

**BRİSA BRIDGESTONE SABANCI
LASTİK SANAYİ VE TİCARET A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH
OF FINANCIAL STATEMENTS
AT 31 DECEMBER 2015 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. ("the Company"), which comprise the statement of balance sheet as at 31 December 2015, 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Turkish Accounting Standards ("TAS"), 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

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 and Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). 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

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 2015, and of its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards.

Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 26 February 2016.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Company's set of accounts and financial statements prepared for the period 1 January-31 December 2015 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

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



Ömer Tanrıöver SMMM
Partner

İstanbul, 26 February 2016

CONTENTS	PAGE
BALANCE SHEET	1-2
STATEMENT OF PROFIT OR LOSS	3
STATEMENT OF COMPREHENSIVE INCOME	4
STATEMENT OF CHANGES IN EQUITY	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7-68
1. ORGANIZATION AND OPERATIONS OF THE COMPANY.....	7
2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS.....	7-23
3. CASH AND CASH EQUIVALENTS.....	24
4. FINANCIAL LIABILITIES.....	24-27
5. DERIVATIVE FINANCIAL INSTRUMENTS.....	27-29
6. TRADE RECEIVABLES AND PAYABLES.....	29-31
7. OTHER RECEIVABLES AND PAYABLES.....	31
8. INVENTORIES.....	32
9. PREPAID EXPENSES AND DEFERRED INCOME.....	32-33
10. PROPERTY, PLANT AND EQUIPMENT.....	34-35
11. INTANGIBLE ASSETS.....	36
12. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	37
13. COMMITMENTS.....	38-39
14. EMPLOYEE BENEFITS.....	40-41
15. OTHER ASSETS AND LIABILITIES.....	41
16. SHARE CAPITAL, RESERVES, AND OTHER EQUITY ITEMS.....	42
17. SALES AND COST OF GOODS SOLD.....	43
18. EXPENSES BY NATURE.....	43-44
19. OTHER OPERATING INCOME AND EXPENSES.....	44-45
20. INCOME AND EXPENSES FROM INVESTING ACTIVITIES.....	45
21. FINANCE EXPENSES.....	45
22. TAXATION ON INCOME.....	46-48
23. EARNINGS PER SHARE.....	49
24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES.....	49-54
25. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS.....	54-65
26. FINANCIAL INSTRUMENTS.....	66-68
27. EVENTS AFTER THE REPORTING PERIOD.....	68

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

AUDITED BALANCE SHEET AT 31 DECEMBER 2015

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

	Notes	Current Period 31 December 2015	Restated Prior Period 31 December 2014
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	60.713.519	9.847.319
Trade Receivables	6	762.610.504	532.639.876
Trade Receivables From Related Parties	24	34.509.332	18.659.391
Trade Receivables From Third Parties		728.101.172	513.980.485
Other Receivables	7	9.171.722	10.895.933
Other Receivables From Related Parties	24	587.407	1.433.134
Other Receivables From Third Parties		8.584.315	9.462.799
Derivative Financial Instruments	5	7.065.185	857.951
Inventories	8	357.632.271	313.952.942
Prepaid Expenses and Deferred Income	9	74.902.690	43.934.882
Assets Related to Current Tax	22	-	213.263
Other Current Assets	15	6.327.890	11.816.357
Total Current Assets		1.278.423.781	924.158.523
Non-Current Assets			
Trade Receivables	6	29.523.216	19.206.703
Other Receivables	7	121.191	100.421
Derivative Financial Instruments	5	7.433.137	-
Property, Plant and Equipment	10	672.536.895	565.233.002
Intangible Assets	11	48.352.297	40.349.839
Prepaid Expenses	9	77.672.421	14.648.234
Deferred Tax Assets	22	11.762.256	12.674.846
Total Non-Current Assets		847.401.413	652.213.045
TOTAL ASSETS		2.125.825.194	1.576.371.568

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

AUDITED BALANCE SHEET AT 31 DECEMBER 2015

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

	Notes	Current Period 31 December 2015	Restated Prior Period 31 December 2014
LIABILITIES			
Current Liabilities			
Short-term Borrowings	4	537.889.388	218.835.396
Short-term Portion of Long Term Borrowings	4	77.139.541	30.386.055
Trade Payables	6	270.138.681	209.336.298
Trade Payables to Related Parties	24	111.088.885	54.289.335
Trade Payables to Third Parties		159.049.796	155.046.963
Payables Related to Employee Benefits	14	14.974.098	12.904.461
Other Payables	7	5.625.643	2.365.259
Other Payables to Related Parties	24	443.694	240.182
Other Payables to Third Parties		5.181.949	2.125.077
Derivative Financial Instruments	5	1.589.322	237.022
Deferred Income	9	15.671.615	7.461.097
Current Tax Liabilities	22	2.230.061	-
Short-term Provisions		18.609.352	15.970.920
Short-term Provisions For Employee Benefits	14	10.830.714	12.659.931
Other Short-term Provisions	12	7.778.638	3.310.989
Total Current Liabilities		943.867.701	497.496.508
Non-Current Liabilities			
Long-term Borrowings	4	486.042.000	419.575.900
Trade Payables	6	518.903	-
Trade Payables to Related Parties	24	518.903	-
Derivative Financial Instruments	5	-	14.380.811
Deferred Income	9	1.429.510	1.649.449
Long-term Provisions		46.586.111	38.391.281
Long-term Provisions For Employee Benefits	14	46.586.111	38.391.281
Total Non-Current Liabilities		534.576.524	473.997.441
Total Liabilities		1.478.444.225	971.493.949
EQUITY			
Share Capital	16	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 (Losses) /Gains		924.403	(11.007.905)
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss			
Actuarial Losses		(3.546.159)	(3.546.159)
Restricted Reserves		88.919.684	66.032.094
Retained Earnings		8.807.392	6.972.485
Net Income For The Period		192.168.170	186.319.625
Total Equity		647.380.969	604.877.619
TOTAL LIABILITIES AND EQUITY		2.125.825.194	1.576.371.568

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.**AUDITED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED
31 DECEMBER 2015**

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

	<u>Notes</u>	<u>Current Period 1 January- 31 December 2015</u>	<u>Prior Period 1 January- 31 December 2014</u>
Sales	17	1.801.875.943	1.693.497.624
Cost of Sales (-)	18	<u>(1.240.495.578)</u>	<u>(1.206.123.114)</u>
GROSS PROFIT		561.380.365	487.374.510
General Administrative Expenses (-)	18	(82.578.641)	(65.561.368)
Marketing Expenses (-)	18	(219.321.708)	(173.369.298)
Research and Development Expenses (-)	18	(17.795.809)	(14.632.689)
Other Operating Income	19	61.920.815	42.947.308
Other Operating Expenses (-)	19	<u>(13.092.664)</u>	<u>(13.024.886)</u>
OPERATING PROFIT		290.512.358	263.733.577
Income From Investing Activities	20	135.028	168.245
Expenses From Investing Activities (-)	20	<u>(415.562)</u>	<u>(453.277)</u>
PROFIT BEFORE FINANCIAL EXPENSES		290.231.824	263.448.545
Financial Expenses (-)	21	<u>(91.904.969)</u>	<u>(52.163.067)</u>
PROFIT BEFORE TAX		198.326.855	211.285.478
Taxation on Income		(6.158.685)	(24.965.853)
Current Tax Expense (-)	22	(8.229.172)	(19.774.409)
Deferred Tax Income / (Expense)	22	2.070.487	(5.191.444)
PROFIT FOR THE PERIOD		<u>192.168.170</u>	<u>186.319.625</u>
Earnings per share	23	0,564	0,549

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 2015**

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

	Current Period 1 January- 31 December 2015	Prior Period 1 January- 31 December 2014
PROFIT FOR THE PERIOD	192.168.170	186.319.625
<i>OTHER COMPREHENSIVE INCOME /(EXPENSES)</i>		
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss	-	(1.111.167)
Actuarial Gains/ (Losses)	-	(1.388.959)
Deferred Tax Income	-	277.792
Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss	11.932.308	(21.905.828)
Hedging Reserve Gains/ (Losses)	14.915.385	(27.382.285)
Deferred Tax (Expense)/ Income	(2.983.077)	5.476.457
OTHER COMPREHENSIVE INCOME/ (EXPENSE)	11.932.308	(23.016.995)
TOTAL COMPREHENSIVE INCOME	204.100.478	163.302.630

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

BRISA BRIDGESTONE SABANCI LASTIK SANAYİ VE TİCARET A.Ş.

AUDITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Share Capital	Adjustment to Share Capital	Share Premium	Hedging Reserve Gains/(Losses)	Actuarial (Losses)/ Gains	Restricted Reserves	Retained Earnings		Shareholders' Equity
							Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss	Net Income For The Period	
Balances at 1 January 2014 (Beginning of the Period)	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
Transfers	-	-	-	-	-	17.400.404	126.947.767	(144.348.171)	-
Total Comprehensive Income	-	-	-	(21.905.828)	(1.111.167)	-	-	186.319.625	163.302.630
Dividends Paid (*)	-	-	-	-	-	-	(126.891.512)	-	(126.891.512)
Balances at 31 December 2014 (End of the Period)	305.116.875	54.985.701	4.903	(11.007.905)	(3.546.159)	66.032.094	6.972.485	186.319.625	604.877.619
Balances at 1 January 2015 (Beginning of the Period)	305.116.875	54.985.701	4.903	(11.007.905)	(3.546.159)	66.032.094	6.972.485	186.319.625	604.877.619
Transfers	-	-	-	-	-	22.887.590	163.432.035	(186.319.625)	-
Total Comprehensive Income	-	-	-	11.932.308	-	-	-	192.168.170	204.100.478
Dividends Paid (*)	-	-	-	-	-	-	(161.597.128)	-	(161.597.128)
Balances at 31 December 2015 (End of the Period)	305.116.875	54.985.701	4.903	924.403	(3.546.159)	88.919.684	8.807.392	192.168.170	647.380.969

(*) Dividends paid by the Company per share with a TL 1 nominal value is TL 0,49500 (2014: TL 0,39060).

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 2015**

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

	Notes	Current Period 1 January- 31 December 2015	Prior Period 1 January- 31 December 2014
Net Profit For The Period		192.168.170	186.319.625
Adjustments to Reconcile Profit For The Period		196.181.088	187.881.980
Adjustments Related to Depreciation and Amortization Expenses	18	110.060.666	94.420.754
Adjustment Related to Provisions	12	5.283.238	716.822
Provisions for Employee Benefits		18.377.484	19.023.961
Lawsuit Provision	12	1.051.242	1.696.771
Adjustments Related to Retirement Pay Provision	14	12.358.411	6.309.033
Adjustments Related to Doubtful Receivables	6	864.580	492.551
Interest Income	19	(46.068)	(109.767)
Interest Expense	21	83.019.269	52.792.467
Unrealized Foreign Exchange Losses / (Gains)		10.218.984	2.445.603
(Gains) / Losses From Derivative Financial Instruments	5	(44.094.512)	(9.789.070)
Adjustments Related to Tax Expense / Income	22	6.158.685	24.965.853
Losses / (Gain) On Sale of Properties, Net	20	280.534	285.032
Impairment on inventories	8	612.897	-
Finance (income) / expense accruals from credit purchases / sales (net)		(7.964.322)	(5.368.030)
Changes In Working Capital		(311.846.314)	(128.433.377)
Adjustments Related to Increase / Decreases in Inventory		(47.041.631)	(25.247.714)
Adjustments Related to Increase / Decreases in Trade Receivables		(233.318.270)	(89.787.106)
Adjustments Related to Increase / Decreases in Other Receivables Related to Operations		(84.735.062)	(22.902.489)
Adjustments Related to Increase / Decreases in Trade Payables		60.514.607	18.945.839
Adjustments Related to Increase / Decreases in Other Payables Related to Operations		(7.265.958)	(9.441.907)
Cash Flows From Operating Activities		(11.983.455)	(17.131.570)
Interest Received	19	46.068	109.767
Taxes Paid / Reimbursed	22	(5.999.111)	(11.445.640)
Paid / Reversed Provisions	12	(322.001)	(996.113)
Paid / Reversed Lawsuit Provisions	12	(1.544.830)	(1.212.172)
Retirement Benefits Paid	14	(4.163.581)	(3.587.412)
A. NET CASH GENERATED FROM OPERATING ACTIVITIES		64.519.489	228.636.658
Proceeds From Sale of Property, Plant and Equipment and Intangible Assets		377.471	219.304
Payments For Property, Plant and Equipment and Intangible Assets	10,11	(229.865.945)	(168.166.800)
Cash Inflow / (Outflows) from Derivative Instruments		50.352.242	6.493.253
B. CASH FLOWS FROM INVESTING ACTIVITIES		(179.136.232)	(161.454.243)
Proceeds From Borrowings		395.672.576	113.800.756
Cash Used for Repayment of Obligations Under Finance Leases		(97.891)	(1.230.021)
Dividends Paid		(161.597.128)	(126.891.512)
Interest Paid		(68.494.614)	(50.982.419)
C. CASH FLOWS FROM FINANCING ACTIVITIES		165.482.943	(65.303.196)
Net Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)		50.866.200	1.879.219
Cash and Cash Equivalents at the Beginning of the Period		9.847.319	7.968.100
Cash and Cash Equivalents at the End of the Period		60.713.519	9.847.319

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

BRISA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

1. ORGANIZATION 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 2.600 (2014: 2.431). This number includes 1.989 employees who are subject to Collective Bargaining Agreement terms (2014: 1.893), and 602 employees who are not subject to these terms (2014: 531). There are 9 foreign employees (2014: 7). In addition, there is 1 employee who is subject to definite-term employment contracts (2014: None).

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: 8
4. Levent 34330 Beşiktaş / İstanbul

The financial statements for the period 1 January-31 December 2015 have been approved for issue by the Board of Directors on 26 February 2016 and signed on behalf of the Board of Directors by Ahmet Yiğit Gürçay, General Manager, and Reşat Oruç, Acting Chief Financial Officer- Budget and Finance Director. General assembly has the right to make changes in the financial statements after the aforementioned financial statements are issued.

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 ("TAS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

Additionally, the financial statements and disclosures are presented in accordance with the formats published by CMB on 7 June 2013.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

2.1 Basis of Presentation (Cont'd)

Statement of compliance with TAS (cont'd)

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities that are measured at fair value. 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 ("TL"), 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 Change 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 policies for the period 1 January - 31 December 2015.

2.3 Change in the Accounting Policies

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 2015. 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 2015.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

2.4. New and Revised Turkish Accounting Standards

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

None.

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

Amendments to TAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ¹
Annual Improvements to 2010-2012 Cycle	<i>TFRS 2, TFRS 3, TFRS 8, TFRS 13, TAS 16 ve TAS 38, TAS 24, TFRS 9, TAS 37, TAS 39</i> ¹
Annual Improvements to 2011-2013 Cycle	<i>TFRS 3, TFRS 13, TAS 40</i> ¹

¹ Effective for annual periods beginning on or after 30 June 2014.

Amendments to TAS 19 *Defined Benefit Plans: Employee Contributions*

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

Annual Improvements to 2010-2012 Cycle

TFRS 2: Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

TFRS 3: Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

TFRS 8: Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

TFRS 13: Clarify that issuing TFRS 13 and amending TFRS 9 and TAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

TAS 16 ve TAS 38: Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount..

TAS 24: Clarify how payments to entities providing management services are to be disclosed.

Annual Improvements to 2010-2012 Cycle also led to amendments in related provisions of TFRS 9, TAS 27 and TAS 39, respectively.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

2.4. New and Revised Turkish Accounting Standards (Cont'd)

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

Annual Improvements to 2011-2013 Cycle

TFRS 3: Clarify that TFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

TFRS 13: Clarify the scope of the portfolio exception in paragraph 52.

TAS 40: Clarifying the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property.

c) New and revised TAS in issue but not yet effective

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

TFRS 9	<i>Financial Instruments</i>
Amendments to TFRS 9 and TFRS 7	<i>Mandatory Effective Date of TFRS 9 and Transition Disclosures</i>
Amendments to TAS 16 ve TAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation¹</i>
Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	<i>Agriculture: Bearer Plants¹</i>
Amendments to TFRS 11 and TFRS 1 Annual Improvements to 2011-2013 Cycle	<i>Accounting for Acquisition of Interests in Joint Operations¹</i>
Amendments to TAS 1 Annual Improvements to 2012-2014 Cycle	<i>TFRS 1²</i>
Amendments to TAS 27	<i>Disclosure Initiative²</i>
Amendments to TFRS 10 and TAS 28	<i>TFRS 5, TFRS 7, TAS 34, TAS 19²</i>
Amendments to TFRS 10, TFRS 12 and TAS 28	<i>Equity Method in Separate Financial Statements²</i>
TFRS 14	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²</i>
	<i>Investment Entities: Applying the Consolidation Exception²</i>
	<i>Regulatory Deferral Accounts²</i>

¹ Effective for annual periods beginning on or after 31 December 2015.

² Effective for annual periods beginning on or after 1 January 2016.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

2.4. New and Revised Turkish Accounting Standards (Cont'd)

c) New and revised TAS in issue but not yet effective (cont'd)

TFRS 9 Financial Instruments

TFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. TFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Amendments to TFRS 9 and TFRS 7 Mandatory Effective Date of TFRS 9 and Transition Disclosures

The mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2018.

Amendments to TAS 16 and TAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

This amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Amendments to TAS 16 and TAS 41 and Amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 Agriculture: Bearer Plants

This amendment include 'bearer plants' within the scope of TAS 16 rather than TAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with TAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of TAS 41.

Amendments to TAS 16 and TAS 41 also led to amendments in related provisions of TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40, respectively.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

2.4. New and Revised Turkish Accounting Standards (Cont'd)

c) New and revised TAS in issue but not yet effective (cont'd)

Amendments to TFRS 11 and TFRS 1 Accounting for Acquisition of Interests in Joint operations

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in TFRS 3 and other TAS, except for those principles that conflict with the guidance in TFRS 11,
- disclose the information required by TFRS 3 and other TAS for business combinations.

Amendments to TFRS 11 also led to amendments in related provisions of TFRS 1.

Annual Improvements 2011-2013 Cycle

TFRS 1: Clarify which versions of TAS can be used on initial adoption (amends basis for conclusions only).

Amendments to TAS 1 *Disclosure Initiative*

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

Annual Improvements 2012-2014 Cycle

TFRS 5: Adds specific guidance in TFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

TFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

TAS 34: Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

Annual Improvements to 2012-2014 Cycle also led to amendments in related provisions of TAS 19.

Amendments to TAS 27 *Equity Method in Separate Financial Statements*

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

2.4. New and Revised Turkish Accounting Standards (Cont'd)

c) New and revised TAS in issue but not yet effective (cont'd)

Annual Improvements 2012-2014 Cycle (cont'd)

Amendments to TFRS 10 and TAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Amendments to TFRS 10, TFRS 12 and TAS 28 Investment Entities: Applying the Consolidation Exception

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by TFRS 12.

TFRS 14 Regulatory Deferral Accounts

TFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of Turkish Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of TFRS and in subsequent financial statements.

TFRS 14 also led to amendments in related provisions of TFRS 1.

The Company evaluates the effects of these standards, amendments and improvements on the financial statements.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

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 revenue

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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 8). Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

2.5 Significant Accounting Policies (Cont'd)

2.5.3 Property, plant and equipment

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

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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.

2.5.4 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 11).

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

2.5 Significant Accounting Policies (Cont'd)

2.5.4. Intangible assets (cont'd)

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 3).

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 4). 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 1 year 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 6).

2.5.8 Due date income / (charges)

Due date income / (charges) represents the income / (charges) that are resulting from credit purchase or sales. These income / (charges) are considered as financial income and expenses which result from credit purchase or sales during the period and included in other operating income / (expense) throughout the maturity period.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

2.5 Significant Accounting Policies (Cont'd)

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.

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.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

2.5 Significant Accounting Policies (Cont'd)

2.5.9 Taxes on income (cont'd)

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.

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 4).

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 6).

Those with maturities greater than 1 year 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.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

2.5 Significant Accounting Policies (Cont'd)

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 14).

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.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

2.5. Significant Accounting Policies (Cont'd)

2.5.16 Derivative financial instruments

The derivative financial instruments of the Company consist of foreign exchange forward transactions and cross currency swap 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.

Since the terms of cross currency swap agreements match with the terms of the borrowing contracts, the foreign currency differences are offsetted and disclosed under financial liabilities.

The gain or loss relating to the ineffective portions of foreign exchange forward transactions is recognised in the statement of profit or loss. Amounts previously recognised in other comprehensive income are transferred to the statement of profit or loss 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 cross currency swap transactions is recognised in other comprehensive income (Note 5).

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 23).

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 24).

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

2.5. Significant Accounting Policies (Cont'd)

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 3).

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.

2.5.23 Events after the 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 are reclassified to conform to changes in presentation in the current period.

Company's restatements on the balance sheet as of 31 December 2014 are as follows:

Fair value of the cross currency swap contracts included in derivative financial instruments amounting to TL 54.050.000 has been reclassified and presented as long term financial liabilities.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

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 that may lead to corrections in the book value of 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 10 - 11).

Provision for doubtful receivables

The Company calculates the provision for impairment of trade receivables to cover the estimated losses resulting from the inability of its customers to make required payments. The estimates used in evaluating the adequacy of the provision for impairment of trade receivables are based on the aging of the trade receivable balances and the trend of collection performance. The provision for doubtful trade receivables is a critical accounting estimate that is formed by past payment performance and financial position of customers (Note 6).

Investment incentives

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 utilized. As discussed in Note 22, 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 utilized a reduced corporate tax amounting to TL 7.874.586 for the years ended 31 December 2010-2014 and TL 4.639.096 for the year ended 31 December 2015. The Company estimates to utilize TL 126.139.716 reduced corporate tax in the future. In addition to this, as the Company estimates to utilize 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 prudence.

The Company utilized a reduced corporate tax of TL 18.024.598 for the secondary manufacturing plant investment to be located in the Aksaray Organized Industrial Zone in year 2013-2014, whereas the Company utilized a reduced corporate tax of TL 28.271.471 for the period 1 January – 31 December 2015 (Note 22).

According to the revaluation report no. 2015B171 prepared by TSKB Gayrimenkul Değerleme A.Ş at 7 August 2015, the market value of the land in size of 952.903,31 which was granted by Aksaray Organize Sanayi Bölgesi to the Company is TL 19.058.000 excluding VAT.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

2.6 Critical Accounting Judgments, Estimates and Assumptions (Cont'd)

Investment incentives (cont'd)

According to the expansion investment decision in İzmit Plant, the investment incentive certificate application of the Company to the Ministry of Economy, Incentive Application and General Directorate of Foreign Investments is approved and under the large-scale investments starting from 21 May 2015 to 21 May 2020, an investment incentive certificate is arranged at 20 August 2015 and numbered 120314 for the expansion investment amounting to TL 690 million. The Company utilized a reduced corporate tax of TL 448.802 for the period 1 January – 31 December 2015 (Note 22).

Other provision

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made (Note 12).

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 5).

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

3. CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
Cash	4.660	-
Banks	60.708.859	9.847.319
<i>Demand deposits</i>	16.509.651	9.847.319
<i>Credit card slip receivables</i>	44.199.208	-
	60.713.519	9.847.319

Nature and extent of the risks on cash and cash equivalents are described below the note 25. Demand deposits comprise collections from direct debiting system (DDS) and cheques kept under current accounts based on agreements made with banks.

4. FINANCIAL LIABILITIES

	31 December 2015	31 December 2014
Short-term bank borrowings	537.889.388	218.739.445
Short-term financial lease obligations	-	95.951
Total short-term financial liabilities	537.889.388	218.835.396
Short-term portion of long term bank borrowings	77.139.541	30.386.055
Long-term bank borrowings	646.058.000	473.625.900
Total long-term financial liabilities	646.058.000	473.625.900
Total financial liabilities	1.261.086.929	722.847.351
Cumulative foreign currency differences from cross-currency and interest rate swap (*) (Not:5)	(160.016.000)	(54.050.000)
Net financial liabilities	1.101.070.929	668.797.351

(*)As foreign currency denominated borrowings are hedged by cross currency swap transactions, the foreign currency loss amounting to TL 160.016.000 for 2015 and amounting to TL 54.050.000 for 2014 are offsetted and disclosed under financial liabilities.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

4. FINANCIAL LIABILITIES (Cont'd)

Bank Borrowings

	31 December 2015		31 December 2014	
	Weighted average effective interest rate %	TL	Weighted average effective interest rate %	TL
Short-term bank borrowings				
TL denominated borrowings	10,47	537.889.388	8,79	218.739.445
		<u>537.889.388</u>		<u>218.739.445</u>
Short-term portion of long-term borrowings				
TL denominated borrowings	12,50	2.986.109	9,54	21.945.100
Euro denominated borrowings	2,05	47.691.143	2,05	21.684
USD denominated borrowings	1,17	26.462.289	0,76	8.419.271
		<u>77.139.541</u>		<u>30.386.055</u>
Total short-term borrowings		<u>615.028.929</u>		<u>249.125.500</u>
Long-term bank borrowings				
TL denominated borrowings	12,50	50.000.000	-	-
Euro denominated borrowings	-	-	2,05	42.310.500
USD denominated borrowings (*)	1,16	596.058.000	0,76	431.315.400
Total long-term borrowings		<u>646.058.000</u>		<u>473.625.900</u>
Total borrowings		<u>1.261.086.929</u>		<u>722.751.400</u>
Cumulative foreign currency differences from cross-currency and interest rate swap(*)		<u>(160.016.000)</u>		<u>(54.050.000)</u>
Net financial borrowings		<u>1.101.070.929</u>		<u>668.701.400</u>

*As foreign currency denominated borrowings are hedged by cross currency swap transactions, the foreign currency loss amounting to TL 160.016.000 for 2015 and amounting to TL 54.050.000 for 2014 are offsetted and disclosed under financial liabilities. (Note 5).

Redemption schedules of borrowings are summarised below:

	31 December 2015			31 December 2014		
	Bank borrowings	Cumulative foreign currency differences from cross-currency and interest rate swap	Bank borrowings (Net)	Bank borrowings	Cumulative foreign currency differences from cross-currency and interest rate swap	Bank borrowings (Net)
2015	-	-	-	249.125.500	-	249.125.500
2016	615.028.929	-	615.028.929	56.223.900	-	56.223.900
2017	348.912.000	(119.540.000)	229.372.000	278.268.000	(48.896.000)	229.372.000
2018	188.292.806	(40.476.000)	147.816.806	139.134.000	(5.154.000)	133.980.000
2019	27.673.611	-	27.673.611	-	-	-
2020	27.673.611	-	27.673.611	-	-	-
2021	27.673.611	-	27.673.611	-	-	-
2022	25.832.361	-	25.832.361	-	-	-
	<u>1.261.086.929</u>	<u>(160.016.000)</u>	<u>1.101.070.929</u>	<u>722.751.400</u>	<u>(54.050.000)</u>	<u>668.701.400</u>

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

4. 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 instalment 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 exchange rate is fixed to TL 1,8172.

b) 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.

c) 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.

d) 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.

e) USD 40 million borrowing has been used on 24 March 2014 , with a maturity of 4 years and a once in a six month interest installment of USLibor+0,295 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 89.280.000, once in a three month interest installment over 11,9 % rate and the USD exchange rate to TL 2,2320.

f) USD 20 million borrowing has been used on 30 April 2014, with a maturity of 4 years and a once in a six month interest installment of USLibor+0,295 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 44.700.000, once in a three month interest installment over 11,9 rate and the USD exchange rate to TL 2,2350.

g) USD 25 million borrowing has been used on 29 May 2015, with a maturity of 7 years, no principal payment in first three years and a once in a six month interest installment of USLibor+1,000 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 66.250.000, once in a six month interest installment over 11,25 rate and the USD exchange rate to TL 2,6500.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

4. FINANCIAL LIABILITIES (Cont'd)

Bank Borrowings (Cont'd)

h) TL 70 million spot borrowing has been used on 23 January 2015 with a 1 year maturity. Annual interest rate of the borrowing is 7,90 %.

i) TL 150 million spot borrowing has been used on 25 March 2015 with a 1 year maturity. Annual interest rate of the borrowing is 9,70 %.

j) TL 50 million spot borrowing has been used on 13 July 2015 with a 7 years maturity, no principal payment in first three years and once in a six month interest instalment. Annual interest rate of the borrowing is 9,70 %.

k) TL 50 million spot borrowing has been used on 18 August 2015 with a 1 year maturity. Annual interest rate of the borrowing is 12,00%.

l) TL 50 million spot borrowing has been used on 21 October 2015 with a 1 year maturity. Annual interest rate of the borrowing is 11,95%.

m) TL 50 million spot borrowing has been used on 23 November 2015 with a 1 year maturity. Annual interest rate of the borrowing is 11,95%.

n) TL 50 million spot borrowing has been used on 29 December 2015 with a 4 months maturity. Annual interest rate of the borrowing is 11,30%.

o) TL 90 million spot borrowing has been used on 31 December 2015 with a maturity on 04 January 2016. Annual interest rate of the borrowing is 11,60%.

5. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2015		31 December 2014	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forward contracts	1.319.688	1.589.322	857.951	237.022
Option	5.745.497	-	-	-
Short-term	7.065.185	1.589.322	857.951	237.022
Cross-currency and interest rate swaps	7.433.137	-	-	14.380.811
Long-term	7.433.137	-	-	14.380.811
	14.498.322	1.589.322	857.951	14.617.833

In order to mitigate the foreign currency risks arising from the Euro exports and US Dollar raw material purchases, the Company enters into Euro Selling/ US Dollar Buying and TL selling/Euro Buying 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 2015, the Company's various forward contracts' maturities extend to 04 January 2016 with a total TL 46.920.000 selling and US Dollar 16.000.000 buying and TL 50.875.200 selling and Euro 16.000.000 buying purposes and has an average USD/TL parity of 2,9235 and Euro/TL parity of 3,1797, causing a liability of TL 432.000.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

5. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

As of 31 December 2015, the Company's various forward contracts' maturities extend to 30 June 2016 with a total TL 155.067.100 selling and US Dollar 51.600.000 buying (31 December 2014: TL 416.124.050 TL selling and US Dollar 172.500.000 buying) purposes and has an average USD foreign exchange rate of TL 3,0052 (31 December 2014: TL 2,4123), causing an asset of TL 1.319.688 and a liability of TL 1.157.322 (31 December 2014: of TL 543.403 and TL 187.412 liability).

As of 31 December 2015, the Company's American Vanilla style option contract's maturity extend to 30 June 2016 with a total Euro 25.000.000 selling for US Dollar 27.500.000 purchases and has Euro/USD parity of 1,10. The Company' American Vanilla style option contract's maturity extend to 30 December 2016 with a total Euro 25.000.000 selling for US Dollar 27.500.000 purchases and has Euro/USD parity of 1,10.

In order to mitigate the floating USLibor+0,625 interest rate and foreign currency risk of the 4 year-term USD 60 million amounting borrowing used on 26 March 2013 which has an interest instalment in every 6 months period, 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 exchange rate is fixed to TL 1,8172. As of 31 December 2015, Company has a total asset of TL 70.455.981 arising from this swap transaction. (31 December 2014: TL 33.872.164 asset).

In order to mitigate the floating USLibor+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 instalment 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% while the USD foreign exchange rate is fixed TL 2,0000. As of 31 December 2015, Company has a total asset of TL 19.232.659 arising from this swap transaction. (31 December 2014 : TL 5.860.035 asset)

In order to mitigate the floating USLibor+0,325 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 instalment in every 6 months period, 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 exchange rate is fixed to TL 2,0085. As of 31 December 2015, Company has a total asset of TL 16.913.583 arising from this swap transaction. (31 December 2014 : TL 4.454.548 asset)

In order to mitigate the floating USLibor+0,325 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 instalment in every 6 months period, 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 exchange rate is fixed to TL 2,0085. As of 31 December 2015, Company has a total asset of TL 17.175.024 arising from this swap transaction. (31 December 2014: TL 4.656.587 asset).

In order to mitigate the floating USLibor+0,295 interest rate and foreign currency risk of the 4 year-term USD 40 million amounting borrowing used on 24 March 2014 which has an interest instalment in every 6 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 89.280.000 and the interest rate to 11,9 % with a once in a 6 month interest installment while the USD foreign exchange rate is fixed to TL 2,2320. As of 31 December 2015, Company has a total asset of TL 24.111.293 arising from this swap transaction (31 December 2014: TL 6.351.604 liabilities).

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

5. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

In order to mitigate the floating USLibor+0,295 interest rate and foreign currency risk of the 4 year-term USD 20 million amounting borrowing used on 30 April 2014 which has an interest instalment in every 6 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 44.700.000 and the interest rate to 11,9 % with a once in a 6 month interest installment while the USD foreign exchange rate is fixed to TL 2,2350. As of 31 December 2015, Company has a total asset of TL 12.387.072 arising from this swap transaction (31 December 2014: TL 2.822.541 liabilities).

In order to mitigate the floating USLibor+1,000 interest rate and foreign currency risk of the 7 year-term USD 25 million amounting borrowing used on 29 May 2015 which has an interest instalment in every 6 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 66.250.000 and the interest rate to 11,25 % with a once in a 6 month interest installment while the USD foreign exchange rate is fixed to TL 2,65. As of 31 December 2015, Company has a total asset of TL 7.173.525 arising from this swap transaction.

As foreign currency denominated borrowings are hedged by cross currency swap transactions, the foreign currency loss amounting to TL 160.016.000 for 2015 and amounting to TL 54.050.000 for 2014 are offsetted and disclosed under financial liabilities (Note 4).

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

During the current period, TL 44.094.512 (2014: TL 9.789.070 income) income has been accounted for relating with the derivative financial instruments that are due.

6. TRADE RECEIVABLES AND PAYABLES

Trade Receivables

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

	31 December 2015	31 December 2014
<u>Short-term trade receivables</u>		
Trade receivables	728.233.938	507.631.004
Notes receivables	17.609.792	19.797.517
Trade receivables from related parties (Note 24)	34.509.332	18.659.391
Unearned credit finance income	(8.696.551)	(5.669.430)
Doubtful receivables provision (-)	(9.046.007)	(7.778.606)
	<u>762.610.504</u>	<u>532.639.876</u>
	31 December 2015	31 December 2014
<u>Long-term trade receivables</u>		
Trade receivables	29.523.216	19.206.703
	<u>29.523.216</u>	<u>19.206.703</u>

As of 31 December 2015, the maturities of trade receivables are 90 days (2014: 72 days) on average and they are discounted with average annual interest rates of 9,97% (2014: 8,88%).

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

6. TRADE RECEIVABLES AND PAYABLES (Cont'd)

Trade Receivables (cont'd)

As of 31 December 2015, the receivables amounting to TL 99.159.980 (2014: TL 22.373.805) were past due but not impaired. The aging of these receivables as of 31 December 2015 and 2014 is as follows:

	31 December 2015	31 December 2014
Between 0 - 1 months	36.028.327	16.000.091
Between 1 - 3 months	34.712.713	2.134.348
Between 3 - 12 months	28.418.940	4.239.366
	<u>99.159.980</u>	<u>22.373.805</u>

As of 31 December 2015, the trade receivables amounting to TL 9.046.007 (2014: TL 7.778.606) were impaired and provided for.

Most of doubtful receivables are resulted from the dealers / customers that have economic difficulties unexpectedly. It is expected to collect some portion of doubtful receivables.

The allowance for doubtful receivables is determined based on past experiences of collection of receivables.

Movements in provision for doubtful receivables as of 31 December 2015 and 2014 are as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Opening balance	7.778.606	7.408.925
Period charge (*)	1.267.401	598.198
Collections	-	(228.517)
Closing balance	<u>9.046.007</u>	<u>7.778.606</u>

(*) As of 31 December 2015, the foreign currency exchange differences amounting to TL 402.821 arise from the doubtful receivables in foreign currency (2014: TL 105.647).

Trade Payables

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

	31 December 2015	31 December 2014
Short-term trade payables		
Trade payables	159.782.025	155.348.363
Trade payables to related parties (Note 24)	111.088.885	54.289.335
Unrealised credit finance expense	(732.229)	(301.400)
	<u>270.138.681</u>	<u>209.336.298</u>

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

6. TRADE RECEIVABLES AND PAYABLES (Cont'd)**Trade Payables (cont'd)**

	31 December 2015	31 December 2014
<u>Long-term trade payables</u>		
Trade payables to related parties (Note 24)	518.903	-
	<u>518.903</u>	<u>-</u>

As of 31 December 2015 and 2014, the maturities of trade payables are 52 and 43 days on average and they are discounted with average annual interest rates of 9,97% and 8,88% respectively. The Company has financial risk management policy in order to manage the maturity structure of liabilities.

7. OTHER RECEIVABLES AND PAYABLES**Other Receivables**

	31 December 2015	31 December 2014
<u>Other Short-term Receivables</u>		
Other receivables from related parties (Note 24)	587.407	1.433.134
Receivables from tax office	5.431.832	4.234.533
Due from personnel	2.067.520	4.553.940
Other	1.084.963	674.326
	<u>9.171.722</u>	<u>10.895.933</u>

	31 December 2015	31 December 2014
<u>Other Long-term Receivables</u>		
Deposits and guarantees given	121.191	100.421
	<u>121.191</u>	<u>100.421</u>

Other Payables

	31 December 2015	31 December 2014
<u>Other Payables</u>		
Other payables to public authorities	5.181.949	2.125.077
Other payables to related parties (Note 24)	443.694	240.182
	<u>5.625.643</u>	<u>2.365.259</u>

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

8. INVENTORIES

	31 December 2015	31 December 2014
Raw materials	53.497.669	46.048.334
Materials and supplies	52.970.844	44.970.465
Semi-finished goods	17.637.254	16.315.788
Finished goods	105.997.149	81.850.405
Trade goods	73.657.297	63.816.961
Goods in transit	54.484.955	60.950.989
Impairment on inventories	(612.897)	-
	357.632.271	313.952.942

The foreign exchange gain arising from derivative financial instruments amounting to TL 42.220.584 has been deducted from inventories during the year and as of 31 December 2015, TL 12.142.542 is included in inventories (2014: Respectively TL 7.553.556 foreign exchange gain and year-end TL 946.323 gain).

9. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2015	31 December 2014
Short-term Prepaid Expenses		
Advances given to dealers (*)	61.106.433	37.104.504
Prepaid expenses	10.643.676	5.071.987
Advances given to suppliers	3.152.581	1.758.391
	74.902.690	43.934.882

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

	31 December 2015	31 December 2014
Long-term Prepaid Expenses		
Advances given for fixed assets(**)	74.933.507	14.648.234
Prepaid expenses	2.738.914	-
	77.672.421	14.648.234

(**) TL 65.824.195 of advance is mainly given to construction companies as the part of investment for Aksaray Factory .

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

9. PREPAID EXPENSES AND DEFERRED INCOME (Con'd)

	31 December 2015	31 December 2014
<u>Short-term Deferred Income</u>		
Advances received	12.353.044	5.023.213
Deferred income	3.302.772	2.437.884
Other	15.799	-
	<u>15.671.615</u>	<u>7.461.097</u>

	31 December 2015	31 December 2014
<u>Long-term Deferred Income</u>		
Deferred Income	1.429.510	1.649.449
	<u>1.429.510</u>	<u>1.649.449</u>

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

10. PROPERTY, PLANT AND EQUIPMENT

	1 January 2015	Additions	Transfers	Disposals	31 December 2015
Cost					
Land and land improvements	16.290.188	95.672	118.313	-	16.504.173
Buildings	234.545.921	9.768	8.408.713	-	242.964.402
Machinery and equipment	1.363.236.697	98.385	100.881.870	(6.191.279)	1.458.025.673
Motor vehicles	4.537.478	174.344	1.591.632	(243.226)	6.060.228
Furniture and fixtures	55.376.984	3.998.567	8.373.815	(65.007)	67.684.359
Other fixed assets	47.560.030	11.655.501	10.593.262	(231.649)	69.577.144
Construction in progress	55.960.895	199.655.424	(133.007.842)	-	122.608.477
	1.777.508.193	215.687.661	(3.040.237)	(6.731.161)	1.983.424.456
Accumulated depreciation					
Land and land improvements	10.557.273	180.293	-	-	10.737.566
Buildings	140.641.552	7.753.432	-	-	148.394.984
Machinery and equipment	1.019.688.581	84.461.663	-	(5.803.297)	1.098.346.947
Motor vehicles	3.061.953	528.366	-	(165.013)	3.425.306
Furniture and fixtures	22.145.832	5.561.890	-	(29.457)	27.678.265
Other fixed assets	16.180.000	6.199.882	-	(75.389)	22.304.493
	1.212.275.191	104.685.526	-	(6.073.156)	1.310.887.561
Net book value	565.233.002	111.002.135	(3.040.237)	(658.005)	672.536.895

In the year ended 31 December 2015, TL 79.779.415 of the depreciation expense is charged to "cost of goods sold", TL 1.554.525 is charged to "research and development expenses", TL 12.122.189 is charged to "selling and marketing costs", TL 2.576.810 charged to general administrative expenses" and TL 8.652.587 of the depreciation expense is charged to "inventories".

As of 31 December 2015 there are no mortgages on property, plant and equipment and intangible assets (2014: None).

The capitalized borrowing cost is TL 4.982.928 for the year ended 2015 (2014: None).

BRISA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

	1 January				31 December
	2014	Additions	Transfers	Disposals	2014
Cost					
Land and land improvements	16.234.945	-	191.900	(136.657)	16.290.188
Buildings	229.150.190	134.369	5.261.362	-	234.545.921
Machinery and equipment	1.253.049.349	404.910	111.725.411	(1.942.973)	1.363.236.697
Motor vehicles	4.076.661	274.706	231.119	(45.008)	4.537.478
Furniture and fixtures	47.920.087	5.383.635	3.267.358	(1.194.096)	55.376.984
Other fixed assets	32.956.374	11.994.513	2.676.041	(66.898)	47.560.030
Construction in progress	45.782.008	138.451.826	(128.272.939)	-	55.960.895
	1.629.169.614	156.643.959	(4.919.748)	(3.385.632)	1.777.508.193
Accumulated depreciation					
Land and land improvements	10.389.653	167.620	-	-	10.557.273
Buildings	132.825.557	7.815.995	-	-	140.641.552
Machinery and equipment	950.833.001	70.798.553	-	(1.942.973)	1.019.688.581
Motor vehicles	2.648.641	458.320	-	(45.008)	3.061.953
Furniture and fixtures	18.400.428	4.598.999	-	(853.595)	22.145.832
Other fixed assets	11.650.183	4.569.537	-	(39.720)	16.180.000
	1.126.747.463	88.409.024	-	(2.881.296)	1.212.275.191
Net book value	502.422.151	68.234.935	(4.919.748)	(504.336)	565.233.002

In the year ended 31 December 2014, TL 70.690.214 of the depreciation expense is charged to "cost of goods sold", TL 1.468.486 is charged to "research and development expenses", TL 9.740.109 is charged to "selling and marketing costs", TL 2.318.350 charged to general administrative expenses" and TL 4.191.865 of the depreciation expense is charged to "inventories".

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

11. INTANGIBLE ASSETS

	1 January 2015	Additions	Transfers	Disposals	31 December 2015
Cost					
Rights	63.520.591	16.812.482	-	-	80.333.073
Other intangible assets	39.983.297	2.348.730	3.040.237	(28.942)	45.343.322
	103.503.888	19.161.212	3.040.237	(28.942)	125.676.395
Accumulated depreciation					
Rights	40.086.736	8.455.894	-	-	48.542.630
Other intangible assets	23.067.313	5.743.097	-	(28.942)	28.781.468
	63.154.049	14.198.991	-	(28.942)	77.324.098
Net book value	40.349.839	4.962.221	3.040.237	-	48.352.297

In the year ended 31 December 2015, TL 1.579.101 of the amortisation expense is charged to "cost of goods sold", TL 33.170 is charged to "research and development expenses", TL 9.315.143 is charged to "selling and marketing costs", TL 3.100.313 expense is charged to "general administrative expenses" and TL 171.264 is included in "inventories".

	1 January 2014	Additions	Transfers	Disposals	31 December 2014
Cost					
Rights	52.980.869	10.539.722	-	-	63.520.591
Other intangible assets	34.080.430	983.119	4.919.748	-	39.983.297
	87.061.299	11.522.841	4.919.748	-	103.503.888
Accumulated depreciation					
Rights	33.721.045	6.365.691	-	-	40.086.736
Other intangible assets	19.145.403	3.921.910	-	-	23.067.313
	52.866.448	10.287.601	-	-	63.154.049
Net book value	34.194.851	1.235.240	4.919.748	-	40.349.839

In the year ended 31 December 2014, TL 1.416.671 of the amortisation expense is charged to "cost of goods sold", TL 38.272 is charged to "research and development expenses", TL 6.997.185 is charged to "selling and marketing costs", TL 1.751.467 expense is charged to "general administrative expenses" and TL 84.006 is included in "inventories".

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

12. PROVISIONS, CONTINGENT AND LIABILITIES

Provisions

	31 December 2015	31 December 2014
Short-term provisions		
Provision for lawsuits (i)	1.863.359	2.356.947
provision for warranty claims (ii)	866.717	487.633
Other	5.048.562	466.409
	<u>7.778.638</u>	<u>3.310.989</u>

- (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.
- (ii) The other provisions consist mainly of advertising and publicity fees to be billed in next years.

Movements of provisions during the period are as follows:

	Lawsuits	Warranty claims	Other	Total
1 January 2015	2.356.947	487.633	466.409	3.310.989
Additions	1.051.242	656.382	4.626.856	6.334.480
Payments/ reversals	(1.544.830)	(277.298)	(44.703)	(1.866.831)
31 December 2015	<u>1.863.359</u>	<u>866.717</u>	<u>5.048.562</u>	<u>7.778.638</u>

	Lawsuits	Warranty claims	Other	Total
1 January 2014	1.872.348	625.069	608.264	3.105.681
Additions	1.696.771	686.734	30.088	2.413.593
Payments/ reversals	(1.212.172)	(824.170)	(171.943)	(2.208.285)
31 December 2014	<u>2.356.947</u>	<u>487.633</u>	<u>466.409</u>	<u>3.310.989</u>

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

13. COMMITMENTS

	31 December 2015	31 December 2014
Guarantees Received		
Direct debiting system limits	233.335.685	231.503.287
Letter of guarantees received	285.543.460	176.586.499
Export insurance	46.103.798	34.979.501
Mortgages	71.235.749	31.299.299
Cheques and notes receivables received as guarantee	14.378.738	11.216.265
Letter of credit	26.568.064	2.535.103
Export factoring	-	1.798.050
Payment guarantees obtained from banks	9.354.261	6.406.524
Foreign currency blockage received as guarantee	4.782.360	1.705.981
	691.302.115	498.030.509

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.

As it is declared by the Company in material disclosures on 27 November 2015, the Company is subject to a tax penalty regarding tax investigation related to 2011 fiscal year, and tax investigation report and tax penalty notices were made in 2015. As it is understood from the tax investigation report, original tax amounting to TL 4.675.169,67 and tax related fines amounting to TL 8.289.828,43 has been declared to the Company. As of 31 December 2015, no provision has been booked by the management for the tax penalty.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

13. COMMITMENTS (Cont'd)

Collaterals, Pledges and Mortgages given by the Company:

As of 31 December 2015 and 2014 collaterals, pledges and mortgages ("CPM") given by the Company is as follows:

CPM given by the Company	2015			2014		
	Currency	Amount	TL Equivalent	Currency	Amount	TL Equivalent
A. Total of CPMs given on behalf of own legal personality	TL	5.106.148	5.106.148	TL	10.830.242	10.830.242
	USD	525.486	1.527.903	USD	589.634	1.367.302
	Euro	2.149.472	6.830.162	Euro	2.024.780	5.711.297
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	-	-	-	-	-	-
			13.464.213			17.908.841

The ratio of other CPM to equity is 0% (2014: 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 guarantee letters to Eximbank A.Ş. for borrowings.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

14. EMPLOYEE BENEFITS

Payables related to employee benefits

	31 December 2015	31 December 2014
Accrued salaries and wages	2.846.885	2.312.199
Accrued social security premiums	6.196.774	5.316.568
Withholding personnel income tax	5.930.439	5.275.694
	14.974.098	12.904.461

Short-term provisions for employee benefits

	31 December 2015	31 December 2014
Bonus accruals	7.045.292	9.572.668
Unused vacation pay provision	3.785.422	3.087.263
	10.830.714	12.659.931

Movements of provisions during the period are as follows:

	Bonus accruals	Unused vacation pay	Total
1 January 2015	9.572.668	3.087.263	12.659.931
Additions	7.045.292	8.485.307	15.530.599
Payments/ Cancellations	(9.572.668)	(7.787.148)	(17.359.816)
31 December 2015	7.045.292	3.785.422	10.830.714
	Bonus accruals	Unused vacation pay	Total
1 January 2014	5.780.000	2.466.313	8.246.313
Additions	9.572.668	7.141.383	16.714.051
Payments/ Cancellations	(5.780.000)	(6.520.433)	(12.300.433)
31 December 2014	9.572.668	3.087.263	12.659.931

Provision for retirement pay liability:

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 3.828,37 for each period of service at 31 December 2015 (31 December 2014: TL 3.438,22).

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

14. EMPLOYEE BENEFITS (Cont'd)

Provision for retirement pay liability (cont'd)

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 2015, the provision has been calculated by estimating the present value of the future probable obligation 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 used in the calculation of the total liability as these actuarial assumptions are detailed below:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Discount rate (%)	3,30	3,30
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 4.092,53 effective from 1 January 2016 (1 January 2015: TL 3.541,37) has been taken into consideration in calculation of provision from employee termination benefits.

The movement of employee termination benefits is as follows:

	<u>1 January- 31 December 2015</u>	<u>1 January- 31 December 2014</u>
As of 1st January	38.391.281	34.280.701
Service cost	11.091.499	5.177.770
Interest cost	1.266.912	1.131.263
Actuarial loss	-	1.388.959
Payments during the year	(4.163.581)	(3.587.412)
As of 31st December	<u>46.586.111</u>	<u>38.391.281</u>

15. OTHER ASSETS AND LIABILITIES

	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Other Current Assets</u>		
Deferred VAT	6.316.582	11.591.874
Other current assets	11.308	224.483
	<u>6.327.890</u>	<u>11.816.357</u>

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

16. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid-in capital

The Company's authorised and issued capital consists of 30.511.687.500 shares at Kr 1 nominal value each (2014: 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 2015 and 2014 are as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>2015</u>	<u>(%)</u>	<u>2014</u>
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 2015 profit reserves comprise the legal reserves amounting to TL 88.919.684 (2014: TL 66.032.094).

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
Restricted reserves	88.919.684	66.032.094
Net income for the period	192.168.170	186.319.625
Retained earnings	8.807.392	6.972.485
Total equity	<u><u>289.895.246</u></u>	<u><u>259.324.204</u></u>

Dividend Distribution:

Public companies distribute profit in accordance with Profit Share Communiqué no II-19.1 issued by CMB effective from 1 February 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of associations.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

17. SALES AND COST OF GOODS SOLD

	1 January- 31 December 2015	1 January- 31 December 2014
Revenue		
Sales	2.076.081.823	1.945.231.020
Sales returns (-)	(20.823.311)	(10.533.343)
Sales discounts (-)	(207.294.504)	(200.125.423)
Other sales discounts (-)	(46.088.065)	(41.074.630)
Net Sales	1.801.875.943	1.693.497.624
Cost of sales	(1.240.495.578)	(1.206.123.114)
Gross profit	561.380.365	487.374.510

18. EXPENSES BY NATURE

	1 January- 31 December 2015	1 January- 31 December 2014
Raw materials used	692.778.298	723.901.910
Personnel expenses	292.383.705	236.497.535
Cost of trade goods sold	189.882.537	148.960.618
Depreciation and amortization	110.060.666	94.420.754
Production overheads	91.902.521	94.409.961
Advertisement expenses	72.851.202	69.050.801
Royalty expenses	28.088.090	20.351.965
Warehouse and office rent expenses	13.516.498	1.797.887
Communication and information technology expenses	9.939.987	7.854.839
ELT (end of life-tire) management service	6.502.408	5.751.949
Service, maintenance expenses	5.486.763	5.339.783
Real estate and stamp tax expenses	3.874.207	3.422.157
Insurance expenses	2.697.659	2.699.395
Energy expenses	2.634.585	2.578.380
Claims for defective tires	1.967.025	1.797.297
Transportation and storage expenses	1.903.319	14.085.195
Change in work in progress	(1.128.723)	(4.116.783)
Change in finished goods	(14.856.761)	(4.239.051)
Other	49.707.750	35.121.877
	1.560.191.736	1.459.686.469

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

18. EXPENSES BY NATURE (Cont'd)

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

	1 January- 31 December 2015	1 January- 31 December 2014
Depreciation and amortization expenses		
Cost of sales	81.358.516	72.106.885
Marketing, selling and distribution expenses	21.437.332	16.737.294
General administrative expenses	5.677.123	4.069.817
Research and development expenses	1.587.695	1.506.758
	110.060.666	94.420.754
	1 January- 31 December 2015	1 January- 31 December 2014
Personnel expenses		
Cost of sales	200.559.190	174.865.722
General administrative expenses	37.678.643	27.363.642
Marketing, selling and distribution expenses	43.145.620	24.926.857
Research and development expenses	11.000.252	9.341.314
	292.383.705	236.497.535

19. OTHER OPERATING INCOME AND EXPENSES

Details of other operating income for years ended 31 December 2015 ve 2014 are as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Finance income on credit sales	36.179.841	28.046.726
Interest income on credit sales	13.548.333	9.307.355
Foreign exchange gains on operations, net (*)	5.251.938	-
Income from derivative financial instruments, net	1.810.328	-
Interest income	46.068	109.767
Other income	5.084.307	5.483.460
	61.920.815	42.947.308

(*) The amount consists of the foreign exchange gains and losses resulting from trade receivables and payables.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

Details of other operating expenses for years ended 31 December 2015 ve 2014 are as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Due date expenses on trade payables	10.320.425	7.000.153
Foreign exchange losses on operations, net (*)	-	2.264.161
Loss from derivative financial instruments, net	-	606.182
Other expenses	2.772.239	3.154.390
	13.092.664	13.024.886

(*) The amount consists of the foreign exchange gains and losses resulting from trade receivables and payables.

20. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

	1 January- 31 December 2015	1 January- 31 December 2014
Income from Investing Activities		
Gain on sale of property, plant and equipment	135.028	168.245
	135.028	168.245
Expenses from Investing Activities		
Loss on sale of property, plant and equipment	415.562	453.277
	415.562	453.277

21. FINANCIAL EXPENSES

	1 January - 31 December 2015	1 January - 31 December 2014
Interest expenses on borrowings	83.018.883	52.755.737
Foreign currency (gains) / losses on borrowings, net	8.885.700	(629.400)
Interest expenses of financial leasing	386	36.730
	91.904.969	52.163.067

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

22. TAXATION ON INCOME

Corporate tax

	31 December 2015	31 December 2014
Corporate tax payable	8.229.172	19.774.409
Less: Prepaid taxes (*)	(5.999.111)	(19.774.409)
	2.230.061	-

(*) As of 31 December 2014, the exceeding prepaid corporate tax amount of TL 213.263 is accounted for under Assets Related to Current Tax.

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2015 is 20% (2014: 20%) for the Company.

	1 January- 31 December 2015	1 January- 31 December 2014
Current period corporate tax expense	8.229.172	19.774.409
Deferred tax (income) / expense	(2.070.487)	5.191.444
	6.158.685	24.965.853

Current period tax reconciliation for the years ended 31 December 2015 and 2014 is as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
<u>Current tax provision reconciliation:</u>		
Profit before taxation on income	198.326.855	211.285.478
Income tax rate %20 (2014: %20)	(39.665.371)	(42.257.096)
Tax effect:		
- non-taxable income	474.967	531.206
- non-deductible expenses	(327.650)	(375.755)
- reduced corporate tax (Note 2)	33.359.369	17.135.792
Tax expense	(6.158.685)	(24.965.853)

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

22. TAXATION ON INCOME (Cont'd)**Deferred tax***Deferred tax:*

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and they are given below.

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 (2014: 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 2015 and 2014 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred income tax assets/ liabilities	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Deferred tax assets				
Provision for employment termination benefits	46.586.111	38.391.281	9.317.222	7.678.256
Allowance for doubtful receivables	4.966.215	4.101.636	993.243	820.327
Trade receivables	7.733.355	4.252.432	1.546.671	850.486
Derivative instruments	168.045.322	63.461.167	33.609.064	12.692.233
Provision for unused vacation liability	3.785.423	3.087.263	757.085	617.453
Provision for bonus premium	7.045.292	9.572.668	1.409.058	1.914.534
Provision for lawsuits	1.863.358	2.356.947	372.672	471.389
Provision for warranty claims	866.717	487.633	173.343	97.527
Inventories	14.596.546	-	2.919.309	-
Investment incentive (Note 2)	-	-	13.377.449	13.377.449
Other	250.000	-	50.000	-
	255.738.339	125.711.027	64.525.116	38.519.654
Deferred tax liabilities				
Property, plant and equipment	94.001.261	76.562.099	18.800.252	15.312.420
Inventories	-	2.659.253	-	531.851
Trade payables	732.229	301.400	146.446	60.280
Derivative instruments	169.080.810	49.701.285	33.816.162	9.940.257
	263.814.300	129.224.037	52.762.860	25.844.808
Deferred tax assets, net			11.762.256	12.674.846

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

22. TAXATION ON INCOME (Cont'd)

Deferred Tax (cont'd)

The movements in deferred income tax assets / (liabilities) for the years ended 31 December 2015 and 2014 are as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Opening as of 1 January	12.674.846	12.112.041
Recognised in profit or loss statement	2.070.487	(5.191.444)
Recognised in equity	(2.983.077)	5.754.249
Closing as of 31 December	<u>11.762.256</u>	<u>12.674.846</u>

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 by TL 114.391.146, thus increasing the investment contribution rate from 20% to 30%. Tax deduction rate is 50%.

The duration of certificate was expired on 20 May 2015 and the Company made application to T.C. Ministry of Economy Promoting Implementation and Foreign Investment General Directorate for the closure of the certificate.

The Company utilized reduced corporate tax amounting to TL 7.874.586 for the years ended between 31 December 2010 and 2014 and TL 4.639.096 for the year ended 31 December 2015.

The Company estimates to utilize TL 126.139.716 reduced corporate tax in the future. In addition to this, as the Company estimates to utilize 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 prudence.

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 18.024.598 in 2013 and 2014 for the secondary manufacturing plant investment to be located in the Aksaray Organized Industrial Zone. The Company utilized reduced corporate tax amounting to TL 28.271.471 for the year ended 31 December 2015.

According the expansion investment decision in İzmit Plant, the investment incentive certificate application of the Company to the Ministry of Economy, Incentive Application and General Directorate of Foreign Investments is approved and under the large-scale investments starting from 21 May 2015 to 21 May 2020, an investment incentive certificate is arranged at 20 August 2015 and numbered 120314 for the expansion investment amounting to TL 690 million. Investment investment incentive certificates provided by the contribution rate of 25%, the tax deduction rate is 50%. The Company utilized a reduced corporate tax of TL 448.802 for the period 1 January – 31 December 2015.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

23. 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 2015	31 December 2014
Total number of ordinary shares	30.511.687.500	30.511.687.500
Net profit	192.168.170	186.319.625
Legal reserves	10.048.493	8.253.463
Earnings per usufruct shares (TL)	99.163	105.643
Earnings per ordinary shares (TL)	0,564	0,549

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from related parties as of 31 December 2015 mostly consist of sales transactions and have average maturity of 23 days (2014: 43).

Due to related parties as of 31 December 2015 mostly consist of purchase transactions and have average maturity of 86 days (2014: 44). No interest is charged for payables.

Balances with related parties	31 December 2015			
	Receivables		Payables	
	Short-term		Short / Long-term	
	Trade	Non-trade	Trade	Non-trade
Shareholders				
Bridgestone Corporation	185.902	513.179	7.544.267	407.013
Other related parties				
Bridgestone Singapore Pte. Ltd. (*)	-	-	68.073.634	-
Bridgestone (Shenyang) Steel Cord	-	-	5.395.285	-
Kordsa Global End.İpk Kord Bezi San.Tic.A.Ş.	-	-	13.550.716	26.754
Enerjisa Enerji Üretim A.Ş.	-	-	5.694.884	-
Bridgestone Europe S.A/N.V.	13.883.594	73.480	4.768.043	-
Temsa Global San.ve Tic. A.Ş.	4.067.157	-	66.392	-
Akbank T.A.Ş (**)	15.689.364	-	-	-
Other	683.315	748	6.514.567	9.927
	34.509.332	587.407	111.607.788	443.694

(*) The Company has long-term trade payables TL 518.903 to Bridgestone Singapore Pte Ltd.

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

Balances with related parties	31 December 2014			
	Receivables		Payables	
	Short-term		Short-term	
	Trade	Non-trade	Trade	Non-trade
Shareholders				
Bridgestone Corporation	8.600.173	1.055.652	7.453.609	208.851
Other related parties				
Bridgestone Singapore Pte. Ltd.	-	-	17.352.599	-
Bridgestone (Shenyang) Steel Cord	-	-	5.277.959	-
Kordsa Global End.İpk Kord Bezi San.Tic.A.Ş.	-	-	12.705.545	23.523
Enerjisa Enerji Üretim A.Ş.	-	-	5.097.316	-
Temsa Global San.ve Tic. A.Ş.	2.703.304	-	36.992	-
Bridgestone Europe S.A/N.V.	-	376.818	1.455.153	-
Akbank T.A.Ş.	6.974.501	-	-	-
Other	381.413	664	4.910.162	7.808
	18.659.391	1.433.134	54.289.335	240.182

	1 January- 31 December 2015	1 January- 31 December 2014
Sales of finished goods and commercial goods		
Shareholders		
Bridgestone Corporation	11.422.900	123.327.683
Other related parties		
Bridgestone Europe SA./N.V.	99.220.898	-
Temsa Global San.ve Tic. A.Ş.	10.534.996	7.462.247
Other	1.354.710	542.394
	122.533.504	131.332.324

	1 January- 31 December 2015	1 January- 31 December 2014
Other sales		
Shareholders		
Bridgestone Corporation	1.205.238	2.663.652
Other related parties		
Other	233.341	654.215
	1.438.579	3.317.867

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

	1 January- 31 December 2015	1 January- 31 December 2014
Purchases of Raw Materials, Semi Finished Goods and Consumables		
Shareholders		
Bridgestone Corporation	1.849.002	2.740.960
Other related parties		
Bridgestone Singapore Pte. Ltd.	183.243.268	183.265.709
Kordsa Gİb End. İpl. Kordbezi San. Tic. A.Ş.	58.346.622	52.749.614
Bridgestone (Shenyang) Steel Cord Co.	22.490.793	20.016.507
Bridgestone (Huizhou) Synthetic Rubco. Ltd.	10.732.152	10.234.111
Firestone Polymers, LLC.	6.597.476	6.582.956
Bridgestone Carbon Black Co. Ltd.	2.766.045	1.574.185
Other	2.040.528	1.719.530
	288.065.886	278.883.572
	1 January- 31 December 2015	1 January- 31 December 2014
Purchases of finished goods and commercial goods		
Shareholders		
Bridgestone Corporation	91.554.239	91.378.222
Other related parties		
Bridgestone Europe SA./N.V.	76.703.067	58.311.735
Enerjisa Enerji Üretim A.Ş.	48.575.817	42.942.607
Other	168.205	243.070
	217.001.328	192.875.634
	1 January- 31 December 2015	1 January- 31 December 2014
Purchases of services		
Shareholders		
Bridgestone Corporation	46.865	234.041
H. Ö. Sabancı Holding A.Ş.	219.470	4.986
Other related parties		
Aksigorta A.Ş.	11.067.121	9.312.483
Vista Turizm ve Seyahat A.Ş.	8.029.245	7.130.531
Bimsa Uluslararası İş. Bilgi ve Yön. Sis. A.Ş.	8.749.324	6.744.712
Lasder Lastik San. Derneği İktisadi İşletmesi	6.502.408	5.751.949
Other	2.970.898	3.710.287
	37.585.331	32.888.989

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

	1 January- 31 December 2015	1 January- 31 December 2014
Rent expense		
Shareholders		
H. Ö. Sabancı Holding A.Ş.	325.524	288.816
Other related parties		
Exsa Export Sanayi Mamulleri A.Ş.	387.492	357.600
Teknosa İç ve Dış Ticaret A.Ş.	35.142	32.554
Aksigorta A.Ş.	-	11.358
	748.158	690.328
Purchase of fixed assets		
Shareholders		
Bridgestone Corporation	4.469.318	11.023.127
Other related parties		
Bimsa Uluslararası İş. Bilgi ve Yön. Sis. A.Ş.	10.903.919	2.826.383
Bridgestone Plant Eng.	2.263.990	2.277.775
Bridgestone Logistics Co.	2.335.388	146.050
Other	1.416.776	825.306
	21.389.391	17.098.641
Commission expense (Sales premium and Royalty)		
Shareholders		
Bridgestone Corporation	28.088.090	20.351.965
Other related parties		
Other	1.408	40.930
	28.089.498	20.392.895
Commision income (Sales premium)		
Shareholders		
Bridgestone Corporation	494.190	-
	494.190	-

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

	31 December 2015	31 December 2014
Demand deposits		
Akbank T.A.Ş.	11.802.842	6.622.797
	<u>11.802.842</u>	<u>6.622.797</u>
Credit card slip receivables		
Akbank T.A.Ş.	15.890.455	-
	<u>15.890.455</u>	<u>-</u>
Financial liabilities		
Akbank Malta	66.891.797	-
Akbank T.A.Ş.	4.860.969	3.870.756
	<u>71.752.766</u>	<u>3.870.756</u>
Advances given		
Vista Turizm ve Seyahat A.Ş.	763.045	646.198
Bridgestone Plant Engineering (Thailand) Co.Ltd.	813.377	-
	<u>1.576.422</u>	<u>646.198</u>
Advances received		
Bridgestone Europe SA./N.V.	844.388	-
	<u>844.388</u>	<u>-</u>
	1 January- 31 December 2015	1 January- 31 December 2014
Finance income		
Akbank T.A.Ş.	46.068	70.335
	<u>46.068</u>	<u>70.335</u>
Finance expenses		
Akbank T.A.Ş.	5.315.584	376.912
	<u>5.315.584</u>	<u>376.912</u>

BRISA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

Key management personnel include members of the board of directors, executive board members. The compensation of key management are as follows; Salary, pensions, insurances, termination indemnity, rent and relocation expenses, vehicle rents, fuel and cell phones, provisions etc. The remuneration of key managements for the year ended 31 December 2015 and 2014 are as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Key management compensation:		
Salaries and other short-term benefits	4.434.380	4.117.653
Employment termination benefits	152.282	15.135
Other long-term benefits	71.728	86.755
	4.658.390	4.219.543

25. 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 Budget and Finance Directorship 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.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

(a) Liquidity risk (Cont'd)

As of 31 December 2015 and 2014, liquidity risk analysis of the financial liabilities of the Company is as follows:

31 December 2015

	<u>Carrying value</u>	<u>Contractual cash flows</u>	<u>Less than 3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<u>Contractual maturities</u>						
Non-derivative						
financial liabilities						
Financial liabilities	1.261.086.929	1.417.729.121	263.392.682	411.819.480	715.101.623	27.415.336
Trade payables	270.657.584	271.389.813	270.870.910	-	518.903	-
Other payables	102.896.329	102.896.329	51.095.286	3.785.422	48.015.621	-
Total liabilities	1.634.640.842	1.792.015.263	585.358.878	415.604.902	763.636.147	27.415.336

	<u>Carrying value</u>	<u>Contractual cash flows</u>	<u>Less than 3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<u>Contractual maturities</u>						
Derivative cash inflow/(outflows)	42.351	42.351	887.688	(845.337)	-	-
	42.351	42.351	887.688	(845.337)	-	-

31 December 2014

	<u>Carrying value</u>	<u>Contractual cash flows</u>	<u>Less than 3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<u>Contractual maturities</u>						
Non-derivative						
financial liabilities						
Financial liabilities	722.751.400	791.412.783	147.382.260	123.752.472	520.278.051	-
Financial lease obligations	95.951	96.701	96.701	-	-	-
Trade payables	209.336.298	209.637.698	209.637.698	-	-	-
Other payables	78.742.467	78.742.467	35.614.474	3.087.263	40.040.730	-
Total liabilities	1.010.926.116	1.079.889.649	392.731.133	126.839.735	560.318.781	-

	<u>Carrying value</u>	<u>Contractual cash flows</u>	<u>Less than 3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<u>Contractual maturities</u>						
Derivative cash inflow	620.929	620.929	435.511	185.418	-	-
	620.929	620.929	435.511	185.418	-	-

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

25. 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 2015 and 2014 is as follows:

	<u>31 December</u> <u>2015</u>	<u>31 December</u> <u>2014</u>
Financial instruments with fixed interest rate		
Financial liabilities	1.179.140.129	629.995.400
Financial instruments with floating interest rate		
Financial liabilities	81.946.800	92.756.000

At 31 December 2015, 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 472.925 (2014: TL 435.987) 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.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

25. 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 2015 and 2014 are as follows:

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

(b) Market Risk (cont'd)

Foreign currency position table

	31 December 2015				
	TL Equivalent (Functional currency)	US Dollar	Euro	JPY	GBP
Cash and cash equivalents	11.316.462	2.179.989	1.513.821	386.043	36.811
Trade receivables	65.035.046	10.510.766	10.010.805	-	619.343
Trade receivables from related parties	14.057.388	-	4.423.901	-	-
Other receivables from related parties	587.468	166.516	32.511	-	-
Prepaid expenses	2.552.476	74.175	734.763	-	470
Current Assets	93.548.840	12.931.446	16.715.801	386.043	656.624
Trade receivables	25.877	7.845	-	-	713
Prepaid expenses	4.393.937	419.295	999.117	-	-
Non-Current Assets	4.419.814	427.140	999.117	-	713
Total Assets	97.968.654	13.358.586	17.714.918	386.043	657.337
Trade payables	42.603.383	5.777.792	8.000.016	8.401.488	42.024
Trade payables to related parties	61.992.327	21.014.992	240.576	5.178.266	-
Other payables to related parties	407.138	43	-	16.903.947	-
Deferred income	11.266.352	2.128.564	1.564.180	-	24.880
Short-term portion of long-term bank borrowings	74.153.432	9.101.076	15.008.542	-	-
Current Liabilities	190.422.632	38.022.467	24.813.314	30.483.701	66.904
Long-term bank borrowings	596.058.000	205.000.000	-	-	-
Long-term financial lease obligations	518.903	178.464	-	-	-
Non-Current Liabilities	596.576.903	205.178.464	-	-	-
Total Liabilities	786.999.535	243.200.931	24.813.314	30.483.701	66.904
Net Foreign Currency Position	(689.030.881)	(229.842.345)	(7.098.396)	(30.097.658)	590.433
Total foreign currency amount of off-balance sheet derivative financial assets (*)	702.419.716	224.094.826	16.000.000	-	-
Total foreign currency amount of off-balance sheet derivative financial liabilities(*)	-	-	-	-	-
Net foreign currency position of derivative financial instruments	702.419.716	224.094.826	16.000.000	-	-
Net foreign currency asset/ (liability) position	13.388.835	(5.747.519)	8.901.604	(30.097.658)	590.433

(*) As of 31 December 2015, 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 USD 51.600.000 USD buying/TL selling.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

(b) Market Risk (cont'd)

Foreign currency position table

	31 December 2014				
	TL Equivalent (Functional currency)	US Dollar	Euro	JPY	GBP
Cash and cash equivalents	6.427.497	1.733.511	778.955	481.870	55.932
Trade receivables	25.097.392	4.648.920	4.048.666	-	805.578
Trade receivables from related parties	8.700.271	-	3.084.437	-	-
Other receivables from related parties	1.539.402	428.639	179.773	-	10.663
Prepaid expenses	1.628.197	243.244	374.680	288.837	470
Current Assets	43.392.759	7.054.314	8.466.511	770.707	872.643
Trade receivables	34.669	13.845	-	-	713
Prepaid expenses	331.445	-	-	-	92.168
Non-Current Assets	366.114	13.845	-	-	92.881
Total Assets	43.758.873	7.068.159	8.466.511	770.707	965.524
Trade payables	27.432.812	3.763.318	6.490.111	9.980.348	57.370
Trade payables to related parties	2.602.876	1.102.508	13.466	428.318	-
Other payables to related parties	208.950	43	-	10.794.990	-
Deferred income	4.932.444	1.675.030	314.809	-	44.558
Short-term portion of long-term bank borrowings	8.440.955	3.630.718	7.688	-	-
Short-term bank borrowings	95.951	-	34.017	-	-
Current Liabilities	43.713.988	10.171.617	6.860.091	21.203.656	101.928
Long-term bank borrowings	473.625.900	186.000.000	15.000.000	-	-
Non-Current Liabilities	473.625.900	186.000.000	15.000.000	-	-
Total Liabilities	517.339.888	196.171.617	21.860.091	21.203.656	101.928
Net Foreign Currency Position	(473.581.015)	(189.103.458)	(13.393.580)	(20.432.949)	863.596
Total foreign currency amount of off-balance sheet derivative financial assets (*)	425.805.619	183.623.968	-	-	-
Total foreign currency amount of off-balance sheet derivative financial liabilities(*)	-	-	-	-	-
Net foreign currency position of derivative financial instruments	425.805.619	183.623.968	-	-	-
Net foreign currency asset/ (liability) position	(47.775.396)	(5.479.490)	(13.393.580)	(20.432.949)	863.596

(*) As of 31 December 2014, 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 4.900.000 Euro selling/ USD buying, 1.100.00 Euro buying/TL selling and amounting to USD 172.500.000 USD buying/ TL selling.

BRISA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

25. 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 be 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 2015	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%		
1- USD net asset / liability	(66.828.960)	66.828.960
2- Hedged USD (-)	65.157.811	(65.157.811)
3- USD net effect (1 +2)	<u>(1.671.149)</u>	<u>1.671.149</u>
Change in Euro against TL by 10%		
4- Euro net asset / liability	(2.255.586)	2.255.586
5- Hedged Euro (-)	5.084.160	(5.084.160)
6- Euro net effect (4+5)	<u>2.828.574</u>	<u>(2.828.574)</u>
Change in other currencies against TL by 10%		
7- Other currencies net asset / liability	181.459	(181.459)
8- Hedged other currencies (-)	-	-
9- Other currencies net effect (7+8)	<u>181.459</u>	<u>(181.459)</u>
TOTAL (3 + 6 +9)	<u>1.338.884</u>	<u>(1.338.884)</u>

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)**(b) Market Risk (cont'd)**

	31 December 2014	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%		
1- USD net asset / liability	(43.851.201)	43.851.201
2- Hedged USD (-)	42.580.563	(42.580.563)
3- USD net effect (1 +2)	(1.270.638)	1.270.638
Change in Euro against TL by 10%		
4- Euro net asset / liability	(3.777.927)	3.777.927
5- Hedged Euro (-)	-	-
6- Euro net effect (4+5)	(3.777.927)	3.777.927
Change in other currencies against TL by 10%		
7- Other currencies net asset / liability	271.026	(271.026)
8- Hedged other currencies (-)	-	-
9- Other currencies net effect (7+8)	271.026	(271.026)
TOTAL (3 + 6 +9)	(4.777.539)	4.777.539

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

(b) Market Risk (cont'd)

Forward contracts

Outstanding forward contracts	Average rate		Foreign currency		Contract value		Fair value	
	2015	2014	2015	2014	2015	2014	2015	2014
	TL		Euro / US Dollar		TL		TL	
TL Selling/ USD Buying								
Less than 3 months	2,9134	2,3415	36.400.000	50.700.000	106.048.040	118.711.690	921.288	388.100
Between 3 - 6 months	3,0750	2,3895	31.200.000	38.400.000	95.939.060	91.758.380	(1.157.322)	84.494
More than 6 months	-	2,4659	-	83.400.000	-	205.653.980	-	(116.603)
TL Selling / Euro Buying								
Less than 3 months	3,1797	2,8870	16.000.000	1.100.000	19.887.704	3.175.700	(33.600)	(49.610)
							(269.634)	306.381
Outstanding forward contracts	Parity		Foreign currency		Contract value		Fair value	
	2015	2014	2015	2014	2015	2014	2015	2014
	Euro / US Dollar		Euro		US Dollar		TL	
Euro Selling /USD Buying								
Less than 3 months	-	1,2444	-	1.500.000	-	1.866.570	-	97.021
Between 3 - 6 months	-	1,2446	-	2.900.000	-	3.609.460	-	186.059
More than 6 months	-	1,2452	-	500.000	-	622.580	-	31.468
Option								
Euro Selling / USD Buying								
Between 3 - 6 months	1,1000	-	25.000.000	-	27.500.000	-	2.518.231	-
More than 6 months	1,1000	-	25.000.000	-	27.500.000	-	3.227.266	-
							5.745.497	314.548

(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.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

(d) Credit Risk (cont'd)

As of 31 December 2015, the credit risk regarding the financial instruments is as follows:

Credit risk regarding the financial instruments	Receivables					Derivative Financial Instruments	Other
	Trade Receivables	Other Receivables	Related Parties	Third Parties	Bank Deposits		
31 Aralık 2015	Related Parties	Third Parties	Related Parties	Third Parties	Bank Deposits		
Maximum credit risk based on financial instruments as of reporting date	34.509.332	728.101.172	587.407	3.152.483	60.713.519	1.319.688	-
- Collateralized or secured with guarantees part of maximum credit risk		563.544.916	-	-	-	-	-
A. Net book value of not due or not impaired financial assets	29.886.941	628.941.192	587.407	3.152.483	60.713.519	1.319.688	-
B. Net book value of past due but not impaired financial assets	4.622.391	99.159.980	-	-	-	-	-
- Collateralized or guaranteed part		23.313.355	-	-	-	-	-
C. Net book value of impaired financial assets							
- Gross amount of overdue part		9.046.007	-	-	-	-	-
- Impairment (-)		(9.046.007)	-	-	-	-	-
- 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							

BRISA BRIDGESTONE SABANCI LASTIK SANAYİ VE TİCARET A.Ş.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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

(d) Credit Risk (cont'd)

As of 31 December 2014, the credit risk regarding the financial instruments is as follows:

Credit risk regarding the financial instruments	Receivables						Derivative Financial Instruments	Other
	Related Parties	Third Parties	Related Parties	Third Parties	Bank Deposits	Other		
31 Aralık 2014								
Maximum credit risk based on financial instruments as of reporting date	18.659.391	513.980.485	1.433.134	5.228.266	9.847.319	857.951	-	
- Collateralized or secured with guarantees part of maximum credit risk		498.030.509	-	-	-	-	-	
A. Net book value of not due or not impaired financial assets	12.426.857	491.606.680	1.433.134	5.228.266	9.847.319	857.951	-	
B. Net book value of past due but not impaired financial assets	6.232.534	22.373.805	-	-	-	-	-	
- Collateralized or guaranteed part		24.845.780	-	-	-	-	-	
C. Net book value of impaired financial assets								
- Gross amount of overdue part	-	7.778.606	-	-	-	-	-	
- Impairment (-)	-	(7.778.606)	-	-	-	-	-	
- 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								

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

25. 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 2015	31 December 2014
Between 0 - 1 months	39.389.019	22.209.562
Between 1 - 3 months	35.445.793	2.157.411
Between 3 - 12 months	28.947.559	4.239.366
	<u>103.782.371</u>	<u>28.606.339</u>

(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 2015 and 2014 Net debt/equity+net debt rates are as follows:

	31 December 2015	31 December 2014
Capital risk management		
Total liabilities	1.478.444.225	971.493.949
Cash and cash equivalents	60.713.519	9.847.319
Net debt	1.417.730.706	961.646.630
Equity	647.380.969	604.877.619
Equity+Net debt	<u>2.065.111.675</u>	<u>1.566.524.249</u>
Net debt / (Equity+Net debt)	0,69	0,61

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

26.

FINANCIAL INSTRUMENTS

Fair value of financial instruments

	Loans and receivables (including cash and cash equivalents)	Available for sale investments	Financial liabilities at amortized cost	Carrying value	Note
31 December 2015					
Financial assets					
Cash and cash equivalents	60.713.519	-	-	60.713.519	3
Trade receivables	757.624.388	-	-	757.624.388	6
Receivables from related parties	35.096.739	-	-	35.096.739	6
Other receivables	3.152.483	-	-	3.152.483	7
Derivative financial assets	-	-	14.498.322	14.498.322	5
	856.587.129		14.498.322	871.085.451	
Financial liabilities					
Financial liabilities	-	1.261.086.929	-	1.261.086.929	4
Trade payables	-	159.049.796	-	159.049.796	6
Payables to related parties	-	111.532.579	-	111.532.579	6
Derivative financial liabilities	-	-	1.589.322	1.589.322	5
		1.531.669.304	1.589.322	1.533.258.626	
	Loans and receivables (including cash and cash equivalents)	Available for sale investments	Financial liabilities at amortized cost	Carrying value	Note
31 December 2014					
Financial assets					
Cash and cash equivalents	9.847.319	-	-	9.847.319	3
Trade receivables	533.187.188	-	-	533.187.188	6
Receivables from related parties	20.092.525	-	-	20.092.525	6
Other receivables	5.228.266	-	-	5.228.266	7
Derivative financial assets	-	-	857.951	857.951	5
	568.355.298		857.951	569.213.249	
Financial liabilities					
Financial liabilities	-	722.751.400	-	722.751.400	4
Trade payables	-	155.046.963	-	155.046.963	6
Payables to related parties	-	54.529.517	-	54.529.517	6
Derivative financial liabilities	-	-	14.617.833	14.617.833	5
		932.327.880	14.617.833	946.945.713	

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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, fair 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 4)

Fair value estimation:

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

- 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.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

**NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

26. FINANCIAL INSTRUMENTS (Cont'd)

Derivative financial instruments

Financial Assets / Financial Liabilities	Fair Value		Fair value hierarchy	Valuation Technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31 December 2015	31 December 2014				
Forward contracts	(269.634)	620.929	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	7.433.137	(14.380.811)	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.	-	-
Option	5.745.497	-	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.	-	-

27. EVENTS AFTER THE REPORTING PERIOD

As of 24 January 2015, 19th period collective bargaining agreement negotiations between the Company and Turkey Petroleum, Chemical and Rubber Industry Worker's Union has started. As of 07 January 2016, the Company and Turkey Petroleum, Chemical and Rubber Industry Worker's Union have agreed on the collective labour agreement effective as of 01 January 2016 for 24 months.

Company decided to stop production to adjust the Izmit factory inventory levels, for 8 days starting from 28 January 2016 Thursday at 00: 00 to 5 February 2016 Friday 00: 00.

TL 70 million borrowing has been used on 26 January 2016 with a 1 year maturity and annual interest rate of borrowing is 11,90%. TL 20 million borrowing has been used on 4 February 2016 with a 1 year maturity and annual interest rates of borrowing is 11,90. USD 25 million borrowing has been used on 4 February 2016 with a maturity of 7 years, no principal payments in first three years and once in a three month interest installement of USLibor+0,8615 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross-currency swap contract. In accordance with the swap contract, the Company fixed the borrowing to TL 73.925.000 once in a three months interest installement over 12,70% and the USD exchange rate to TL 2,9570.