BRİSA BRIDGESTONE SABANCI
LASTİK SANAYİ VE TİCARET A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.

1. We have audited the accompanying balance sheet of Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. ("the Company") as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by Capital Markets Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the financial statements present fairly, in all material respects, the financial position of Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with TAS (refer to Note 2).

Reports on Other Legal and Regulatory Requirements

5. In accordance with Article 402 of Turkish Commercial Code No. 6102 ("TCC"), the Board of Directors provided us all the required information and documentation in terms of audit; and nothing has come to our attention that may cause us to believe that the Company's set of accounts prepared for the period 1 January-31 December 2013 does not comply with the code and the provisions of the Company's articles of association in relation to financial reporting.

6. In accordance with Article 378 of Turkish Commercial Code No. 6102, in publicly traded companies, the board of directors is obliged to establish a committee consisting of specialized experts, to run and to develop the necessary system for the purposes of early identification of any risks that may compromise the existence, development and continuation of the company; applying the necessary measures and remedies in this regard and managing such risks. According to paragraph 4 of Article 398 of the same code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include the evaluation of the operational efficiency and adequacy of the operations carried out by the management of the Company in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report, yet. Therefore, no separate report has been drawn up regarding this matter. On the other hand, the Company established the mentioned committee in 2 August 2013, and the committee is comprised of 3 members. Since the date of its establishment, the committee has held 3 meetings for the purposes of early identification of any risks that may compromise the existence and development of the Company, applying the necessary measures and remedies in this regard and managing such risks, and has submitted the relevant reports to the Board of Directors.

Other Matter

7. The audit of the Company's financial statements for the year ended 31 December 2012 was performed by another independent auditing firm. The predecessor auditing firm expressed an unqualified opinion in the auditor's report dated 1 March 2013.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Ömer Tanrıöver, SMMM
Partner
İstanbul, 26 February 2014

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

	Notes	Current Period 31 December 2013	Restated Prior Period 31 December 2012
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	7.968.100	10.888.411
Trade Receivables	7	454.204.141	429.346.828
Trade Receivables From Related Parties	25	20.367.562	15.707.671
Trade Receivables From Third Parties		433.836.579	413.639.157
Other Receivables	8	8.317.415	6.315.010
Other Receivables From Related Parties	25	2.068.975	2.672.163
Other Receivables From Third Parties		6.248.440	3.642.847
Derivative Financial Instruments	6	40.451.879	15.513
Inventories	9	281.133.660	250.775.471
Prepaid Expenses and Deferred Income	10	25.812.669	21.264.376
Assets Related to Current Tax	23	8.501.520	-
Other Current Assets	16	17.856.488	8.568.280
Total Current Assets		**844.245.872**	**727.173.889**
Non-Current Assets			
Trade Receivables	7	5.847.250	2.714.118
Other Receivables	8	98.415	93.090
Property, Plant and Equipment	11	502.422.151	482.888.598
Intangible Assets	12	34.194.851	27.492.274
Prepaid Expenses	10	6.504.391	790.897
Deferred Tax Assets	23	12.112.041	2.979.027
Total Non-Current Assets		**561.179.099**	**516.958.004**
TOTAL ASSETS		**1.405.424.971**	**1.244.131.893**

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

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

	Notes	Current Period 31 December 2013	Restated Prior Period 31 December 2012
LIABILITIES			
Current Liabilities			
Short-term Borrowings	5	241.519.501	553.667.560
Short-term Portion of Long Term Borrowings	5	7.168.174	184.617
Trade Payables	7	190.324.013	142.302.276
Trade Payables To Related Parties	25	58.731.786	50.918.979
Trade Payables To Third Parties		131.592.227	91.383.297
Payables to Related to Employee Benefits	15	10.500.074	9.564.051
Other Payables	8	1.937.356	1.966.812
Other Payables To Related Parties	25	260.151	386.380
Other Payables To Third Parties		1.677.205	1.580.432
Derivative Financial Instruments	6	85.475	817.029
Deferred Income	10	5.598.618	668.650
Taxes on Income	23	-	2.063.040
Short-term Provisions		11.351.994	8.431.396
Short-term Provisions For Employee Benefits	15	8.246.313	5.534.731
Other Short-term Provisions	13	3.105.681	2.896.665
Total Current Liabilities		**468.485.205**	**719.665.431**
Non-Current Liabilities			
Long-term Borrowings	5	333.061.902	3.783.766
Deferred Income	10	1.130.662	-
Long-term Provisions	15	34.280.701	30.361.966
Long-term Provisions For Employee Benefits		34.280.701	30.361.966
Total Non-Current Liabilities		**368.473.265**	**34.145.732**
Total Liabilities		**836.958.470**	**753.811.163**
EQUITY			
Share Capital	17	305.116.875	305.116.875
Adjustment To Share Capital		54.985.701	54.985.701
Share Premium		4.903	4.903
Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss			
Hedging Reserve Gains/ (Losses)		10.897.923	(641.213)
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss			
Actuarial Gains / (Losses)		(2.434.992)	(2.434.992)
Restricted Reserves		48.631.690	37.950.734
Retained Earnings		6.916.230	18.540
Net Income For The Period		144.348.171	95.320.182
Total Equity		**568.466.501**	**490.320.730**
TOTAL LIABILITIES AND EQUITY		**1.405.424.971**	**1.244.131.893**

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

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

	Notes	Current Period 1 January- 31 December 2013	Restated Prior Period 1 January- 31 December 2012
Sales	18	1.489.491.658	1.424.003.474
Cost of Sales (-)	19	(1.098.300.837)	(1.099.053.958)
Gross Profit from Trading Activities		391.190.821	324.949.516
GROSS PROFIT		**391.190.821**	**324.949.516**
General Administrative Expenses (-)	19	(55.997.751)	(55.487.362)
Marketing Expenses (-)	19	(148.143.701)	(115.618.890)
Research and Development Expenses (-)	19	(13.917.700)	(12.204.293)
Other Operating Income	20	41.470.649	28.363.296
Other Operating Expenses (-)	20	(9.485.454)	(6.369.307)
OPERATING PROFIT		**205.116.864**	**163.632.960**
Income From Investing Activities	21	947.914	255.361
Expenses From Investing Activities (-)	21	(392.222)	(73.751)
PROFIT BEFORE FINANCIAL EXPENSES		**205.672.556**	**163.814.570**
Financial Expenses (-)	22	(51.415.334)	(46.091.755)
PROFIT BEFORE TAX		**154.257.222**	**117.722.815**
Taxation on Income		(9.909.051)	(22.402.633)
Current Tax Expense / Income For The Period	23	(21.926.849)	(21.301.987)
Deferred Tax Expense / Income For The Period	23	12.017.798	(1.100.646)
PROFIT FROM CONTINUING OPERATIONS		**144.348.171**	**95.320.182**
PROFIT FOR THE PERIOD		**144.348.171**	**95.320.182**
Earnings per share	24	**0,427**	**0,278**

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

AUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Current Period 1 January- 31 December 2013	Restated Prior Period 1 January- 31 December 2012
PROFIT FOR THE PERIOD	**144.348.171**	**95.320.182**
OTHER COMPREHENSIVE INCOME:		
Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss	11.539.136	(3.104.815)
Hedging Reserve Gains / (Losses)	14.423.920	(3.881.019)
Deferred Tax (Expense)/ Income	(2.884.784)	776.204
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss	-	(2.434.992)
Actuarial Gains/ (Losses)	-	(3.043.740)
Deferred Tax (Expense)/ Income	-	608.748
OTHER COMPREHENSIVE INCOME	**11.539.136**	**(5.539.807)**
TOTAL COMPREHENSIVE INCOME	**155.887.307**	**89.780.375**

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

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

				Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss	Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss		Retained Earnings				
	Share Capital	Adjustment To Share Capital	Share Premium	Hedging Reserve Gains/ (Losses)	Actuarial Gains / (Losses)	Restricted Reserves	Retained Earnings	Net Income For The Period	**Equity Attributable to Owners of the Company**	**Non-controlling Interest**	**Shareholders' Equity**
Balances at 1 January 2012	**7.441.875**	**352.660.701**	**4.903**	**2.463.602**	**-**	**30.866.091**	**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)	-
Total Comprehensive Income	-	-	-	(3.104.815)	(2.434.992)	-	-	95.320.182	89.780.375	-	89.780.375
Capital Increase	297.675.000	(297.675.000)	-	-	-	-	-	-	-	-	-
Dividents paid	-	-	-	-	-	-	(71.218.519)	-	(71.218.519)	-	(71.218.519)
Balances at 31 December 2012	**305.116.875**	**54.985.701**	**4.903**	**(641.213)**	**(2.434.992)**	**37.950.734**	**18.540**	**95.320.182**	**490.320.730**	**-**	**490.320.730**
Balances at 1 January 2013 (Beginning of the Period)	**305.116.875**	**54.985.701**	**4.903**	**(641.213)**	**-**	**37.950.734**	**18.540**	**92.885.190**	**490.320.730**	**-**	**490.320.730**
Actuarial Losses (Note 2)	-	-	-	-	(2.434.992)	-	-	2.434.992	-	-	-
Restated Balances at 1 January 2013 (Note 2) (Beginning of the Period)	**305.116.875**	**54.985.701**	**4.903**	**(641.213)**	**(2.434.992)**	**37.950.734**	**18.540**	**95.320.182**	**490.320.730**	**-**	**490.320.730**
Transfers	-	-	-	-	-	10.680.956	84.639.226	(95.320.182)	-	-	-
Total Comprehensive Income	-	-	-	11.539.136	-	-	-	144.348.171	155.887.307	-	155.887.307
Dividends Paid	-	-	-	-	-	-	(77.741.536)	-	(77.741.536)	-	(77.741.536)
Balances at 31 December 2013	**305.116.875**	**54.985.701**	**4.903**	**10.897.923**	**(2.434.992)**	**48.631.690**	**6.916.230**	**144.348.171**	**568.466.501**	**-**	**568.466.501**

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
AUDITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Notes	Current Period 1 January- 31 December 2013	Restated Prior Period 1 January- 31 December 2012
Net Profit For The Period		**144.348.171**	**95.320.182**
Adjustments to Reconcile Profit For The Period		**139.120.728**	**150.690.711**
Adjustments Related to Depreciation and Amortization Expenses	11,12	78.506.615	66.697.643
Adjustment Related to Provisions		18.609.841	12.466.256
Interest Income	20	(34.656)	(66.885)
Interest Expense	22	41.005.134	48.736.055
Foreign Exchange Losses / (Gains)		5.612.368	(2.399.341)
(Gains) / Losses From Derivative Financial Instruments	6	(10.277.936)	5.859.367
Adjustments Related to Tax Expense / Income	23	9.909.051	22.402.633
Adjustments Related to Gain / Loss On Sale of Properties	21	(555.692)	(181.610)
Adjustments Related to Other Items That Result In Cash Flows From Investing or Financing Activities		(3.653.997)	(2.823.407)
Changes In Working Capital		**(25.106.213)**	**(78.795.277)**
Adjustments Related to Increase / Decreases in Inventory		(29.658.158)	53.145.962
Adjustments Related to Increase / Decreases in Trade Receivables		(21.017.248)	(103.846.001)
Adjustments Related to Increase / Decreases in Other Receivables Related to Operations		(29.939.459)	(2.181.322)
Adjustments Related to Increase / Decreases in Trade Payables		47.482.315	(24.013.794)
Adjustments Related to Increase / Decreases in Other Payables Related to Operations		8.026.337	(1.900.122)
Cash Flows From Operating Activities		**(37.257.316)**	**(27.038.377)**
Taxes Paid / Reimbursed		(32.491.409)	(21.683.709)
Other Cash Inflows / Outflows		(4.765.907)	(5.354.668)
A. NET CASH GENERATED FROM OPERATING ACTIVITIES		**221.105.370**	**140.177.239**
Proceeds From Sale of Property, Plant and Equipment and Intangible Assets		1.097.821	482.045
Payments For Property, Plant and Equipment and Intangible Assets	11,12	(110.564.852)	(187.349.727)
Cash Outflows from Derivative Instruments		(42.871)	(7.654.530)
Cash Inflows from Derivative Instruments		14.900.754	975.194
Interest Received		34.656	66.885
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(94.574.492)**	**(193.480.133)**
Proceeds From Borrowings		2.113.767	165.690.832
Cash Used for Repayment of Obligations Under Finance Leases		(1.022.982)	-
Dividends Paid		(77.741.536)	(71.218.519)
Interest Paid		(52.800.438)	(34.029.701)
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(129.451.189)**	**60.442.612**
Net Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)		(2.920.311)	7.139.718
Cash and Cash Equivalents at the Beginning of the Period		10.888.411	3.748.693
Cash and Cash Equivalents at the End of the Period		**7.968.100**	**10.888.411**

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

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

1. ORGANISATION AND NATURE OF OPERATIONS OF THE COMPANY

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.

The Company's employee headcount with indefinite-term employment contract is 1.818 (2012: 1.745). This total includes 1.361 employees who are subject to Collective Bargaining Agreement terms and (2012: 1.305), 450 employees who are not (2012: 433). Also, there are 7 foreign employees (2012: 7). In addition, 2 employees are subject to definite-term employment contracts (2012:1).

Brisa is registered with the Capital Markets Board ("CMB") and its shares have been quoted in Borsa İstanbul A.Ş. 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

The financial statements for the period 1 January - 31 December 2013 have been approved for issue by the Board of Directors on 26 Februay 2014 and signed on behalf of the Board of Directors by Mübin Hakan Bayman, General Manager, and by Bora Çermikli, Chief Financial Officer.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of compliance with TAS

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards / Turkish Financial Reporting Standards and interpretations ("TAS/TFRS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.1 Basis of Presentation (Cont'd)

Statement of compliance with TAS (cont'd)

Also, the financial statements and its notes are presented in accordance with the format requirements as declared on 7 June 2013.

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

Functional and presentation currency

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position are expressed in Turkish Lira ("TRY"), which is the functional currency of the Company, and the reporting currency for the financial statements.

Preparation of financial statements in hyperinflationary periods

Based on CMB"s resolution No: 11/367 issued on 17 March 2005, companies operating in Turkey and preparing their financial statements in accordance with the POA Accounting Standards are not subject to inflation accounting effective from 1 January 2005. Therefore, starting from January 2005, TAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied in the accompanying financial statements.

2.2 Changes in Accounting Policies

Significant changes in the accounting policies are applied retrospectively and prior period financial statements are restated. There are no changes in the accounting estimates for the period 1 January - 31 December 2013.

2.3 Changes in the Accounting Estimates and Errors

Changes in accounting estimates should be applied prospectively, if only for a period in which the change in the current period. If it relates to future periods they are recognized to prospectively both in the current period and in the future period considering the impact on the profit of loss. There are no changes in the accounting estimates for the period 1 January - 31 December 2013. Identified accounting errors are corrected in financial statements retrospectively. There are no errors identified in the financial statements for the period 1 January - 31 December 2013.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Application of New and Revised Turkish Accounting Standards (TAS)

(a) Amendments to TAS affecting amounts reported and/or disclosures in the financial statements

Amendments to TAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to TAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to TAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to TAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to TAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

TAS 19 *Employee Benefits*

The amendments to TAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of TAS 19 and accelerate the recognition of past service costs.

The amendments require all actuarial gains and losses to be recognized immediately in other comprehensive income to reflect the full value of the plan deficit or surplus relating to the net pension asset or liability recognized in the balance sheet. Furthermore, the interest cost and expected return on plan assets used in the previous version of TAS 19 are replaced with a "net-interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to TAS 19 require retrospective application.

The Company calculated the net effect of this amendment related to TAS 19 and actuarial loss after tax amounting to TL 2.434.992 as of 1 January 2013 has been reclassified from net income for the period to the actuarial gain/ loss funds in equity. This amendment has had no impact on the total equity of the Company.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Application of New and Revised Turkish Accounting Standards (TAS) (Cont'd)

(b) New and revised standards applied with no material effect on the financial statements

Amendments to TAS 1 *Presentation of Items of Other Comprehensive Income*

Amendments to TAS 1 Presentation of Financial Statements (As part of the *Annual Improvements to TFRSs 2009-2011 Cycle* issued in May 2012)

The amendments to TAS 1 issued in May 2012 as part of the Annual Improvements to TFRSs 2009-2011 Cycle are effective for the annual periods beginning on or after 1 January 2013.

TAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to TAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including TFRS 10, TFRS 11, TFRS 12, TAS 27 (2012) and TAS 28 (2012).

Key requirements of these five Standards are described below:

TFRS 10 replaces the parts of TAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation - Special Purpose Entities will be withdrawn upon the effective date of TFRS 10. Under TFRS 10, there is only one basis for consolidation that is control. In addition, TFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in TFRS 10 to deal with complex scenarios.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Application of New and Revised Turkish Accounting Standards (TAS) (Cont'd)

(b) New and revised standards applied with no material effect on the financial statements (cont'd)

TFRS 11 replaces TAS 31 Interests in Joint Ventures. TFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers will be withdrawn upon the effective date of TFRS 11. Under TFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under TAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under TFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under TAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

TFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in TFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to TFRS 10, TFRS 11 and TFRS 12 were issued to clarify certain transitional guidance on the application of these TFRSs for the first time.

Since the company does not have any subsidiariries or joint ventures, the application of these five standards have no significant impact on amounts reported in the financial statements.

TFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of TFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other TFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in TFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under TFRS 7 Financial Instruments: Disclosures will be extended by TFRS 13 to cover all assets and liabilities within its scope. Application of this new standard has no significant impact on amounts reported in the financial statements.

Amendments to TFRS 7 *Offsetting Financial Assets and Financial Liabilities and Related Disclosures*

The amendments to TFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. Amendments to TFRS 7 has no significant impact on amounts reported in the financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Application of New and Revised Turkish Accounting Standards (TAS) (Cont'd)

(b) New and revised standards applied with no material effect on the financial statements (cont'd)

Annual Improvements to TFRSs 2009-2011 Cycle issued in May 2012

- Amendments to TAS 16 *Property, Plant and Equipment*;
- Amendments to TAS 32 *Financial Instruments: Presentation*
- Amendments to TAS 34 *Interim Financial Reporting*

Amendments to TAS 16

The amendments to TAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in TAS 16 and as inventory otherwise. The Company management does not anticipate that the amendments to TAS 16 will have a significant effect on the Company's financial statements.

Amendments to TAS 32

The amendments to TAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with TAS 12 Income Taxes. The Company management does not anticipate that the amendments to TAS 32 will have a significant effect on the Company's financial statements.

Amendments to TAS 34

The amendments to TAS 34 clarify that disclosure of the total assets and total liabilities for a particular reportable segment is only required if a measure of total assets or total liabilities (or both) is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The amendments to TAS 34 did not have an effect on the Company's financial statements.

TFRS Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

TFRS Interpretation Stripping Costs in the Production Phase of a Surface Mine applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). Under the Interpretation, the costs from this waste removal activity (stripping) which provide improved access to ore is recognized as a non-current asset (stripping activity asset) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with TAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Application of New and Revised Turkish Accounting Standards (TAS) (Cont'd)

(b) New and revised standards applied with no material effect on the financial statements (cont'd)

TFRS Interpretation 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply TFRS Interpretation 20 for the first time. However, IFRIC 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The Company management anticipates that TFRS Interpretation 20 will have no effect to the Company's financial statements as the Company does not engage in such activities.

(c) New and revised standards in issue but not yet effective

The Company has not applied the following new and revised standards that have been issued but are not yet effective:

TFRS 9	*Financial Instruments*
Amendments to TFRS 9 and TFRS 7	*Mandatory Effective Date of TFRS 9 and Transition Disclosures*[1]
Amendments to TAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to TFRS 10, 11, TAS 27	*Investment Entities*[1]
Amendments to TAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*[1]
Amendments to TAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
TFRS Interpretation 21	*Levies*[1]

[1] Effective for annual periods beginning on or after 1 January 2014.

2.5 Significant Accounting Policies

2.5.1 Revenue

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. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

2.5.2 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.

2.5.3 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment, if any (Note 11). 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

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 and residual values 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. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

2.5.4 Intangible assets

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

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

2.5.5 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).

2.5.6 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.

2.5.7 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. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

2.5.8 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 other operating income / (expense) within the maturity period.

2.5.9 Taxes on income

Taxes on income for the period comprise of current tax and the change in deferred taxes.

Current tax

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

Deferred tax

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

2.5.9 Taxes on income (Cont'd)

Deferred tax (cont'd)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

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

2.5.10 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. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

2.5.11 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.

2.5.12 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 are recognized in the "financial income / (expense), whereas foreign currency differences related with cash and cash equivalents and other monetary assets and liabilities are recognised in the "other operating income/(expense)" in the statement of profit or loss.

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

2.5.13 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.

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.

2.5.14 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. All calculated actuarial gains and losses are accounted for under other comprehensive income (Note 15).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

2.5.15 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.

2.5.16 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).

2.5.17 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 24).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

2.5.18 Related parties

For the purpose of these financial statements, shareholders, the Group companies of Hacı Ömer Sabancı Holding A.Ş. and Bridgestone Corporation Group companies, 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 key management as board of directors and the members of the executive board (Note 25).

2.5.19 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).

2.5.20 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.

2.5.21 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.

2.5.22 Financial assets

Financial assets within the scope of TAS 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

2.5.23 Events after reporting period

Events after the reporting period comprise any event between the balance sheet date and the date of authorization of the financial statements, even if the event after balance sheet date occurred subsequent to an announcement on the Company's profit or following any financial information that are released.

2.5.24 Comparatives and restatement of prior period financial statements

In order to allow for the determination of the financial situation and performance trends, the Company's financial statements have been presented comparatively with the prior year. Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

In order to adapt the new format declared by the CMB on 7 June 2013, the Company restated prior period financial statements. Nature and cause of these retatements are explained below:

Company's restatements on the balance sheet as of 31 December 2012 are as follows:

- Advances given to suppliers balance included in trade receivables amounting TL 17.579.703 has been reclassified and presented as prepaid expense,
- Due from personnel balance amounting TL 1.732.280, receivables from tax office amounting TL 761.276 and other receivables amounting TL 106.553, that had been included in other current assets, have been reclassified and presented as other short-term receivables,
- Prepaid expenses balance included in other current assets amounting TL 3.103.763, advances given to suppliers amounting TL 547.250 and advances given to personnel amounting TL 15.660 has been reclassified and presented as short-term prepaid expense,
- Advances given for fixed assets balance included in other non-current assets amounting TL 790.897 has been reclassified and presented as long-term prepaid expense,
- Royalty (Related Party) balance included in other payables amounting TL 564.888 has been reclassified and presented as trade payable,
- Witholding personnel income tax and social security premium balances included in other payables amounting TL 3.976.453 and TL 3.690.603 respectively have been reclassified and presented as short-term provisions for employee benefits,
- Personnel salaries balance included in short-term provisions for employee benefits amounting TL 1.883.699 and TL 13.296 has been reclassified and presented as employee benefit obligations,
- Interest accruals balance included in short-term financial liabilities amounting TL 184.617 has been reclassified and presented as short-term portion of long-term bank borrowings,

Company's restatements on the profit or loss statement for the year ended 31 December 2012 are as follows:

- Finance income on credit sales included in financial income amounting TL 27.225.144 has been reclassified and presented as other operating income,
- Interest income on less than 3 month time deposits in financial income amounting TL 66.885 has been reclassified and presented as other operating income,
- Net foreign currency exchange gains in financial income amounting TL 2.644.300 has been reclassified and presented as finance expenses,

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

2.5.24 Comparatives and restatement of prior period financial statements (Cont'd)

- Foreign currency exchange loss from operations in financial expenses amounting TL 244.959 has been reclassified and presented as other operating expense,
- Valuation differences of derivative financial instruments in financial expenses amounting to TL 2.094.606 has been reclassified and presented as other operating expense,
- Unrealised credit finance expense in financial expenses amounting TL 2.749.141 has been reclassified and presented as other operating expense,
- Gains on sale of fixed assets in other operating income amounting TL 255.361 has been reclassified and presented as income from investing activities,
- Losses on sale of fixed assets in other operating expenses amounting TL 73.751 has been reclassified and presented as expenses from investing activities,

2.6 Critical Accounting Judgments, 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:

Useful lives of tangible and intangible assets

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

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).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.6 Critical Accounting Judgments, Estimates and Assumptions

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 23, the Company has obtained a foreign investment incentive right amounting to TL 481 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 TL 1.264.971 for the years ended 31 December 2010, 2011, 2012 and TL 2.330.484 for the year ended 31 December 2013. The Company estimates to utilise TL 73.032.102 reduced corporate tax in the future. In addition to this, as the Company estimates to utilise the related benefit within 20 years, for the foreseeable 3 years a deferred income tax asset of TL 13.377.449 has been accounted for in the context of prudency.

The Company utilized a reduced corporate tax of TL 5.156.089 for the secondary manufacturing plant investment to be located in the Aksaray Organized Industrial Zone (Note 23).

Other Provisions

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 13).

Fair value of derivatives and other financial instruments

The fair value of derivative financial instruments which are not traded in an active market is determined using valuation techniques based on market rates and expected yields. Fair value of non-derivative financial instruments is determined based on the present value of future principal and interest cash flows. These cash flows are calculated based on the discount rate prevailing at the reporting date (Note 6).

3. BUSINESS COMBINATIONS

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.

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

4. CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Cash	-	1.153
Banks	7.968.100	10.887.258
Demand deposits	7.968.100	10.885.020
Time deposits	-	2.238
	7.968.100	**10.888.411**

Nature and extent of the risks on cash and cash equivalents are described below the note 26. Demand deposits comprise collections from direct debiting system (DDS) and cheques kept for 1 day under current accounts based on agreements made with banks.

Cash and cash equivalents amounting to TL 1.350.000 (2012: TL 680.427) has ben reclassified under "Other Receivables" since the Company's utilization of this amount has been restricted. However, this balance has been reclaimed as of 21 February 2014.

5. FINANCIAL LIABILITIES

	31 December 2013	31 December 2012
Short-term bank borrowings	240.312.683	552.760.338
Short-term financial liease obligations	1.206.818	907.222
Total short-term financial liabilities	**241.519.501**	**553.667.560**
Short-term portion of long term bank borrowings	**7.168.174**	**184.617**
Long-term bank borrowings	332.979.900	2.750.000
Long-term financial lease obligations	82.002	1.033.766
Total long-term financial liabilities	**333.061.902**	**3.783.766**
Total financial liabilities	**581.749.577**	**557.635.943**

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

5. FINANCIAL LIABILITIES (Cont'd)

Bank borrowings

	31 December 2013		31 December 2012	
	Weighted effective interest rate %	TL	Weighted effective interest rate %	TL
Short-term bank borrowings				
TL denominated borrowings	7,37	240.312.683	9,28	509.151.554
Euro denominated borrowings	-	-	1,58	23.731.684
USD denominated borrowings	-	-	2,81	19.877.100
		240.312.683		**552.760.338**
Short-term portion of long-term borrowings				
TL denominated borrowings	9,54	2.934.045	10,6	184.617
Euro denominated borrowings	-	20.066	-	-
USD denominated borrowings	-	4.214.063	-	-
		7.168.174		**184.617**
Total short-term borrowings		**247.480.857**		**552.944.955**
Long-term bank borrowings				
TL denominated borrowings	9,54	20.010.600	10,6	2.750.000
Euro denominated borrowings	2,05	44.047.500	-	-
USD denominated borrowings (*)	0,87	268.921.800	-	-
Total long-term borrowings		**332.979.900**		**2.750.000**
Total borrowings		**580.460.757**		**555.694.955**

(*) Foreign currency denominatd borrowings are hedged by cross currency swap transactions (Note 6).

Redemption schedules of borrowings are summarised below:

	31 December 2013	31 December 2012
2013	-	552.944.955
2014	247.480.857	2.750.000
2015	20.010.600	-
2016	56.853.300	-
2017	256.116.000	-
	580.460.757	**555.694.955**

Fair value of the Company's borrowings approximates their carrying value.

5. FINANCIAL LIABILITIES (Cont'd)

Bank borrowings (cont'd)

Company's significant bank borrowings are summarized as follows:

a) USD 60 million borrowing has been used on 26 March 2013. Interest payments has started on 26 September 2013 and will continue until the due date which is 26 March 2017. In order to mitigate the floating interest rate and foreign currency risk of the 4 year-term USD 60 million borrowing which has an interest installement in every 6 months period and has a USLibor+0,625 interest rate, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 109.032.000 and the interest rate to 7,29% while the USD foreign exchance rate is fixed to TL 1,8172.

b) TL 85 million borrowing spot borrowing has been used on 30 April 2013 with a maturity of 30 April 2014. Effective interest rate of the borrowing is 5,70%.

c) USD 20 million borrowing has been used on 26 September 2013, with a maturity of 4 years and a once in a six month interest installment of USLibor+0,325 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 40 million, once in a six month interest installment over 8,87% rate and the USD exchange rate to TL 2,0000.

d) USD 20 million borrowing has been used on 24 October 2013, with a maturity of 4 years and a once in a six month interest installment of USLibor+0,325 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 40.170.000, once in a three month interest installment over TRLibor+0,40 rate and the USD exchange rate to TL 2,0085.

e) USD 20 million borrowing has been used on 8 November 2013, with a maturity of 4 years and a once in a six month interest installment of USLibor+0,325 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 40.170.000, once in a three month interest installment over TRLibor+0,40 rate and the USD exchange rate to TL 2,0085.

f) TL 40 million amounting spot borrowing has been used on 13 November 2013 and has a due date of 13 November 2014. Annual effective interest rate of the borrowing is 8,75%.

g) TL 40 million amounting spot borrowing has been used on 25 November 2013 and has a due date of 25 November 2014. Annual effective interest rate of the borrowing is 9,02%.

h) TL 40 million amounting spot borrowing has been used on 26 November 2013 and has a due date of 26 November 2014. Annual effective interest rate of the borrowing is 8,79%.

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

5. FINANCIAL LIABILITIES (Cont'd)

Financial lease obligations

Repayment schedule of financial lease obligations are as follows:

	31 December 2013	31 December 2012
Less than 3 months	291.938	222.677
Between 3 - 12 months	914.880	684.545
Between 1 - 5 years	82.002	1.033.766
	1.288.820	**1.940.988**

6. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2013		31 December 2012	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange forward contracts	8.323.104	85.475	15.513	817.029
Cross currency and interest swaps	32.128.775	-	-	-
	40.451.879	**85.475**	**15.513**	**817.029**

In order to mitigate the foreign currency risks arising from the Euro exports and US Dollar raw material purhases, the Company enters into Euro Buying/ US Dollar seling and TL selling/ US Dollar buying forward contracts. These transactions are accounted for within the scope of hedge accounting. Unrealized valuation differences are accounted for under equity.

As of 31 December 2013, the Company's various forward contracts' maturities extend to 30 December 2014 with a total of Euro 40.200.000 selling and US Dollar 55.356.230 buying (31 December 2012: Euro 6.750.000 selling/ US Dollar 8.770.275 buying) purposes and has an average Euro/USD parity of 1,3770 (31 December 2012: 1,2993), causing an asset of TL 93.724 (31 December 2012: TL 11.402 asset, TL 256.087 liability).

As of 31 December 2013, the Company's various forward contracts' maturities extend to 30 December 2014 with a total of TL 168.985.840 selling and US Dollar 80.100.000 buying (31 December 2012: TL 52.995.570 selling/ US Dollar 29.200.000 buying) purposes and has an average USD foreign exchange rate of 2,1097 (31 December 2012: 1,8149), causing an asset of TL 8.229.380 and TL 85.475 liability (31 December 2012: TL 4.111 asset, TL 560.942 liability).

6. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

In order to mitigate the floating interest rate and foreign currency risk of the 4 year-term USD 60 million amounting borrowing which has an interest installement in every 6 months period and has a USLibor+0,625 interest rate, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 109.032.000 and the interest rate to 7,29% while the USD foreign exchance rate is fixed to TL 1,8172. As of 31 December 2013, Company has a total asset of TL 26.278.266 arising from this swap transaction.

In order to mitigate the floating Libor+0,325 interest rate and foreign currency risk of the 4 year-term USD 20 million amounting borrowing used on 26 September 2013 which has an interest installement in every 6 months, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 40.000.000 and the interest rate to 8,87%. Company has a total asset of TL 1.381.242 arising from this swap transaction.

In order to mitigate the floating interest rate and foreign currency risk of the 4 year-term USD 20 million amounting borrowing used on 24 October 2013 which has an interest installement in every 6 months period and has a USLibor+0,325 interest rate, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 40.170.000 and the interest rate to TRLibor+0,40 with a once in a 3 month interest installment while the USD foreign exchance rate is fixed to TL 2,0085. As of 31 December 2013, Company has a total asset of TL 1.501.689 arising from this swap transaction.

In order to mitigate the floating interest rate and foreign currency risk of the 4 year-term USD 20 million amounting borrowing used on 8 November 2013 which has an interest installement in every 6 months period and has a USLibor+0,325 interest rate, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 40.170.000 and the interest rate to TRLibor+0,40 with a once in a 3 month interest installment while the USD foreign exchance rate is fixed to TL 2,0085. As of 31 December 2013, Company has a total asset of TL 2.967.578 arising from this swap transaction.

Quoted prices in markets for similar instruments are used as a basis in valuation of derivative instruments.

Cross currency and interest swap transactions are accounted for within the scope of hedge accounting. Unrealised and effective valuation differences amounting to TL 32.128.775 are accounted for under equity (2012: None).

During the current period, TL 10.277.936 (2012: TL 5.859.367 expense) income has been accounted for relating with the derivative financial instruments that are due.

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

7. TRADE RECEIVABLES AND PAYABLES

Trade Receivables

As of the balance sheet date, the Company's trade receivables are as follows:

Short-term trade receivables	31 December 2013	31 December 2012
Trade receivables	432.190.639	403.795.058
Notes receivable	12.893.426	19.890.961
Trade receivables from related parties (Note 25)	20.367.562	15.707.671
Unearned credit finance income	(3.838.561)	(2.941.138)
Doubtful receivables provision (-)	(7.408.925)	(7.105.724)
	454.204.141	**429.346.828**

Long-term trade receivables	31 December 2013	31 December 2012
Trade receivables	5.847.250	2.714.118
	5.847.250	**2.714.118**

As of 31 December 2013 and 2012, the maturities of trade receivables are 72 and 70 days on average and they are discounted with average annual interest rates of 7,19% and 5,6%, respectively.

As of 31 December 2013, the trade receivables amounting to TL 24.198.104 (2012: TL 24.862.448) were past due but not impaired. The aging of these receivables as of 31 December 2013 and 2012 is as follows:

	31 December 2013	31 December 2012
Between 0 - 1 months	17.215.333	14.683.984
Between 1 - 3 months	2.947.242	5.201.485
Between 3 - 12 months	4.035.529	4.976.979
	24.198.104	**24.862.448**

As of 31 December 2013, the trade receivables amounting to TL 7.408.925 (2012: TL 7.105.724) were impaired and provided for.

Majority of the doubtful receivables are related to delaers/ customers that has unexpected financial shortages. A portion of this receivables are expected to be collected.

Doubtful receivable provision has ben accounted for on the basis of prior collection problem experiences.

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

7. TRADE RECEIVABLES AND PAYABLES (Cont'd)

Movements in provision for doubtful receivables as of 31 December 2013 and 2012 are as follows:

	1 January- 31 December 2013	1 January- 31 December 2012
Opening balance	7.105.724	5.568.553
Period charge	303.201	1.801.020
Collections	-	(263.849)
Closing balance	**7.408.925**	**7.105.724**

Trade Payables

As of the balance sheet date, the Company's trade payables detail is as follows:

Short-term trade payables	31 December 2013	31 December 2012
Trade payables	131.776.791	91.501.028
Trade payables to related parties (Note 25)	58.731.786	50.918.979
Unrealised credit finance expense	(184.564)	(117.731)
	190.324.013	**142.302.276**

As of 31 December 2013 and 2012, the maturities of trade payables are 40 and 39 days on average and they are discounted with average annual interest rates of 7,19% and 5,6%, respectively. The Company has financial risk management policy in order to manage the maturity structure of liabilities.

8. OTHER RECEIVABLES AND PAYABLES

Other Receivables

Other Short-term Receivables	31 December 2013	31 December 2012
Other receivables from related parties (Note 25)	2.068.975	2.672.163
Receivables from tax office	2.875.056	761.276
Due from personnel	1.847.037	1.732.280
Restricted cash (Note 4)	1.350.000	680.427
Other	176.347	468.864
	8.317.415	**6.315.010**

Other Long-term Receivables	31 December 2013	31 December 2012
Deposits and guarantees given	98.415	93.090
	98.415	**93.090**

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

8. OTHER RECEIVABLES AND PAYABLES (Cont'd)

Other Payables

Other short-term payables	31 December 2013	31 December 2012
Other payables to public authorities	1.677.205	1.580.432
Other payables to related parties (Note 25)	260.151	386.380
	1.937.356	**1.966.812**

9. INVENTORIES

	31 December 2013	31 December 2012
Raw materials	37.578.582	38.093.635
Materials and supplies	39.522.354	33.452.260
Semi-finished goods	15.286.499	16.829.677
Finished goods	74.950.011	78.818.094
Trade goods	41.261.816	25.284.513
Goods in transit	71.287.096	58.262.459
Other inventories	1.247.302	34.833
	281.133.660	**250.775.471**

In the period 1 January - 31 December 2013, the cost of inventories recognised as expense and included in cost of goods sold is TL 814.653.420 (1 January - 31 December 2012 : TL 843.260.930).

The translation gain arising from derivative financial instruments amounting to TL 4.242.020 has been included in inventories as of 31 December 2013 (2012: TL 337.429 translation loss).

10. PREPAID EXPENSES AND DEFERRED INCOME

Short-term Prepaid Expenses	31 December 2013	31 December 2012
Advances given to suppliers	912.273	974.589
Prepaid expenses	3.029.384	3.103.763
Advances given to personnel	-	15.660
Advances given to dealers (*)	21.871.012	17.170.364
	25.812.669	**21.264.376**

(*) Consists of advances given to dealers that are to be offset with sales premiums.

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

10. PREPAID EXPENSES AND DEFERRED INCOME (Cont'd)

Long-term Prepaid Expenses	31 December 2013	31 December 2012
Advances given for fixed assets	6.504.391	790.897
	6.504.391	**790.897**

Short-term Deferred Income	31 December 2013	31 December 2012
Advances received	5.305.363	668.650
Deferred income	293.255	-
	5.598.618	**668.650**

Long-term Deferred Income	31 December 2013	31 December 2012
Income for the following years	1.130.662	-
	1.130.662	-

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

11. PROPERTY, PLANT AND EQUIPMENT

	1 January 2013	Additions	Transfers	Disposals	31 December 2013
Cost					
Land and land improvements	16.449.248	-	-	(214.303)	16.234.945
Buildings	219.810.129	-	9.712.885	(372.824)	229.150.190
Machinery and equipment	1.133.789.512	61.061	121.723.164	(2.524.388)	1.253.049.349
Motor vehicles	3.666.587	798.671	3.294	(391.891)	4.076.661
Furniture and fixtures	36.111.504	4.427.496	7.414.334	(33.247)	47.920.087
Other fixed assets	21.820.373	10.394.798	753.072	(11.869)	32.956.374
Construction in progress	104.846.251	87.916.816	(146.981.059)	-	45.782.008
	1.536.493.604	**103.598.842**	**(7.374.310)**	**(3.548.522)**	**1.629.169.614**
Accumulated depreciation					
Land and land improvements	10.226.993	162.660	-	-	10.389.653
Buildings	125.894.251	7.153.373	-	(222.067)	132.825.557
Machinery and equipment	891.255.877	62.003.885	-	(2.426.761)	950.833.001
Motor vehicles	2.649.064	352.234	-	(352.657)	2.648.641
Furniture and fixtures	14.884.062	3.521.027	-	(4.661)	18.400.428
Other fixed assets	8.694.759	2.955.671	-	(247)	11.650.183
	1.053.605.006	**76.148.850**	**-**	**(3.006.393)**	**1.126.747.463**
Net book value	**482.888.598**	**27.449.992**	**(7.374.310)**	**(542.129)**	**502.422.151**

In the year ended 31 December 2013, TL 60.803.574 of the depreciation expense is charged to "cost of goods sold" (2012: TL 50.661.852), TL 1.383.043 is charged to "research and development expenses" (2012: TL 1.300.897), TL 6.893.920 is charged to "selling and marketing costs" (2012: TL 5.700.687), TL 1.883.305 charged to general administrative expenses" (2012: TL 1.527.164) and TL 5.185.008 of the depreciation expense is charged to "inventories" (2012: TL 3.838.428).

As of 31 December 2013 there are no mortgages on property, plant and equipment (2012: None).

As of 31 December 2013, carrying value of the property, plant and equipment which has been obtained by financial lease is TL 2.494.654. (31 December 2012: TL 2.794.718)

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

11. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	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 and 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**	**120.046.817**	**(1.411.340)**	**(283.288)**	**482.888.598**

12. INTANGIBLE ASSETS

	1 January 2013	Additions	Transfers	Disposals	31 December 2013
Cost					
Rights	46.994.762	5.644.627	341.480	-	52.980.869
Other intangible assets	25.726.217	1.321.383	7.032.830	-	34.080.430
	72.720.979	**6.966.010**	**7.374.310**	**-**	**87.061.299**
Accumulated depreciation					
Rights	28.431.783	5.289.262 #	- #	-	33.721.045
Other intangible assets	16.796.922	2.348.481 #	- #	-	19.145.403
	45.228.705	**7.637.743**	**-**	**-**	**52.866.448**
Net book value	**27.492.274**	**(671.733)**	**7.374.310**	**-**	**34.194.851**

In the year ended 31 December 2013, TL 1.113.698 of the amortisation expense is charged to "cost of goods sold" (2012: TL 997.981), TL 112.227 is charged to "research and development expenses" (2012: TL 54.085), TL 5.550.557 is charged to "selling and marketing costs" (2012: TL 5.667.201), TL 766.291 expense is charged to "general administrative expenses" (2012: TL 787.776) and TL 94.970 is included in "inventories" (2012: TL 75.613).

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

12. INTANGIBLE ASSETS (Cont'd)

	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 depreciation					
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**	**(1.367.786)**	**1.411.340**	**(17.147)**	**27.492.274**

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions

Short-term provisions	31 December 2013	31 December 2012
Provision for lawsuits (i)	1.872.348	1.076.952
Provision for warranty claims (ii)	625.069	713.503
Provision for sales discount premium (iii)	-	298.000
Other	608.264	808.210
	3.105.681	**2.896.665**

(i) Provision for lawsuits consists of reemployment and occupational accident lawsuits against Company.

(ii) 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.

(iii) Provision for sales discount premium consists of the earned premiums as of the reporting date to be paid to domestic customers of Company within the context of sales incentive system.

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

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

Provisions (Cont'd)

Movements of provisions as of 31 December 2013 and 2012 are as follows:

	Sales discount premium	Lawsuits	Warranty claims	Other	Total
1 January 2013	298.000	1.076.952	713.503	808.210	2.896.665
Additions	-	1.282.053	583.518	40.228	1.905.799
Payments/ reversals	(298.000)	(486.657)	(671.952)	(240.174)	(1.696.783)
31 December 2013	**-**	**1.872.348**	**625.069**	**608.264**	**3.105.681**

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

14. COMMITMENTS

Guarantees Received	31 December 2013	31 December 2012
Direct debiting system limits	226.669.173	171.313.992
Letter of guarantees received	141.374.299	120.434.204
Export insurance	41.401.237	35.407.195
Mortgages	38.189.334	26.081.794
Cheques and notes receivables received as guarantee	13.610.855	13.610.855
Letter of credit	933.289	1.243.197
Export factoring	1.755.700	1.435.400
Payment guarantees obtained from banks	8.868.900	4.022.140
Foreign currency blockage received as guarantee	859.820	-
	473.662.607	**373.548.777**

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.

Company's total guarantees received from international export insurance company in order to carry out open account transactions with overseas customers have been disclosed as export insurance while the guarantees taken from factoring companies have been accounted for as factoring amount.

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

14. COMMITMENTS (Cont'd)

Collaterals, Pledges and Mortgages given by the Company:

As of 31 December 2013 and 2012 collaterals, pledges and mortgages ("CPM") given by the Company is as follows:

	2013			2012		
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	10.381.397	10.381.397	TL	22.466.048	22.466.048
	US Dollars	1.340.666	2.861.383	US Dollars	983.658	1.753.468
	Euro	2.024.780	5.945.766	Euro	2.000.000	4.703.400
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	-	-	-	-	-	-
			19.188.546			**28.922.916**

The ratio of other CPM to equity is 0% (2012: 0%).

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.)

15. EMPLOYEE BENEFITS

Payables related to employee benefits

	31 December 2013	31 December 2012
Accrued salaries and wages	2.001.170	1.883.699
Accrued social security premiums	4.097.875	3.690.603
Witholding personnel income tax	4.331.587	3.976.453
Accrued private pension premiums	69.442	13.296
	10.500.074	**9.564.051**

Short-term provisions for employee benefits

	31 December 2013	31 December 2012
Bonus accruals	5.780.000	3.671.315
Unused vacation pay provision	2.466.313	1.863.416
	8.246.313	**5.534.731**

Provision for retirement pay liability:

According to the articles of Turkish Labor Law in force, there is an obligation to pay legal employee termination benefits to each employee whose employment contracts are ended properly entitling them ro receive employee termination benefits Also, in accordance with the effective laws of the Social Insurance Act No:506 No: 2422 on 6 March 1981 and No: 4447 on 25 August 1999 and with the amended Article 60 of the related act, it is obliged to pay the employees their legal employee terimation benefits, who are entitled to terminate. Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of TL 3.254,44 for each period of service at 31 December 2013 (31 December 2012: TL 3.033,98).

The liability is not funded, as there is no funding requirement The reserve has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly actuarial assumptions were used in the calculation of the total liability as these actuarial assumptions apply to each individual company's defined benefit plan and legal framework in which those companies operate.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2013, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees.

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

15. EMPLOYEE BENEFITS (Cont'd)

Provision for retirement pay liability (cont'd):

TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly actuarial assumptions used in the calculation of the total liability as these actuarial assumptions are detailed below:

	31 December 2013	**31 December 2012**
Discount rate (%)	3,60	3,60
Retirement probability (%)	100,00	100,00

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi - annually, the maximum amount of TL 3.438,22 effective from 1 January 2014 has been taken into consideration in calculation of provision from employee termination benefits.

The movement of employee termination benefits is as follows:

	1 January- 31 December 2013	1 January- 31 December 2012
1 January	30.361.966	23.383.792
Service cost	5.894.828	6.712.543
Interest cost	1.093.031	844.123
Actuarial loss	-	3.043.740
Payments during the year	(3.069.124)	(3.622.232)
31 December	**34.280.701**	**30.361.966**

16. OTHER ASSETS AND LIABILITIES

Other Current Assets	31 December 2013	31 December 2012
Deferred VAT	17.856.488	8.059.987
Other current assets	-	508.293
	17.856.488	**8.568.280**

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

17. EQUITY

Paid-in capital

The Company's authorised and issued capital consists of 30.511.687.500 shares at Kr 1 nominal value each (2012: 30.511.687.500 shares). All shares are paid and there is no preferred stock. The Company's shareholders and their shareholdings at 31 December 2013 and 2012 are as follows:

Shareholders	**(%)**	**2013**	**(%)**	**2012**
H.Ö. Sabancı Holding A.Ş.	43,63	133.111.388	43,63	133.111.388
Bridgestone Corporation	43,63	133.111.388	43,63	133.111.388
Other	12,74	38.894.099	12,74	38.894.099
Total paid-in share capital	**100,00**	**305.116.875**	**100,00**	**305.116.875**

Restricted reserves and retained earnings

As of 31 December 2013 profit reserves comprise the legal reserves amounting to TL 48.631.690 (2012: TL 37.950.734).

The Company's equity table to be considered as a basis for profit distribution is as follows:

	31 December 2013	31 December 2012
Share capital	305.116.875	305.116.875
Adjustment to share capital	54.985.701	54.985.701
Share premium	4.903	4.903
Restricted reserves	48.631.690	37.950.734
Actuarial loss/ gain	(2.434.992)	(2.434.992)
Hedging reserves	10.897.923	(641.213)
Net income for the period	144.348.171	95.320.182
Retained earnings	6.916.230	18.540
Total equity	**568.466.501**	**490.320.730**

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

18. SALES AND COST OF GOODS SOLD

Revenue	1 January- 31 December 2013	1 January- 31 December 2012
Sales	1.711.248.863	1.614.643.232
Sales returns (-)	(6.404.958)	(6.596.840)
Sales discounts (-)	(180.481.896)	(153.720.628)
Other sales discounts (-)	(34.870.351)	(30.322.290)
Net sales	**1.489.491.658**	**1.424.003.474**
Cost of sales	(1.098.300.837)	(1.099.053.958)
Gross profit	**391.190.821**	**324.949.516**

19. EXPENSES BY NATURE

	1 January- 31 December 2013	1 January- 31 December 2012
Raw materials used	655.039.057	746.528.930
Personnel expenses	201.899.957	185.468.369
Cost of trade goods sold	151.405.125	96.646.108
Depreciation and amortization	78.506.615	66.697.643
Production overheads	72.211.348	66.867.377
Advertisement expenses	61.065.661	37.504.746
Royalty expenses	18.260.286	16.438.361
Transportation and storage expenses	9.265.641	8.764.859
Communication and information technology expenses	6.721.347	5.784.636
Insurance expenses	3.324.076	3.487.212
Energy expenses	2.795.034	2.531.679
Claims for defective tires	1.901.523	1.865.982
Change in finished goods	8.615.397	981.951
Change in work in progress	(406.159)	(896.059)
Other	45.755.081	43.692.709
	1.316.359.989	**1.282.364.503**

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

19. EXPENSES BY NATURE (Cont'd)

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

Depreciation and amortization expenses	1 January- 31 December 2013	1 January- 31 December 2012
Cost of sales	61.917.272	51.659.833
Marketing, selling and distribution expenses	12.444.477	11.367.888
General administrative expenses	2.649.596	2.314.940
Research and development expenses	1.495.270	1.354.982
	78.506.615	**66.697.643**

Personnel expenses	1 January- 31 December 2013	1 January- 31 December 2012
Cost of sales	149.518.624	137.265.818
General administrative expenses	24.001.271	23.065.699
Marketing, selling and distribution expenses	20.710.247	18.581.777
Research and development expenses	7.669.815	6.555.075
	201.899.957	**185.468.369**

20. OTHER OPERATING INCOME AND EXPENSES

Detail of other operating income for years ended 31 December 2013 ve 2012 are as follows:

	1 January- 31 December 2013	1 January- 31 December 2012
Finance income on credit sales	22.701.049	22.811.417
Foreign exchange gains on operations, net	10.028.368	-
Interest income on trade receivables	4.715.486	4.413.727
Other income	3.991.090	1.071.267
Interest income	34.656	66.885
	41.470.649	**28.363.296**

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

20. OTHER OPERATING INCOME AND EXPENSES (Cont'd)

Detail of other operating expenses for years ended 31 December 2013 ve 2012 are as follows:

	1 January- 31 December 2013	1 January- 31 December 2012
Foreign exchange loss on operations, net	-	244.959
Interest expense on trade payables	4.088.526	2.749.141
Derivative financial instruments, net	2.753.015	2.094.606
Other expenses	2.643.913	1.280.601
	9.485.454	**6.369.307**

21. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from Investing Activities	1 January- 31 December 2013	1 January- 31 December 2012
Gain on sale of property, plant and equipment	947.914	255.361
	947.914	**255.361**

Expenses from Investing Activities	1 January- 31 December 2013	1 January- 31 December 2012
Loss on sale of property, plant and equipment	392.222	73.751
	392.222	**73.751**

22. FINANCIAL INCOME AND EXPENSES

	1 January- 31 December 2013	1 January- 31 December 2012
Interest expenses on borrowings	40.937.722	48.735.755
Interest expenses of financial leasing	67.412	300
Net foreign exchange losses / (gains)	10.410.200	(2.644.300)
	51.415.334	**46.091.755**

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

23. TAXATION ON INCOME

Corporate tax

	31 December 2013	31 December 2012
Corporate tax payable	21.926.849	21.301.987
Less: Prepaid taxes (*)	(21.926.849)	(19.238.947)
	-	**2.063.040**

(*) The exceeding prepaid corporate tax amount of TL 8.501.520 is accounted for under Assets Related to Current Tax.

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% (2012: 20%). Corporate tax rate is applied to the taxable profit which is calculated by adding non-deductible expenses and deducting some exemptions taken place in tax laws (exemptions for participation revenues, exemptions for investment incentives) from accounting profit of the Company. No additional taxes are paid unless profit is distributed (except 19.8% withholding tax paid over used investment incentives).

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

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

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

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

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.

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

23. TAXATION ON INCOME (Cont'd)

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.

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.

	1 January- 31 December 2013	1 January- 31 December 2012
Current period corporate tax expense	21.926.849	21.301.987
Deferred tax expense / (income)	(12.017.798)	1.100.646
	9.909.051	**22.402.633**

Current period tax reconciliation for the years end 31 December 2013 and 2012 are as follows

Current tax provision reconciliation:	1 January- 31 December 2013	1 January- 31 December 2012
Profit before taxation on income	154.257.222	117.722.815
Income tax rate %20 (2012: %20)	(30.851.444)	(23.544.563)
Tax effect:		
- non-taxable income	465.227	533.069
- non-deductible expenses	(386.856)	(312.320)
- reduced corporate tax (Note 2)	20.864.022	921.181
Tax expense	**(9.909.051)**	**(22.402.633)**

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

23. TAXATION ON INCOME (Cont'd)

Deferred tax

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 (2012: 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 2013 and 2012 using the enacted tax rates are as follows:

	Cumulative temporary differences		**Deferred income tax assets/ (liabilities)**	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Deferred tax assets				
Provision for employment termination benefits	34.280.701	30.361.966	6.856.140	6.072.393
Allowance for doubtful receivables	4.101.636	4.101.636	820.327	820.327
Trade receivables	2.934.778	2.941.138	586.956	588.228
Forward foreign exchange contracts	85.475	817.029	17.095	163.406
Provision for unused vacation liability	2.466.313	1.863.416	493.263	372.683
Provision for bonus provision	5.780.000	3.671.315	1.156.000	734.263
Provision for lawsuits	1.872.348	1.076.952	374.470	215.390
Provision for warranty claims	625.069	713.503	125.014	142.701
Inventories	5.099.907	-	1.019.981	-
Investment incentive (Note 2)	-	-	13.377.449	-
Provision for sales premium	-	298.000	-	59.600
	57.246.227	**45.844.955**	**24.826.695**	**9.168.991**
Deferred tax liabilities				
Property, plant and equipment	49.680.823	26.606.716	9.936.165	5.321.343
Inventories	-	4.209.862	-	841.972
Trade payables	184.564	117.731	36.913	23.546
Forward foreign exchange contracts	13.707.879	15.513	2.741.576	3.103
	63.573.266	**30.949.822**	**12.714.654**	**6.189.964**
Deferred tax assets, net			**12.112.041**	**2.979.027**

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

23. TAXATION ON INCOME (Cont'd)

Deferred tax (cont'd)

The movements in deferred income tax assets / (liabilities) for the years ended 31 December 2013 and 2012 are as follows:

	1 January- 31 December 2013	1 January- 31 December 2012
Opening as of 1 January	2.979.027	2.694.721
Recognised in profit or loss statement	12.017.798	(1.100.646)
Recognised in equity	(2.884.784)	1.384.952
Closing as of 31 December	**12.112.041**	**2.979.027**

Investment incentive certificate:

In accordance with the 40613 No. Letter on 10 June 2013 from T. C. Ministry of Economy Promoting Implementation and Foreign Investment General Directorate, within the scope of No: 5534 Regional Incentive Applications dated 1 June 2010, in place of existing Investment Incentive Certificate amounting to TL 366.623.571, as a part of Large Scale Investments; Investment Incentive Certificate No. 5534/B amounting to TL 481.014.717 has been arranged. With the amendment mentioned above, the investment amount rose TL 114.391.146 thus increasing the investment contribution rate from 20% to 30%. Tax deduction rate is 50%.

The Company utilised reduced corporate tax amounting to TL 1.264.971 for the years ended 31 December 2010, 2011, 2012 and TL 2.330.484 for the year ended 31 December 2013.

The Company estimates to utilise TL 73.032.102 reduced corporate tax in the future. In addition to this, as the Company estimates to utilise the related benefit within 20 years, for the foreseeable 3 years a deferred income tax asset of TL 13.377.449 has been accounted for in the context of prudency.

The Company's application to T.C. Ministry of Economy Incentive Implementation and Foreign Capital Department for investment incentive in accordance with the investment decision of a second production plant construction in Aksaray Organized Industrial Zone has been approved and as of 13 February 2014, 113798 No. of Investment Incentive Certificate has been drawn up for the plant construction amounting to TL 495.000.000 that had started on 9 October 2013. Provided investment contribution rate is 60% while the tax deduction rate is 90%. In accordance with the incentive mentioned above, Company utilized a reduced corporate tax of TL 5.156.089 for the secondary manufacturing plant investment to be located in the Aksaray Organized Industrial Zone.

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

24. 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.

	31 December 2013	31 December 2012
Total number of ordinary shares	30.511.687.500	30.511.687.500
Net profit	144.348.171	95.320.182
Legal reserves	6.236.836	4.507.912
Earnings per usufruct shares (TL)	77.129	58.861
Earnings per ordinary shares (TL)	0,427	0,278

25. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from related parties as of 31 December 2013 mostly consist of sales transactions and have average maturity of 39 days (2012: 39).

Due to related parties as of 31 December 2013 mostly consist of purchase transactions and have average maturity of 37 days (2012: 31). No interest is charged for payables.

Balances with related parties	31 December 2013			
	Receivables		Payables	
	Short-term		Short-term	
	Trade	Non-trade	Trade	Non-trade
Shareholders				
H.Ö. Sabancı Holding	-	-	7.270	-
Bridgestone Corporation	12.864.031	1.998.076	1.853.801	203.929
Other related parties			-	-
Bridgestone Singapore Pte. Ltd.	-	-	28.392.271	-
Bridgestone (Shenyang) Steel Cord	-	-	4.945.884	-
Kordsa Global End.İpk Kord Bezi San.Tic.A.Ş	-	-	13.285.684	19.777
Enerjisa Enerji Üretim A.Ş.	-	-	5.334.565	-
Temsa Global San.ve Tic. A.Ş.	2.088.985	-	-	-
Birlas Mot.Spor Otom.San.ve Tic. Ltd.	5.218.281	-	10.423	-
Akbank	46.990	-	-	-
Other	149.275	70.899	4.901.888	36.445
	20.367.562	**2.068.975**	**58.731.786**	**260.151**

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

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

25. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

	31 December 2012			
Balances with related parties	Receivables		Payables	
	Short-term		Short-term	
	Trade	Non-trade	Trade	Non-trade
Shareholders				
H.Ö. Sabancı Holding	-	-	24.581	-
Bridgestone Corporation	9.185.221	2.481.356	9.088.399	195.939
Other related parties			-	-
Bridgestone Singapore Pte. Ltd.	-	-	21.735.250	-
Bridgestone (Huizhou) Synthetic. Rub. Co.	-	-	1.632.987	-
Bridgestone (Shenyang) Steel Cord	-	-	1.267.311	-
Kordsa Global End.İpk Kord Bezi San.Tic.A.Ş	666	-	9.330.224	20.842
Enerjisa Enerji Üretim A.Ş.	-	-	4.566.903	-
Bimsa Uluslararası İş. Bilgi ve Yön. Sis.A.Ş.	-	-	1.609.223	-
Birlas Mot.Spor Otom.San.ve Tic. Ltd.	6.113.100	-	51.852	-
Akbank	25.627	-	-	-
Other	383.057	190.807	1.612.249	169.599
	15.707.671	**2.672.163**	**50.918.979**	**386.380**

Sales of finished goods and commercial goods	1 January-31 December 2013	1 January-31 December 2012
Shareholders		
Bridgestone Corporation	89.101.410	114.000.183
Other related parties		
Birlas Motor Sporları Otom.Ltd.Şti.	11.548.876	14.654.875
Temsa Global San.ve Tic. A.Ş.	5.252.494	4.496.151
Other	423.940	218.228
	106.326.720	**133.369.437**

Other sales	1 January-31 December 2013	1 January-31 December 2012
Shareholders		
Bridgestone Corporation	2.993.779	2.156.671
Other related parties		
Other	178.895	184.032
	3.172.674	**2.340.703**

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

25. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

Purchases of Raw Materials and Semi Finished Goods	1 January- 31 December 2013	1 January- 31 December 2012
Shareholders		
Bridgestone Corporation	2.868.182	4.686.992
Other related parties		
Bridgestone Singapore Pte. Ltd.	210.006.631	210.202.169
Kordsa Glb End. İpl. Kordbezi San. Tic. A.Ş.	45.280.492	37.120.631
Bridgestone (Shenyang) Steel Cord Co.	15.877.166	16.744.733
Bridgestone (Huizhou) Synthetic Rubco. Ltd.	11.184.468	8.370.680
Bridgestone Carbon Black Co. Ltd.	1.657.420	3.498.113
Other	11.713.731	1.666.538
	298.588.090	**282.289.856**

Purchases of finished goods and commercial goods	1 January- 31 December 2013	1 January- 31 December 2012
Shareholders		
Bridgestone Corporation	114.548.800	75.923.105
Other related parties		
Enerjisa Enerji Üretim A.Ş.	40.578.580	36.081.847
Bridgestone Europe SA./N.V.	29.463.719	14.749.432
Other	3.097.512	198.746
	187.688.611	**126.953.130**

Purchase of services	1 January- 31 December 2013	1 January- 31 December 2012
Shareholders		
Bridgestone Corporation	470.890	280.260
H. Ö. Sabancı Holding A.Ş.	152.009	244.468
Other related parties		
Aksigorta A.Ş.	8.056.411	10.428.730
Lasder Lastik San. Derneği İktisadi İşletmesi	4.582.161	6.225.678
Bimsa Uluslararası İş. Bilgi ve Yön. Sis. A.Ş.	5.893.532	5.116.500
Vista Turizm ve Seyahat A.Ş.	3.262.579	3.347.564
Other	3.231.025	3.973.862
	25.648.607	**29.617.062**

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

25. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

Rent expense	1 January- 31 December 2013	1 January- 31 December 2012
Shareholders		
H. Ö. Sabancı Holding A.Ş.	276.432	260.580
Other related parties		
Temsa San. ve Tic. A.Ş.	338.085	326.339
Aksigorta A.Ş.	42.300	39.840
Teknosa İç ve Dış Ticaret A.Ş.	29.904	27.720
	686.721	**654.479**

Purchase of fixed assets	1 January- 31 December 2013	1 January- 31 December 2012
Shareholders		
Bridgestone Corporation	1.895.932	58.860.480
Other related parties		
Bimsa Uluslararası İş. Bilgi ve Yön. Sis. A.Ş.	2.672.115	2.792.763
Bridgestone Plant Eng.	2.616.767	1.921.586
Other	2.146.831	2.736.455
	9.331.645	**66.311.284**

Commission expense (Sales premium and Royalty)	1 January- 31 December 2013	1 January- 31 December 2012
Shareholders		
Bridgestone Corporation	18.260.286	16.438.361
Other related parties		
Birlas Motor Sporları Otom. Ltd.Şti.	2.104.896	2.998.993
Other	7.550	75.716
	20.372.732	**19.513.070**

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

25. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

	31 December 2013	31 December 2012
Demand deposits		
Akbank T.A.Ş.	5.555.103	5.732.837
	5.555.103	**5.732.837**
Financial liabilities		
Akbank T.A.Ş.	2.934.617	63.680.229
	2.934.617	**63.680.229**

	31 December 2013	31 December 2012
Advances given		
Vista Turizm ve Seyahat A.Ş.	279.050	-
Birlas Motor Sporları Otom. Ltd.Şti.	502.424	1.137.067
	781.474	**1.137.067**
Guarantees received		
Birlas Motor Sporları Otom. Ltd.Şti.	2.990.000	1.940.000
Other	205.000	205.000
	3.195.000	**2.145.000**

	1 January- 31 December 2013	1 January- 31 December 2012
Finance income		
Akbank T.A.Ş.	-	14.522
	-	**14.522**
Finance expenses		
Akbank T.A.Ş.	1.877.432	5.352.603
	1.877.432	**5.352.603**

Key management compensation:	1 January- 31 December 2013	1 January- 31 December 2012
Salaries and other short-term benefits	4.310.573	3.679.886
Employment termination benefits	20.349	138.770
Other long-term benefits	82.671	75.973
	4.413.593	**3.894.629**

26. 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.

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

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Lquidity risk (cont'd)

As of 31 December 2013 and 2012, liquidity risk analysis of the financial liabilities of the Company is as follows:

31 December 2013

Contractual maturities	Carrying value	Contractual cash flows	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years
Non-derivative financial liabilities						
Financial liabilities	580.460.757	612.125.449	6.771.650	267.315.432	338.038.367	-
Issue of bonds	-	-	-	-	-	-
Financial lease obligations	1.288.820	1.328.611	306.518	919.553	102.540	-
Trade payables	190.324.013	190.508.577	190.508.577	-	-	-
Other payables	64.799.405	64.799.405	26.921.729	2.466.313	35.411.363	-
Total liabilities	**836.872.995**	**868.762.042**	**224.508.474**	**270.701.298**	**373.552.270**	**-**

Contractual maturities	Carrying value	Contractual cash flows	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years
Derivative cash inflows	8.237.629	8.237.629	2.489.963	5.747.666	-	-
	8.237.629	**8.237.629**	**2.489.963**	**5.747.666**	**-**	**-**

31 December 2012

Contractual maturities	Carrying value	Contractual cash flows	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years
Non-derivative financial liabilities						
Financial liabilities	555.694.955	574.563.766	164.281.231	406.942.248	3.340.287	-
Notes payable	-	-	-	-	-	-
Financial lease liabilities	1.940.988	2.045.920	245.475	736.425	1.064.020	-
Trade payables	142.302.276	142.420.007	142.420.007	-	-	-
Other payables	50.992.875	50.992.875	18.767.493	1.863.416	30.361.966	-
Total liability	**750.931.094**	**770.022.568**	**325.714.206**	**409.542.089**	**34.766.273**	**-**

Contractual maturities	Carrying value	Contractual cash flows	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years
Derivative cash outflows	801.516	801.516	801.516	-	-	-
	801.516	**801.516**	**801.516**	**-**	**-**	**-**

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

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(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 2013 and 2012 is as follows:

	31 December 2013	31 December 2012
Financial instruments with fixed interest rate		
Financial liabilities	499.023.296	479.754.716
Financial instruments with floating interest rate		
Financial liabilities	81.437.461	75.940.239

At 31 December 2013, if interest rates on TL denominated borrowings had been 5% higher/lower with all other variables held constant, post-tax profit for the year would have been TL 54.873 (2012: TL 153.990) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2013 Company has no Euro denominated borrowings. At 31 December 2012, if interest rates on Euro denominated borrowings had been 5% higher/lower with all other variables held constant, post-tax profit for the year would have been TL 18.578 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.

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Market risk (cont'd)

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 TAS 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 2013 and 2012 are as follows:

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

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Market risk (cont'd)

Foreign currency position table

	31 December 2013				
	TL Equivalent (Functional currency)	**US Dollar**	**Euro**	**JPY**	**GBP**
Cash and cash equivalents	4.437.784	1.848.580	162.473	79.888	3.885
Trade receivables	39.673.515	5.420.486	8.145.391	-	1.192.012
Trade receivables from related parties	12.906.983	-	4.395.363	-	-
Other receivables from related parties	2.069.494	913.718	40.642	-	-
Prepaid expenses	331.247	5.881	107.967	-	470
Current Assets	**59.419.023**	**8.188.665**	**12.851.836**	**79.888**	**1.196.367**
Trade receivables	32.053	13.845	-	-	713
Prepaid expenses	547.448	256.500	-	-	-
Non-Current Assets	**579.501**	**270.345**	**-**	**-**	**713**
Total Assets	**59.998.524**	**8.459.010**	**12.851.836**	**79.888**	**1.197.080**
Trade payables	7.179.442	889.277	1.697.579	5.514.745	52.671
Trade payables to related parties	3.986.149	1.709.553	80.555	4.987.396	-
Other payables to related parties	235.702	43	10.789	10.080.004	-
Deferred income	4.682.968	1.845.135	253.668	-	-
Short-term portion of long-term bank borrowings	4.234.127	1.974.447	6.833	-	-
Short-term financial lease obligations	1.206.819	-	410.972	-	-
Current Liabilities	**21.525.207**	**6.418.455**	**2.460.396**	**20.582.145**	**52.671**
Long-term bank borrowings	312.969.300	126.000.000	15.000.000	-	-
Long-term financial lease obligations	82.002	-	27.925	-	-
Non-Current Liabilities	**313.051.302**	**126.000.000**	**15.027.925**	**-**	**-**
Total Liabilities	**334.576.509**	**132.418.455**	**17.488.321**	**20.582.145**	**52.671**
Net Foreign Currency Position	**(274.577.985)**	**(123.959.445)**	**(4.636.485)**	**(20.502.257)**	**1.144.409**
Total foreign currency amount of off-balance sheet derivative financial assets (*)	260.311.110	121.965.567	-	-	-
Total foreign currency amount of off-balance sheet derivative financial liabilities(*)	-	-	-	-	-
Net foreign currency position of derivative financial instruments	260.311.110	121.965.567	-	-	-
Net foreign currency asset/ (liability) position	**(14.266.875)**	**(1.993.878)**	**(4.636.485)**	**(20.502.257)**	**1.144.409**

(*) As of 31 December 2013, the Company entered into a number of foreign exchange forwards contracts with banks in order to hedge its exchange rate risk associated with the import and export transactions amounting to Euro 40.200.000 Euro selling/ USD buying and amounting to USD 80.100.000 USD buying/ TL selling.

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

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Market risk (cont'd)

Foreign currency position table

	31 December 2012				
	TL Equivalent (Functional currency)	**US Dollar**	**Euro**	**JPY**	**GBP**
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
Trade receivables from related parties	9.224.386	-	3.922.433	-	-
Other receivables from related parties	2.672.748	1.119.107	288.229	-	-
Prepaid expenses	2.711	277	923	-	16
Current Assets	**38.864.035**	**5.766.364**	**10.450.175**	**140.561**	**1.395.546**
Trade receivables	26.727	13.845	-	-	713
Prepaid expenses	-	-	-	-	-
Non-Current Assets	**26.727**	**13.845**	**-**	**-**	**713**
Total Assets	**38.890.762**	**5.780.209**	**10.450.175**	**140.561**	**1.396.259**
Trade payables	5.869.142	1.284.728	1.330.385	10.946.868	78.097
Trade payables to related parties	344.903	79.539	26.882	6.772.777	-
Other payables to related parties	224.020	43	10.789	9.485.797	917
Deferred income	670.359	239.070	57.405	-	38.036
Short-term portion of long-term bank borrowings	-	-	-	-	-
Short-term bank borrowings	43.608.784	11.150.623	10.091.289	-	-
Current Liabilities	**50.717.208**	**12.754.003**	**11.516.750**	**27.205.442**	**117.050**
Long-term bank borrowings	-	-	-	-	-
Long-term financial lease obligations	-	-	-	-	-
Non-Current Liabilities	**-**	**-**	**-**	**-**	**-**
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 (*)	-	-	-	-	-
Total foreign currency amount of off-balance sheet derivative financial liabilities(*)	-	-	-	-	-
Net foreign currency position of derivative financial instruments	-	-	-	-	-
Net foreign currency asset/ (liability) position	**(11.826.446)**	**(6.973.794)**	**(1.066.575)**	**(27.064.881)**	**1.279.209**

(*) As of 31 December 2012,Company entered into a number of foreign exchange forwards contracts with banks in order to hedge its exchange rate risk associated with the import and export transactions amounting to Euro 6.750.000 Euro selling/ USD buying and amounting to USD 29.200.000 USD buying/ TL selling.

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Market risk (cont'd)

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.

Foreign currency sensitivity analyze table

	31 December 2013	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%		
1- USD net asset / liability	(26.456.664)	26.456.664
2- Hedged USD (-)	26.031.111	(26.031.111)
3- USD net effect (1 +2)	(425.553)	425.553
Change in Euro against TL by 10%		
4- Euro net asset / liability	(1.361.504)	1.361.504
5- Hedged Euro (-)	-	-
6- Euro net effect (4+5)	(1.361.504)	1.361.504
Change in other currencies against TL by 10%		
7- Other currencies net asset / liability	360.370	(360.370)
8- Hedged other currencies (-)	-	-
9- Other currencies net effect (7+8)	360.370	(360.370)
TOTAL (3 + 6 +9)	**(1.426.687)**	**1.426.687**

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

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Market risk (cont'd)

Foreign currency sensitivity analyze table

	31 December 2012	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%		
1- USD net asset / liability	(1.243.149)	1.243.149
2- Hedged USD (-)	-	-
3- USD net effect (1 +2)	(1.243.149)	1.243.149
Change in Euro against TL by 10%		
4- Euro net asset / liability	(250.826)	250.826
5- Hedged Euro (-)	-	-
6- Euro net effect (4+5)	(250.826)	250.826
Change in other currencies against TL by 10%		
7- Other currencies net asset / liability	311.330	(311.330)
8- Hedged other currencies (-)	-	-
9- Other currencies net effect (7+8)	311.330	(311.330)
TOTAL (3 + 6 +9)	**(1.182.645)**	**1.182.645**

Forward contracts

	Average rate / Parity		Foreign currency		Contractual value		Fair value	
Outstanding	2013	2012	2013	2012	2013	2012	2013	2012
forward contracts	TL	TL			TL	TL	TL	TL
TL Selling / USD Buying								
Less than 3 months	2,0608	1,8159	25.200.000	29.200.000	51.947.180	53.035.570	2.451.684	(556.831)
Between 3 - 6 months	2,0994	-	22.500.000	-	47.229.720	-	2.286.214	-
More than 6 months	2,1608	-	32.400.000	-	69.808.940	-	3.406.007	-
EURO Selling / USD Buying								
Less than 3 months	1,3771	1,2987	12.900.000	6.750.000	17.764.910	8.770.275	38.279	(244.685)
Between 3 - 6 months	1,3766	-	13.200.000	-	18.171.460	-	17.557	-
More than 6 months	1,3773	-	14.100.000	-	19.419.860	-	37.888	-
							8.237.629	**(801.516)**

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(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.)

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Credit risk (cont'd)

As of 31 December 2013, the credit risk regarding the financial instruments is as follows:

Credit risk regarding the financial instruments	**Receivables**						
	Trade Receivables		**Other Receivables**				
31 December 2013	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**	**Derivative Financial Instruments**	**Other**
Maximum credit risk based on financial instruments as of reporting date	20.367.562	439.683.829	2.068.975	3.373.384	7.968.100	8.323.104	-
- Collateralized or secured with guarantees part of maximum credit risk	2.990.000	399.730.468	-	-	-	-	-
A. Net book value of not due or not impaired financial assets	16.231.205	415.485.725	2.068.975	3.373.384	7.968.100	8.323.104	-
B. Net book value of past due but not impaired financial assets	4.136.357	24.198.104	-	-	-	-	-
- Collateralized or guaranteed part	2.990.000	16.826.751	-	-	-	-	-
C. Net book value of impaired financial assets							
- Gross amount of overdue part	-	7.408.925	-	-	-	-	-
- Impairment (-)	-	(7.408.925)	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-
- Gross amount of not due part	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-
D. Off-balance sheet items comprising credit risk							

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

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Credit risk (cont'd)

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

Credit risk regarding the financial instruments	**Receivables**						
	Trade Receivables		**Other Receivables**				
31 December 2012	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**	**Derivative Financial Instruments**	**Other**
Maximum credit risk based on financial instruments as of reporting date	15.707.671	416.353.275	2.672.163	2.881.571	10.887.258	15.513	-
- Collateralized or secured with guarantees part of maximum credit risk	1.940.000	260.632.684	-	-	-	-	-
A. Net book value of not due or not impaired financial assets	12.286.318	391.490.827	2.672.163	2.881.571	10.887.258	15.513	-
B. Net book value of past due but not impaired financial assets	3.421.353	24.862.448	-	-	-	-	-
- Collateralized or guaranteed part	-	6.015.267	-	-	-	-	-
C. Net book value of impaired financial assets							
- Gross amount of overdue part	-	7.105.724	-	-	-	-	-
- Impairment (-)	-	(7.105.724)	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-
- Gross amount of not due part							
- Impairment (-)	-	-	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-
D. Off-balance sheet items comprising credit risk							

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

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Credit risk (cont'd)

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 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:

	31 December 2013	31 December 2012
Between 0 - 1 months	21.351.690	18.058.329
Between 1 - 3 months	2.947.242	5.248.493
Between 3 - 12 months	4.035.529	4.976.979
	28.334.461	**28.283.801**

(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 2013 and 2012 Net debt/equity+net debt rates are as follows:

	31 December 2013	31 December 2012
Capital risk management		
Total liabilities	836.958.470	753.811.163
Cash and cash equivalents	7.968.100	10.888.411
Net debt	828.990.370	742.922.752
Equity	568.466.501	490.320.730
Equity+Net debt	**1.397.456.871**	**1.233.243.482**
Net debt / (Equity+Net debt)	0,59	0,60

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

27. FINANCIAL INSTRUMENTS

Fair value of financial instruments

31 December 2013	Loans and receivables (including cash and cash equivalents)	Available for sale investments	Financial liabilities at amortized cost	Derivative financial instruments	Carrying value	Note
Financial assets						
Cash and cashequivalents	7.968.100	-	-	-	7.968.100	4
Trade receivables	439.683.829	-	-	-	439.683.829	7
Receivables from related parties	22.436.537	-	-	-	22.436.537	7
Other receivables	3.373.384	-	-	-	3.373.384	8
Derivative financial assets	-	-	-	40.451.879	40.451.879	6
	473.461.850	**-**	**-**	**40.451.879**	**513.913.729**	
Financial liabilities						
Financial liabilities	-	-	581.749.577	-	581.749.577	5
Trade payables	-	-	131.592.227	-	131.592.227	7
Payables to related parties	-	-	58.991.937	-	58.991.937	7
Derivative financial liabilities	-	-	-	85.475	85.475	6
	-	**-**	**772.333.741**	**85.475**	**772.419.216**	

31 December 2012	Loans and receivables (including cash and cash equivalents)	Available for sale investments	Financial liabilities at amortized cost	Derivative financial instruments	Carrying value	Note
Financial assets						
Cash and cashequivalents	10.888.411	-	-	-	10.888.411	4
Trade receivables	416.353.275	-	-	-	416.353.275	7
Receivables from related parties	18.379.834	-	-	-	18.379.834	7
Other receivables	2.881.571	-	-	-	2.881.571	8
Derivative financial assets	-	-	-	15.513	15.513	6
	448.503.091	**-**	**-**	**15.513**	**448.518.604**	
Financial liabilities						
Financial liabilities	-	-	557.635.943	-	557.635.943	5
Trade payables	-	-	91.383.297	-	91.383.297	7
Payables to related parties	-	-	51.305.359	-	51.305.359	7
Derivative financial liabilities	-	-	-	817.029	817.029	6
	-	**-**	**700.324.599**	**817.029**	**701.141.628**	

27. FINANCIAL INSTRUMENTS (Cont'd)

Fair value of financial instruments

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

The estimated fair values of financial instruments 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)

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.

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

27. FINANCIAL INSTRUMENTS (Cont'd)

Derivative financial instruments

Financial Assets / Financial Liabilities	Fair value		Fair value hierarchy	Valuation Technique	Significant unobservable inputs	Relationship of unobvservable inputs to fair value
	31 December 2013	**31 December 2012**				
Forward contracts	8.237.629	(801.516)	2	Discounted cash flow method : The future cash flows, predicted by forward foreign currency rate(observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties credit risk.	-	-
Cross-currency swap	32.128.775	-	2	Discounted cash flow method : The future cash flows, predicted by forward foreign currency rate(observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties credit risk.	-	-

28. EVENTS AFTER REPORTING PERIOD

As of 17 January 2014, 18th period collective bargaining agreement negotiations between the Company and Turkey Petroleum, Chemical and Rubber Industry Workers' Union has started.

The Company's application to T.C. Ministry of Economy Incentive Implementation and Foreign Capital Department for investment incentive in accordance with the investment decision of a second production plant construction in Aksaray Organized Industrial Zone has been approved and as of 13 February 2014, 113798 No. of Investment Incentive Certificate has been drawn up for the plant construction amounting to TL 495.000.000 that had started on 9 October 2013.