealised credit finance expense	(117.731)	(213.474)
	141.737.388	**165.695.291**

As of 31 December 2012 and 2011 the maturities of trade payables are 39 and 33 days on average and they are discounted with average annual interest rates of 5,6% and 11,00%, respectively. The Company has financial risk management policy in order to manage maturity structure of liabilities.

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Other short-term receivables	**2012**	**2011**
Other receivables from related parties (Note 23)	2.672.163	1.328.730
Other	362.311	15.750
	3.034.474	**1.344.480**

Other long-term receivables	**2012**	**2011**
Deposits and guarantees given	93.090	91.414
	93.090	**91.414**

Other short-term payables	**2012**	**2011**
Taxes and funds payable	5.556.885	4.961.239
Social security premiums payable	3.690.603	6.241.341
Other payables to related parties (Note 23)	951.268	978.660
Guarantees received	-	11.333
	10.198.756	**12.192.573**

NOTE 9 - INVENTORIES

	2012	**2011**
Raw materials	92.671.905	152.950.159
Materials and supplies	33.727.759	28.624.799
Semi-finished goods	17.060.997	19.520.133
Finished goods	78.818.094	76.565.496
Trade goods	28.461.883	21.304.341
Other inventories	34.833	222.497
	250.775.471	**299.187.425**

In the period 1 January - 31 December 2012 the cost of inventories recognised as expense and included in cost of goods sold is TL843.260.930 (1 January - 31 December 2011 : TL856.700.742).

The translation loss arising from derivative financial instruments amounting to TL337.927 has been added to inventories as of 31 December 2012 (2011: TL482.040 translation gain).

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2012	Additions	Transfers	Disposals	31 December 2012
Cost:					
Land and land improvements	16.449.248	-	-	-	16.449.248
Buildings	208.610.947	14.520	11.184.662	-	219.810.129
Machinery and equipment	1.029.409.538	84.291	111.437.194	(7.141.511)	1.133.789.512
Motor vehicles	3.896.475	46.148	-	(276.036)	3.666.587
Furniture and fixtures	27.595.571	3.754.564	5.101.229	(339.860)	36.111.504
Other fixed assets	15.801.048	6.019.325	-	-	21.820.373
Construction in progress	60.823.679	173.156.997	(129.134.425)	-	104.846.251
	1.362.586.506	**183.075.845**	**(1.411.340)**	**(7.757.407)**	**1.536.493.604**
Accumulated depreciation:					
Land improvements	10.047.100	179.893	-	-	10.226.993
Buildings	119.175.810	6.718.441	-	-	125.894.251
Machinery and equipment	847.299.370	50.971.492	-	(7.014.985)	891.255.877
Motor vehicles	2.521.617	388.119	-	(260.672)	2.649.064
Furniture and fixtures	12.509.088	2.573.436	-	(198.462)	14.884.062
Other fixed assets	6.497.112	2.197.647	-	-	8.694.759
	998.050.097	**63.029.028**	**-**	**(7.474.119)**	**1.053.605.006**
Net book value	**364.536.409**				**482.888.598**

The transfer amounting to TL1.411.340 stated in property plant and equipment is related with intangible assets (Note 11).

In the year ended 31 December 2012, TL50.661.852 of the depreciation expense is charged to "cost of goods sold", TL1.300.897 is included to "research and development expenses", TL5.700.687 is included in "selling and marketing costs", TL1.527.164 is included in general administrative expenses" and TL3.838.428 of the depreciation expense is included in "inventories".

As of 31 December 2012 there are no mortgages on property, plant and equipment (2011: None).

Construction in progress account is mainly related with construction cost of mixer used in tyre production.

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	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".

Capitalised financial cost amounting to TL106.592 was stated in tangible and intangible assets at the end of 31 December 2011.

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

NOTE 11 - INTANGIBLE ASSETS

	1 January 2012	Additions	Transfers	Disposals	31 December 2012
Cost:					
Rights	42.122.691	4.872.071	-	-	46.994.762
Other intangible assets	22.989.516	1.342.799	1.411.340	(17.438)	25.726.217
	65.112.207	**6.214.870**	**1.411.340**	**(17.438)**	**72.720.979**
Accumulated amortization:					
Rights	22.817.810	5.613.973	-	-	28.431.783
Other intangible assets	14.828.530	1.968.683	-	(291)	16.796.922
	37.646.340	**7.582.656**	**-**	**(291)**	**45.228.705**
Net book value	**27.465.867**				**27.492.274**

In the year ended 31 December 2012, TL997.981 of the amortisation expense is charged to "cost of goods sold", TL54.085 is charged to "research and development expenses", TL5.667.201 is included in "selling and marketing costs", TL787.776 expense is included in "general administrative expenses" and TL75.613 is included in "inventories".

	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".

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

NOTE 12 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Provisions	**2012**	**2011**
Provision for lawsuits	1.076.952	1.155.188
Provision for warranty claims	713.503	931.278
Provision for discount premium	298.000	-
Other	808.210	1.107.068
	2.896.665	**3.193.534**

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.

Provision for discount premium consist of the the premiums to be paid to domestic customers of Company within the context of sales incentive system as of reporting date.

In accordance with Labour Law No. 4857, fifty or more workers are employed in workplaces are require to hire disabled personnel which is three percent of the total workers employed. At 31 December 2012, the Company calculated provision for the related liability over the required legal limit in context of the prior months' liability which constitutes the other provisions.

Movements in provisions as of 31 December 2012 and 2011 are as follows:

	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**

	Provision for discount premium	**Warranty claims**	**Lawsuits**	**Other**	**Total**
1 January 2012	**-**	**931.278**	**1.155.188**	**1.107.068**	**3.193.534**
Additions	298.000	541.977	591.780	3.810	1.435.567
Payments/reversals	-	(759.752)	(670.016)	(302.668)	(1.732.436)
31 December 2012	**298.000**	**713.503**	**1.076.952**	**808.210**	**2.896.665**

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

NOTE 12 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Investment incentives:

The Company has obtained a foreign investment incentive right amounting to TL369 million for 5 years period 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 Company incurred investment expenditure amounting to TL275 million and benefiting from reduced corporate tax.

Guarantees obtained:

	2012	**2011**
Direct debiting system limits	163.669.173	125.819.235
Letters of guarantees taken	120.434.204	104.836.058
Export insurance	35.407.195	36.799.870
Mortgages	26.081.794	22.317.394
Cheques and notes receivables taken as guarantee	13.610.855	12.867.528
Letter of credit	5.265.337	4.038.045
Export factoring	1.435.400	2.153.620
	365.903.958	**308.831.750**

The Company 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 Company 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 12 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Collaterals, Pledges and Mortgages given by the Company:

As of 31 December 2012 and 2011 collaterals, pledges and mortgages ("CPM") given of Company is as follows:

	2012			2011		
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	22.466.048	22.466.048	TL	40.485.261	40.485.261
	USD	983.658	1.753.468	USD	4.592.827	8.675.391
	Euro	2.000.000	4.703.400	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	-	-	-	-	-	-
			28.922.916			**54.394.050**
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 A.Ş. for borrowings.

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

NOTE 13 - EMPLOYEE BENEFITS

Short-term employee benefits	**2012**	**2011**
Bonus accruals	3.671.315	2.385.000
Accrued salaries and wages	1.883.699	1.923.144
Unused vacation pay liability	1.863.416	1.476.728
Accrued private pension premiums	13.296	116.527
	7.431.726	**5.901.399**

Long-term employee benefits	**2012**	**2011**
Provision for employment termination benefits	30.361.966	23.383.792
	30.361.966	**23.383.792**

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 2012 the amount payable consists of one month's salary limited to a maximum of TL3.033,98 (2011: TL2.731,85) for each year of service.

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

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

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

NOTE 13 - EMPLOYEE BENEFITS (Continued)

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:

	2012	2011
Discount rate (%)	3,60	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 TL3.129,25 (1 January 2012: TL2.805,04), which is effective from 1 January 2013, 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:

	2012	2011
1 January	23.383.792	21.939.659
Increase during the year	9.756.283	3.367.598
Payments during the year	(3.622.232)	(2.945.853)
Actuarial loss	844.123	1.022.388
31 December	**30.361.966**	**23.383.792**

NOTE 14 - OTHER ASSETS AND LIABILITIES

Other current assets	**2012**	**2011**
Deferred VAT	8.059.987	17.110.878
Prepaid expenses	3.103.763	2.866.696
Advances given to personnel	1.747.940	1.573.246
Advances given to suppliers	547.250	262.951
Accrued income	508.293	-
Deductable VAT	-	1.377
Other	867.829	266.561
	14.835.062	**22.081.709**

Other non-current assets	**2012**	**2011**
Advances given for property, plant and equipment	790.897	5.496.227
	790.897	**5.496.227**

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

NOTE 14 - OTHER ASSETS AND LIABILITIES (Continued)

Other current liabilities	**2012**	**2011**
Advances received	668.650	335.401
Other	-	35.040
	668.650	**370.441**

NOTE 15 - EQUITY

Paid-in share capital

The Company's authorised and issued capital consists of 30.511.687.500 shares at Kr 1 nominal value each (2011: 744.187.500 shares). All shares are paid and there is no preferred stock. The Company's shareholders and their shareholdings at 31 December 2012 and 2011 are as follows:

Shareholders	**(%)**	**2012**	**(%)**	**2011**
H.Ö Sabancı Holding A.Ş.	43,63	133.111.388	43,63	3.246.619
Bridgestone Corporation	43,63	133.111.388	43,63	3.246.619
Other	12,74	38.894.099	12,74	948.637
Total paid-in share capital	**100,00**	**305.116.875**	**100,00**	**7.441.875**

The Company's Board of Directors decided at its meeting No. 597 on 20 April 2012 to increase its issued capital from TL7.441.875 to TL305.116.875 (at a rate of 4,000%), of which TL297.675.000 will be covered from positive differences of capital adjustment. Therefore, the Company filed an application with the Capital Markets Board in order obtain the necessary permissions. Based on Capital Markets Board Letter No. 55/694, dated 20 June 2012, which would be taken as basis for the registration, procedures for the capital increase were completed; and in line with Letter No. 7502, dated 6 July 2012, of the Istanbul Stock Exchange, the bonus shares that were subject to quotation began to be distributed to shareholders as of 12 July 2012.

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 2012 profit reserves comprise the legal reserves amounting to TL37.950.734 (2011: TL30.866.091).

NOTE 15 - EQUITY (Continued)

At the Company's general assembly meeting on 27 April 2012, it was resolved to distribute gross dividends in cash to shareholders, representing an equity capital of TL7.441.875, at a rate of 895% in the amount TL66.604.781,25, to holders of dividend shares in the amount TL4.478.738,20 and to members of the Board of Directors in the amount TL135.000. It was further resolved to charge income tax withholding at 15% to the Company shareholders depending on their legal statuses, to pay net dividend equivalent of gross TL8.95 to resident taxpayer shareholders and to pay gross dividend of TL8.95 and net TL7.6075 to other shareholders. These dividends were paid as of 2 May 2012.

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 TL127.348.221. 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 TL88.471.343. 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. The first legal reserve is calculated as 5% of the financial statutory profits which is reduced retained earnings from profit after tax.

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.

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".

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

NOTE 15 - EQUITY (Continued)

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 2010, 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.

Inflation adjustment to 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 Company's equity, which is considered as the basis for profit distribution, in accordance with Communiqué No.: XI/29, is as follows:

	2012	**2011**
Share capital	305.116.875	7.441.875
Adjustment to share capital	54.985.701	352.660.701
Share premium	4.903	4.903
Restricted reserves	37.950.734	30.866.091
Hedging reserves	(641.213)	2.463.602
Net income for the period	92.885.190	71.871.945
Retained earnings	18.540	6.448.617
Total equity	**490.320.730**	**471.757.734**

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

NOTE 16 - REVENUE AND COST OF SALES

	2012	**2011**
Sales	1.614.643.232	1.507.789.891
Sales returns	(6.596.840)	(2.206.416)
Sales discounts	(153.720.628)	(128.165.585)
Other sales discounts	(30.322.290)	(29.640.601)
Net sales	**1.424.003.474**	**1.347.777.289**
Cost of sales	(1.099.053.958)	(1.091.950.313)
Gross profit	**324.949.516**	**255.826.976**

NOTE 17 - EXPENSES BY NATURE

	2012	**2011**
Raw materials used	746.528.930	827.605.643
Personnel expenses	188.512.109	165.496.251
Cost of trade goods sold	96.646.108	83.008.894
Production overheads	66.867.377	61.018.099
Depreciation and amortisation	66.697.643	57.503.666
Advertisement expenses	37.504.746	33.361.960
Royalty expenses	16.438.361	13.160.263
Transportation and storage expenses	8.764.859	7.360.295
Communication and information technology expenses	5.784.636	4.159.558
Insurance expenses	3.487.212	3.123.942
Energy expenses	2.531.679	2.208.825
Claims for defective tires	1.865.982	2.060.799
Change in work in progress	(896.059)	(9.081.291)
Change in finished goods	981.951	(39.291.757)
Other	43.692.709	35.544.955
	1.285.408.243	**1.247.240.102**

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

	2012	**2011**
Cost of sales	51.659.833	44.352.454
Marketing, selling and distribution expenses	11.367.888	9.757.370
General administrative expenses	2.314.940	2.077.755
Research and development expenses	1.354.982	1.316.087
	66.697.643	**57.503.666**

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

NOTE 17 - EXPENSES BY NATURE (Continued)

Personnel expenses	**2012**	**2011**
Cost of sales	137.265.818	124.338.271
General administrative expenses	26.109.439	16.868.386
Marketing, selling and distribution expenses	18.581.777	18.149.953
Research and development expenses	6.555.075	6.139.641
	188.512.109	**165.496.251**

NOTE 18 - OTHER INCOME AND EXPENSES

Other income	**2012**	**2011**
Gain on sale of scrap material, net	302.403	446.257
Gain on sale of property, plant and equipment	181.610	265.105
Earnings on services	124.395	-
Income from insurance damages	11.038	181.115
Gain on sale of raw materials	-	79.394
Other	633.431	495.008
	1.252.877	**1.466.879**

Other expense	**2012**	**2011**
Loss on sale of supplies	647.138	520.456
Loss on sale of raw materials	68.749	-
Other	564.714	514.198
	1.280.601	**1.034.654**

NOTE 19 - FINANCIAL INCOME

	2012	**2011**
Finance income on credit sales	27.225.144	20.241.102
Foreign exchange gains on borrowings	2.644.300	-
Interest income on bank accounts	66.885	22.417
Foreign exchange gains	-	6.850.030
	29.936.329	**27.113.549**

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

NOTE 20 - FINANCIAL EXPENSE

	2012	2011
Interest and commission expenses on borrowings	48.735.755	25.493.698
Finance expenses on credit purchases	2.749.141	2.880.362
Derivative financial instruments	2.094.606	786.836
Foreign currency loss	244.959	-
Interest expense of leasing	300	3.086
Foreign exchange losses on borrowings	-	9.343.239
	53.824.761	**38.507.221**

NOTE 21 - TAXES ON INCOME

Corporate tax:

	2012	2011
Corporate tax currently payable	21.301.987	18.735.553
Less: Prepaid taxes	(19.238.947)	(16.290.791)
	2.063.040	**2.444.762**

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.

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

NOTE 21 - TAXES ON INCOME (Continued)

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.

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 Company 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 statements of income for the years ended 31 December are summarised as follows:

	2012	**2011**
Current period corporate tax	(21.301.987)	(18.735.553)
Deferred tax income, net	(491.898)	1.032.734
	(21.793.885)	**(17.702.819)**

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

NOTE 21 - TAXES ON INCOME (Continued)

Current period tax reconciliation is as follows:

	2012	2011
Profit before taxation on income	114.679.075	89.575.740
Tax charge calculated at enacted tax rate	(22.935.815)	(17.915.148)
Reduced corporate tax (Note 12)	921.181	161.750
Disallowable expenses	520.838	343.411
Non-deductible expenses	(312.320)	(312.303)
Other exempt income	12.231	19.471
Tax expense	**(21.793.885)**	**(17.702.819)**

Deferred income taxes:

The Company 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 (2011: 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 2012 and 2011 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred income tax assets/(liabilities)	
	2012	**2011**	**2012**	**2011**
Deferred income tax assets:				
Provision for employment termination benefits	30.361.966	23.383.792	6.072.393	4.676.759
Allowance for doubtful receivables	4.101.636	2.656.961	820.327	531.392
Provision for personnel expenses	3.671.315	2.385.000	734.263	477.000
Trade receivables	2.941.138	3.318.993	588.228	663.799
Provision for unused vacation liability	1.863.416	1.476.728	372.683	295.346
Provision for lawsuits	1.076.952	1.155.188	215.390	231.038
Forward foreign exchange contracts	817.029	16.689	163.406	3.338
Provision for warranty claims	713.503	931.278	142.701	186.256
Provision for sales premium	298.000	-	59.600	-
			9.168.991	**7.064.928**
Deferred income tax liabilities:				
Property, plant and equipment	26.606.716	18.462.085	5.321.343	3.692.418
Inventories	4.209.862	79.275	841.972	15.855
Trade payables	117.731	213.474	23.546	42.695
Forward foreign exchange contracts	15.513	3.096.192	3.103	619.239
			6.189.964	**4.370.207**
Deferred income tax assets, net			**2.979.027**	**2.694.721**

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

NOTE 21 - TAXES ON INCOME (Continued)

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

	2012	2011
1 January	**2.694.721**	**2.248.386**
Recognised in income statement	(491.898)	1.032.734
Recognised in equity	776.204	(586.399)
31 December	**2.979.027**	**2.694.721**

NOTE 22 - EARNINGS PER SHARE

Earnings per share for each class of share disclosed in the 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.

	2012	2011
Total number of ordinary shares	30.511.687.500	744.187.500
Net income attributable to equity holders of the parent	92.885.190	71.871.945
Legal reserves	4.432.387	-
Earnings per usufruct shares (TL)	57.340	44.788
Earnings per ordinary shares (TL)	0,27	0,22

The amount of earnings per share related to 2011 has been calculated due to increased share number as of 12 July 2012.

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from related parties as of 31 December 2012 have average maturity of 39 days (2011: 37).

Due to related parties as of 31 December 2012 have average maturity of 31 days (2011: 27). No interest is charged for payables.

Demand deposits	2012	2011
Akbank T.A.Ş.	5.732.837	1.961.892
	5.732.837	**1.961.892**

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

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Financial liabilities	**2012**	**2011**
Akbank T.A.Ş.	63.680.229	52.203.071
	63.680.229	**52.203.071**

Financial income	**2012**	**2011**
Akbank T.A.Ş.	14.552	3.990
	14.552	**3.990**

Financial expense	**2012**	**2011**
Akbank T.A.Ş.	5.352.603	3.035.524
Ak Finansal Kiralama A.Ş.	300	3.086
	5.352.903	**3.038.610**

Advances given	**2012**	**2011**
Vista Turizm ve Seyahat A.Ş.	-	504.351
	-	**504.351**

Guarantees received	**2012**	**2011**
Birlas Mot. Spor Otom. San. ve Tic.Ltd.	1.940.000	1.290.000
Other	205.000	805.000
	2.145.000	**2.095.000**

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

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	2012			
	Current receivables		Current payables	
Balances with related parties	**Trade**	**Non-trade**	**Trade**	**Non-trade**
Shareholders				
Bridgestone Corporation	9.185.221	2.481.356	8.523.511	760.827
H.Ö Sabancı Holding A.Ş.	-	-	24.581	-
Other related parties				
Birlas Mot. Spor Otom. San.ve Tic.Ltd.	6.113.100	-	51.852	-
Akbank T.A.Ş.	25.627	-	-	-
Kordsa Global End. İp.Kord Bezi.San.Tic.A.Ş.	666	-	9.330.224	20.842
Bridgestone Singapore Pte. Ltd.	-	-	21.735.250	-
Enerjisa Enerji Üretim A.Ş.	-	-	4.566.903	-
Bridgestone (Huizhuo) Synthetic Rub.Co.	-	-	1.632.987	-
Bimsa Uluslararası İş. Bilgi ve Yön.Sis.A.Ş.	-	-	1.609.223	-
Bridgestone (Shenyang) Steel Cord	-	-	1.267.311	-
Other	383.057	190.807	1.612.249	169.599
	15.707.671	**2.672.163**	**50.354.091**	**951.268**

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

	2011			
Balances with related parties	Current receivables		Current payables	
	Trade	**Non-trade**	**Trade**	**Non-trade**
Shareholders				
Bridgestone Corporation	5.929.329	1.252.422	4.695.752	763.459
H.Ö Sabancı Holding A.Ş.	-	-	22.679	-
Other related parties				
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	-	-	-
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 (Huizhou) Synthetic. Rub. Co.	-	-	2.776.962	-
Bimsa Uluslararası İş. Bilgi ve Yön.Sis.A.Ş.	-	-	2.311.462	-
Other	100.465	76.308	2.929.963	163.089
	16.304.823	**1.328.730**	**69.869.049**	**978.660**

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

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Sales of finished goods and commercial goods	**2012**	**2011**
Shareholders		
Bridgestone Corporation	114.000.183	168.712.531
Other related parties		
Birlas Motor Sporları Otom.Ltd.Şti.	14.654.875	16.843.463
Temsa Global San.ve Tic. A.Ş.	4.496.151	6.983.962
Other	218.228	345.469
	133.369.437	**192.885.425**

Other sales	**2012**	**2011**
Shareholders		
Bridgestone Corporation	2.156.671	3.629.458
Other related parties		
Other	184.032	594.132
	2.340.703	**4.223.590**

Purchases of Raw Materials and Semi Finished Goods	**2012**	**2011**
Shareholders		
Bridgestone Corporation	4.686.992	13.984.340
Other related parties		
Bridgestone Singapore Pte. Ltd.	210.202.169	353.144.237
Kordsa Glb End. İpl. Kordbezi San. Tic. A.Ş.	37.120.631	36.769.900
Bridgestone (Shenyang) Steel Cord Co.	16.744.733	19.355.421
Bridgestone (Huizhou) Synthetic Rubco. Ltd.	8.370.680	16.989.317
Bridgestone Carbon Black Co. Ltd.	3.498.113	9.271.146
Other	1.666.538	9.454.509
	282.289.856	**458.968.870**

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

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Purchases of finished goods and commercial goods	**2012**	**2011**
Shareholders		
Bridgestone Corporation	75.923.105	47.874.858
Other related parties		
Enerjisa Enerji Üretim A.Ş.	36.081.847	33.611.441
Bridgestone Europe SA./N.V.	14.749.432	13.584.743
Other	198.746	348.003
	126.953.130	**95.419.045**

Purchase of Services	**2012**	**2011**
Shareholders		
Bridgestone Corporation	280.260	634.065
H. Ö. Sabancı Holding A.Ş.	244.468	138.396
Other related parties		
Naklog Lojistik ve Servis Hiz. Tic. Ltd. Şti.	-	18.155.333
Aksigorta A.Ş.	10.428.730	9.965.359
Lasder Lastik Sanayicileri Derneği	6.225.678	3.167.288
Bimsa Uluslararası İş. Bilgi ve Yön. Sis. A.Ş.	5.116.500	3.464.109
Vista Turizm ve Seyahat A.Ş.	3.347.564	2.028.920
Other	3.973.862	3.953.025
	29.617.062	**41.506.495**

Naklog Lojistik San.Tic. A.Ş has been removed from related parties in 2012.

Rent Expense	**2012**	**2011**
Shareholders		
H. Ö. Sabancı Holding A.Ş.	260.580	175.368
Other related parties		
Temsa San.ve Tic. A.Ş.	326.339	287.105
Aksigorta A.Ş.	39.840	36.072
Teknosa İç ve Dış Ticaret A.Ş.	27.720	10.057
	654.479	**508.602**

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

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Purchase of Fixed Assets	**2012**	**2011**
Shareholders		
Bridgestone Corporation	58.860.480	20.171.009
Other related parties		
Bimsa Uluslararası İş. Bilgi ve Yön. Sis. A.Ş.	2.792.763	4.111.102
Bridgestone Plant Eng.	1.921.586	1.338.514
Other	2.736.455	1.214.098
	66.311.284	**26.834.723**

Commission Expense	**2012**	**2011**
Shareholders		
Bridgestone Corporation	16.438.361	13.160.263
Other related parties		
Birlas Motor Sporları Otom.Ltd.Şti.	2.998.993	2.469.794
Other	75.716	23.362
	19.513.070	**15.653.419**

Key management compensation:

Key management of the Company comprises members of board of directors and the members of executive board.

	2012	**2011**
Salaries and other short-term benefits	3.663.478	4.144.055
Employment termination benefits	175.938	206.756
Post-employment benefits	-	-
Other long-term benefits	75.973	91.110
Share-based payments	15.000	15.000
	3.930.389	**4.456.921**

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

NOTE 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management

Financial risk factors

The Company'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 Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company 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 Company'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 Company aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below depicts the cash outflows the Company 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 Company performs its liquidity risk management by considering expected non-discounted cash flows.

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

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

2012	Carrying value	Contractual cash flows	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years
Financial liabilities	555.694.955	574.563.766	164.281.231	406.942.248	3.340.287	-
Finance lease liabilities	1.940.988	1.940.988	222.677	684.545	1.033.766	-
Trade payables	141.737.388	141.855.119	141.855.119	-	-	-
Other payables	11.948.309	11.948.309	10.084.893	1.863.416	-	-
	711.321.640	**730.308.182**	**316.443.920**	**409.490.209**	**4.374.053**	**-**

Derivative financial instruments:

Cash outflow	801.516	801.516	801.516	-	-	-
	801.516	**801.516**	**801.516**	**-**	**-**	**-**

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

NOTE 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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	10.455.367	10.455.367	8.978.639	1.476.728	-	-
	554.993.494	**568.680.213**	**282.153.913**	**169.801.985**	**116.724.315**	**-**

Derivative financial instruments:

Cash outflow	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**

(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 Company 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 Company tries to borrow at the most suitable rates.

Interest rate risk table of the Company as of 31 December 2012 and 2011 is as follows:

	2012	2011
Financial instruments with fixed interest rate		
Financial liabilities	479.754.716	287.211.696
Financial instruments with variable interest rate		
Financial liabilities	75.940.239	91.631.140

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

At 31 December 2012, 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 TL307.980 (2011: TL671.500) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

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

NOTE 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

At 31 December 2012, 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 TL37.157 (2011: TL244.380) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings

Foreign exchange risk

The Company 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 company aims to reduce foreign exchange risk arising from assets and liabilities by using currency forward instruments.

The Company 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.

Derivative financial instruments

The derivative financial instruments of the Company 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 financial statements.

The Company 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 Company's assets and liabilities denominated in foreign currencies at 31 December 2012 and 2011 are as follows:

	2012	**2011**
Assets	38.890.762	40.495.414
Liabilities	(50.717.208)	(47.742.155)
Net foreign currency position	**(11.826.446)**	**(7.246.741)**

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

NOTE 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

2012	Total TL Equivalent	USD	Euro	JPY	GBP
Assets:					
Cash and cash equivalents	761.112	243.707	81.226	140.561	46.244
Trade receivables	26.203.078	4.403.273	6.157.364	-	1.349.286
Due from related parties	9.224.386	-	3.922.433	-	-
Other due from related parties	2.672.748	1.119.107	288.229	-	-
Other current assets	2.711	277	923	-	16
Other receivables	26.727	13.845	-	-	713
Total Assets	**38.890.762**	**5.780.209**	**10.450.175**	**140.561**	**1.396.259**
Liabilities:					
Trade payables	5.869.142	1.284.728	1.330.385	10.946.868	78.097
Due to related parties	205.839	1.527	26.882	6.772.777	-
Other due to related parties	363.084	78.055	10.789	9.485.797	917
Other short-term liabilities	670.359	239.070	57.405	-	38.036
Short-term financial liabilities	43.608.784	11.150.623	10.091.289	-	-
Total Liabilities	**50.717.208**	**12.754.003**	**11.516.750**	**27.205.442**	**117.050**
Net Foreign Currency Position	**(11.826.446)**	**(6.973.794)**	**(1.066.575)**	**(27.064.881)**	**1.279.209**
Total foreign currency amount of off-balance sheet derivative financial assets	67.685.812	37.970.275	-	-	-
Total foreign currency amounts of off-balance sheet derivative financial liabilities	15.873.975	-	6.750.000	-	-
Net foreign currency position of derivative financial instruments	51.811.837	37.970.275	(6.750.000)	-	-
Net foreign asset/(liability) position	**39.985.391**	**30.996.481**	**(7.816.575)**	**(27.064.881)**	**1.279.209**

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

NOTE 24 - FINANCIAL INSTRUMENTS AND 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 due from related parties	1.773.491	210.742	562.820	-	-
Other current assets	25.680	9.182	-	110.000	1.940
Long term other receivables	27.096	14.345	-	-	-
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**

NOTE 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

2012	**TL Equivalent**	**USD**	**Euro**	**JPY**	**GBP**
Export (*)	391.297.418	63.985.522	109.731.703	-	6.038.408
Import (*)	749.335.854	266.362.056	65.249.121	5.332.657.485	337.209

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

(*) 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.

	Profit / Loss	
2012	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Change in USD against TL by 10%		
1 - USD Net Assets/Liabilities	(1.243.148)	1.243.148
2 - Hedged USD (-)	6.768.581	(6.768.581)
3 - USD Net Effect (1+2)	5.525.433	(5.525.433)
Change in Euro against TL by 10%		
4 - Euro Net Assets/Liabilities	(250.826)	250.826
5 - Hedged Euro (-)	(1.587.398)	1.587.398
6 - Euro Net Effect (4+5)	(1.838.224)	1.838.224
Change in JPY against TL by 10%		
7 - JPY Net Assets/Liabilities	(55.905)	55.905
8 - Hedged JPY (-)	-	-
9 - JPY Net Effect (7+8)	(55.905)	55.905
Change in GBP against TL by 10%		
10 - GBP Net Assets/Liabilities	367.235	(367.235)
11 - Hedged GBP (-)	-	-
12 - GBP Net Effect (10+11)	367.235	(367.235)
TOTAL (3+6+9+12)	**3.998.539**	**(3.998.539)**

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

NOTE 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Profit / Loss	
2011	**Appreciation of foreign currency**	**Depreciation of foreign currency**
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)**

(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 Company 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 Company management covers these risks by limiting the aggregate risk from any individual counter party and if necessary by obtaining guarantee.

The Company 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 Company 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 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2012, the credit risk regarding the financial instruments is as follows:

	Trade receivables		**Other receivables (*)**		**Bank deposits**	
2012	**Related party**	**Other**	**Related party**	**Other**	**Related party**	**Other**
Maximum credit risk based on financial instruments as of reporting date	15.707.671	431.236.860	2.672.163	362.311	5.732.837	5.834.848
- Collateralized or secured with guarantees part of maximum credit risk	***1.940.000***	**260.632.684**	**-**	**-**	**-**	**-**
Net book value of not due or not impaired financial assets	12.286.318	406.374.412	2.672.163	362.311	-	-
Net book value of past due but not impaired financial assets	3.421.353	24.862.448	-	-	-	-
- Collateralized or guaranteed part	-	6.015.267	-	-	-	-
Net book value of impaired financial assets						
- Gross Amount of overdue part	-	7.105.724	-	15.216	-	-
- Impairment (-)	-	(7.105.724)	-	(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 24 - FINANCIAL INSTRUMENTS AND 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**	**231.238.122**	**-**	**-**	**-**	**-**
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 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The Company 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 Company companies and that all of such receivables had been collected in the previous periods.

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

	2012	**2011**
0-1 month	18.058.329	6.684.420
1-3 months	5.248.493	1.160.982
3-12 months	4.976.979	178.740
	28.283.801	**8.024.142**

(e) Capital risk management

The Company's objectives when managing capital are to safeguard the Company'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 Company 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 Company 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 balance sheet) less cash and cash equivalents.

As of 31 December 2012 and 2011 Net debt/equity+net debt+ non-controlling interest rates are:

	2012	**2011**
Total liabilities	753.811.163	592.041.317
Cash and cash equivalents	(11.568.838)	(4.263.331)
Net debt	742.242.325	587.777.986
Equity	490.320.730	471.757.734
Non-controlling interest	-	1.140
Equity+net debt+ non-controlling interest	1.232.563.055	1.059.536.860
Net debt/Equity+net debt+ non-controlling interest	60%	55%

NOTE 25 - 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 Company 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 Company 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 5)

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

NOTE 25 - 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	**2012**	**2011**
Level 1	-	-
Level 2	(801.516)	3.079.503
Level 3	-	-
	(801.516)	**3.079.503**

NOTE 26 - EVENTS AFTER THE BALANCE SHEET DATE

The Company's Board of Directors decided at its meeting No. 2013/2 on 25 February 2013 to obtain the necessary permissions from Capital Markets Board of Turkey and General Directorate of Internal Trade of Ministry of Customs and Trade to increase its issued capital to TL400.000.000 and to amend its articles of incorporation in accordance with Turkish Commercial Code Law No. 6102 and Capital Markets Law No. 6362.

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