BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH
OF FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2021 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

18 February 2022
This report includes 5 pages of independent auditor's report
and 91 pages of financial statements together with their explanatory notes

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CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH TO ENGLISH

To the Shareholders of Brisa Bridgestone Sabancı Lastik ve Sanayi Anonim Şirketi

A) Audit of the Financial Statements

Opinion

We have audited the financial statements of Brisa Bridgestone Sabancı Lastik ve Sanayi Anonim Şirketi ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

We conducted our audit in accordance with standards on auditing issued by Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA *(Including Independence Standards)* ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to Note 2.4.2 to the financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for revenue recognition.

The key audit matter	How the matter was addressed in our audit
Revenue of the Company for the year ended 31 December 2021 mainly comprised of the sale of tyres. The Company recognize revenue when the Company fulfill the performance obligation by transferring the committed product or service or the Company recognize revenue throughout the period. The recognition of revenue in the period when the product is sold is related to the sales contract of the product and depends on the proper evaluation of the control over the terms of the contract. Since sales contracts may be complex, it requires significant judgment to be made when determining the specific recognition basis for each case. Therefore, there is a risk that revenue may not be recognized in the proper period or amount for those may be returned from the delivered products or those whose invoices have not yet been issued to the customer. Due to the nature of the Company's activities and the size of its operations, the revenue recognition was identified as one of the key audit matters, as proper revenue recognition requires significant management judgment.	We have performed the following audit procedures to be responsive to this area: - Assessing the design, implementation and operating effectiveness of the key internal controls over sales to collection with support of information risk management specialists. - Assessing of the compliance of the accounting policies applied by the Company with TFRS 15 by examining the contracts selected on a sample basis from the grouped sales contracts. - Inspecting, on a sampling basis, relevant underlying documentation for revenue recognition in order to assess whether the revenue recognition are properly accounted for in the appropriate financial period and in compliance with the accounting policies. - Obtaining confirmation letters for trade receivables, on a sample basis, and performing reconciliations of account balances received in the confirmation letters and financial statements. - Performing analytical procedures to identify any unusual transactions. - Assessing the appropriateness and adequacy of the disclosures in the financial statements of the Company with the disclosures required in accordance with TFRS 15.

Recoverability of trade receivables

Refer to Note 2.4.18 iv) to the financial statements for summary of significant accounting policies and significant accounting estimates for valuation of recoverability of trade receivables.

The key audit matter	How the matter was addressed in our audit
At 31 December 2021, the Company's gross trade receivables amounts to TRY 1.203.710.433 against provision for doubtful receivables of TRY 142.908.585 has been recorded. Bad debt provision is accounted based on management's estimate of the expected credit losses to be incurred by taking into account the aging of trade receivables, guarantees received, payment history and credit ratings of the customers. All these estimations are highly sensitive to future market conditions. For these reasons, recoverability of trade receivables is a significant audit area.	We have performed the following audit procedures to be responsive to this area: - Assessing the design, implementation and operating effectiveness of the Company's key internal controls over the processes of credit control, collection of trade receivables and follow up of overdue balances. - Assessing the classification of trade receivables in the trade receivable ageing report by comparison with sales invoices and other underlying documentation on a sample basis - Obtaining confirmation letters for trade receivables and performing reconciliations of account balances received in the confirmation letters and financial statements. - Controlling bad debt provision by comparing legal follow up presented at lawyer letters. - Investigation and discussion with the management about any dispute or litigation process related to collection of trade receivables. - Evaluation of the assumptions used in the model developed for the expected credit loss calculation. - Assessing the quality of guarantees and credit rating reports used in determination of recoverability of trade receivables, on a sample basis and evaluation of the value of guarantees according to cash convertibility. - Assessing of adequacy of disclosures made in the financial statements of the Company with the disclosures required in accordance with TFRS 9.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRS, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing issued by the CMB and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") numbered 6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 31 December 2021

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2021 and 31 December 2021, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Hakan Ölekli, SMMM
Partner
18 February 2022
İstanbul, Türkiye

CONTENTS **PAGE**

STATEMENT OF FINANCIAL POSITION	**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	**7-91**
1. ORGANIZATION AND OPERATIONS OF THE COMPANY	7
2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	8-38
3. CASH AND CASH EQUIVALENTS AND FINANCIAL INVESTMENTS	38-40
4. FINANCIAL BORROWINGS	40-43
5. DERIVATIVE FINANCIAL INSTRUMENTS	44
6. TRADE RECEIVABLES AND PAYABLES	45-46
7. OTHER RECEIVABLES AND PAYABLES	47
8. INVENTORIES	47
9. PREPAID EXPENSES AND DEFERRED INCOME	48
10. PROPERTY, PLANT AND EQUIPMENT	49-50
11. RIGHT OF USE ASSETS	50
12. INTANGIBLE ASSETS	51
13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	52
14. COMMITMENTS	53-54
15. EMPLOYEE BENEFITS	55-56
16. OTHER ASSETS AND LIABILITIES	56
17. SHARE CAPITAL, RESERVES, AND OTHER EQUITY ITEMS	57-59
18. SALES AND COST OF SALES	59
19. EXPENSES BY NATURE	60-61
20. OTHER OPERATING INCOME AND EXPENSES	62
21. INCOME AND EXPENSES FROM INVESTING ACTIVITIES	62
22. FINANCING INCOME AND EXPENSES	63
23. TAXATION ON INCOME	63-69
24. EARNINGS PER SHARE	69
25. TRANSACTIONS AND BALANCES WITH RELATED PARTIES	70-75
26. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS	76-87
27. FINANCIAL INSTRUMENTS	88-90
28. EVENTS AFTER THE REPORTING PERIOD	90-91
29. OTHER MATTERS THAT MAY AFFECT THE FINANCIAL STATEMENTS OR MUST BE EXPLAINED FOR THE FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND UNDERSTANDABLE	91
30. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR	91

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
AUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

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

		Audited	
ASSETS	**Notes**	**Current Period 31 December 2021**	**Prior Period 31 December 2020**
Current Assets			
Cash and Cash Equivalents	3	3.344.879.436	1.335.061.833
Financial Investments	3	133.920.137	201.900.603
Trade Receivables	6	1.043.298.112	727.119.270
Trade Receivables From Related Parties	25	135.935.818	72.643.826
Trade Receivables From Third Parties		907.362.294	654.475.444
Other Receivables	7	14.357.205	13.225.186
Other Receivables From Related Parties	25	58.139	807.283
Other Receivables From Third Parties		14.299.066	12.417.903
Derivative Financial Instruments	5	114.518.244	799.242
Inventories	8	1.108.722.999	617.649.856
Prepaid Expenses	9	67.137.844	29.002.875
Current Tax Assets	23	2.774.389	-
Other Current Assets	16	54.649.750	21.103.215
Total Current Assets		**5.884.258.116**	**2.945.862.080**
Non-Current Assets			
Trade Receivables	6	17.503.736	35.844.978
Other Receivables	7	595.405	555.185
Other Receivables From Related Parties	25	255.548	156.784
Other Receivables From Third Parties		339.857	398.401
Derivative Financial Instruments	5	2.006.609.450	1.030.543.527
Property, Plant and Equipment	10	2.017.050.602	1.829.629.539
Right of Use Assets	11	10.950.526	16.144.338
Intangible Assets	12	126.460.828	107.311.232
Prepaid Expenses	9	45.137.470	27.187.779
Deferred Tax Assets	23	180.752.598	67.418.660
Total Non-Current Assets		**4.405.060.615**	**3.114.635.238**
TOTAL ASSETS		**10.289.318.731**	**6.060.497.318**

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
AUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

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

		Audited	
LIABILITIES	**Notes**	**Current Period 31 December 2021**	**Prior Period 31 December 2020**
Current Liabilities			
Short-term Borrowings	4	391.219.731	295.967.942
Short-term Portion of Long Term Borrowings	4	1.675.344.950	664.381.904
Trade Payables	6	2.807.484.397	1.199.835.053
Trade Payables to Related Parties	25	1.072.393.563	452.118.821
Trade Payables to Third Parties		1.735.090.834	747.716.232
Payables Related to Employee Benefits	15	41.989.719	33.224.861
Other Payables	7	37.678.275	22.997.323
Other Payables to Related Parties	25	1.905.017	1.478.680
Other Payables to Third Parties		35.773.258	21.518.643
Deferred Income	9	40.496.381	27.938.789
Current Tax Liability	23	-	698.970
Short-term Provisions		93.790.817	58.524.185
Short-term Provisions For Employee Benefits	15	42.253.239	27.150.145
Other Short-term Provisions	13	51.537.578	31.374.040
Other current liabilities		152.118	26.815
Total Current Liabilities		**5.088.156.388**	**2.303.595.842**
Non-Current Liabilities			
Long-term Borrowings	4	2.723.553.052	2.205.187.152
Deferred Income	9	-	806.723
Long-term Provisions		168.516.983	112.520.630
Long-term Provisions For Employee Benefits	15	168.516.983	112.520.630
Total Non-Current Liabilities		**2.892.070.035**	**2.318.514.505**
Total Liabilities		**7.980.226.423**	**4.622.110.347**
EQUITY			
Share Capital	17	305.116.875	305.116.875
Adjustment to Share Capital	17	54.985.701	54.985.701
Share Premium	17	4.903	4.903
Accumulated Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss			
Hedging Reserve (Losses) /Gains	17	235.393.906	72.213.596
Accumulated Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss			
Actuarial (Losses)/Gains	17	(42.964.394)	(15.275.440)
Restricted Reserves	17	172.029.650	127.693.782
Other Reserves	17	689.259	200.582
Retained Earnings	17	579.261.062	353.497.183
Net Income For The Period		1.004.575.346	539.949.789
Total Equity		**2.309.092.308**	**1.438.386.971**
TOTAL LIABILITIES AND EQUITY		**10.289.318.731**	**6.060.497.318**

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 2021

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

		Audited	
	Notes	**Current Period 1 January- 31 December 2021**	**Prior Period 1 January- 31 December 2020**
Sales	18	6.634.262.406	4.236.875.447
Cost of Sales (-)	18-19	(4.618.321.892)	(2.960.444.581)
GROSS PROFIT		**2.015.940.514**	**1.276.430.866**
General Administrative Expenses (-)	19	(180.606.624)	(132.151.626)
Marketing Expenses (-)	19	(587.053.993)	(421.030.974)
Research and Development Expenses (-)	19	(1.555.118)	(1.796.775)
Impairment Loss on Trade Receivables (-)	19	(3.672.660)	12.611.617
Other Operating Income	20	188.157.837	118.856.653
Other Operating Expenses (-)	20	(787.829.584)	(220.460.223)
OPERATING PROFIT		**643.380.372**	**632.459.538**
Income From Investing Activities	21	3.721.631	125.156
Expenses From Investing Activities (-)	21	(4.541.766)	(2.129.813)
PROFIT BEFORE FINANCIAL EXPENSES		**642.560.237**	**630.454.881**
Financing Income	22	788.520.456	152.355.845
Financing Expenses (-)	22	(545.617.575)	(307.526.688)
PROFIT BEFORE TAX		**885.463.118**	**475.284.038**
Taxation on Income		**119.112.228**	**64.665.751**
Current Tax Expense (-)	23	(11.025.232)	(5.016.879)
Deferred Tax Income / (Expense)	23	130.137.460	69.682.630
PROFIT FOR THE PERIOD		**1.004.575.346**	**539.949.789**
Earnings per share	24	**3,147**	**1,692**
Diluted earnings per share	24	**3,147**	**1,692**

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
AUDITED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	Audited Current Period 1 January- 31 December 2021	Audited Prior Period 1 January- 31 December 2020
PROFIT FOR THE PERIOD		**1.004.575.346**	**539.949.789**
OTHER COMPREHENSIVE INCOME:			
Items that will never be reclassified to profit or loss		**(27.688.954)**	**(11.262.431)**
Actuarial (Losses)/Gains	15	(34.611.192)	(14.078.040)
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or (Loss)			
Deferred Tax Income / (Expense)	23	6.922.238	2.815.609
Items that are or may be reclassified to profit or loss		**163.180.310**	**46.854.066**
Hedging Reserve Gains/ (Losses)		186.906.070	58.564.660
Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or (Loss)			
Deferred Tax Income / (Expense)	23	(23.725.760)	(11.710.594)
OTHER COMPREHENSIVE INCOME / (EXPENSE)		**135.491.356**	**35.591.635**
TOTAL COMPREHENSIVE INCOME / (EXPENSE)		**1.140.066.702**	**575.541.424**

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
AUDITED STATEMENT OF CHANGES IN EQUITY AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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

				Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss	Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss			Retained Earnings		
	Share Capital	**Adjustment to Share Capital**	**Share Premium**	**Hedging Reserve Gains/ (Losses)**	**Actuarial (Losses)/ Gains**	**Restricted Reserves**	**Other Reserves**	**Retained Earnings**	**Net Income For The Period**	**Shareholders' Equity**
Balance at 1 January 2020 (Beginning of the Period)	**305.116.875**	**54.985.701**	**4.903**	**25.359.530**	**(4.013.009)**	**124.224.838**	**200.582**	**277.149.271**	**114.013.293**	**897.041.984**
Transfers	-	-	-	-	-	3.468.944	-	110.544.349	(114.013.293)	-
Dividends (*)	-	-	-	-	-	-	-	(34.196.437)	-	(34.196.437)
Total Comprehensive Income	-	-	-	46.854.066	(11.262.431)	-	-	-	539.949.789	575.541.424
Balances at 31 December 2020 (End of the Period)	**305.116.875**	**54.985.701**	**4.903**	**72.213.596**	**(15.275.440)**	**127.693.782**	**200.582**	**353.497.183**	**539.949.789**	**1.438.386.971**
Balance at 1 January 2021 (Beginning of the Period)	**305.116.875**	**54.985.701**	**4.903**	**72.213.596**	**(15.275.440)**	**127.693.782**	**200.582**	**353.497.183**	**539.949.789**	**1.438.386.971**
Transfers	-	-	-	-	-	44.335.868	(143.478)	495.757.399	(539.949.789)	-
Other	-	-	-	-	-	-	632.155	-	-	632.155
Dividends (*)	-	-	-	-	-	-	-	(269.993.520)	-	(269.993.520)
Total Comprehensive Income	-	-	-	163.180.310	(27.688.954)	-	-	-	1.004.575.346	1.140.066.702
Balances at 31 December 2021 (End of the Period)	**305.116.875**	**54.985.701**	**4.903**	**235.393.906**	**(42.964.394)**	**172.029.650**	**689.259**	**579.261.062**	**1.004.575.346**	**2.309.092.308**

(*) The dividend paid by the Company per share with a nominal value of 1 TL is 0,80700 TL gross (2020: 0,09300 TL).

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
AUDITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	Audited Current Period 1 January- 31 December 2021	Audited Prior Period 1 January- 31 December 2020
Net Profit For The Period		**1.004.575.346**	**539.949.789**
Adjustments to Reconcile Profit For The Period		**(68.207.644)**	**264.149.824**
Adjustments Related to Depreciation and Amortization Expenses	19	236.667.998	223.271.062
Provisions for Employee Benefits	15	37.624.547	21.845.770
Adjustments Related to Retirement Pay Provision	15	25.920.620	16.893.266
Lawsuit Provision	13	2.122.438	3.768.853
Adjustment Related to Other Provisions	13	26.269.366	15.545.429
Adjustments Related to Doubtful Receivables	6	(4.095.274)	(5.669.249)
Interest Income	20-22	(41.128.518)	(40.586.808)
Interest Expense	20-22	305.543.934	279.622.239
Unrealized Foreign Exchange Losses / (Gains)		220.553.352	(25.002.298)
(Gains) / Losses From Derivative Financial Instruments	5	(96.126.851)	(58.575.459)
Adjustments Related to Tax Expense / (Income)	23	(119.112.228)	(64.665.751)
Losses / (Gain) on Sale of Property, Plant and Equipment and Intangible Assets, Net	21	3.640.921	431.248
Impairment on Property, Plant and Equipment and Intangible Assets	21	(2.820.786)	1.573.409
Impairment on Inventories	8	3.431.637	5.106.686
Finance expense accruals from credit purchases (net)	6	(27.757.181)	(11.224.149)
Finance income accruals from credit sales (net)	6	37.572.398	20.425.395
Adjustments Related to Other Items that Cause Cash Flows from Investing or Financing Activities (*)		(676.514.017)	(118.609.819)
Changes In Working Capital		**807.898.671**	**160.284.135**
Adjustments Related to Increase / Decreases in Trade Receivables		(331.624.835)	(116.562.632)
Adjustments Related to Increase / Decreases in Inventory		(384.728.235)	22.343.640
Adjustments Related to Increase / Decreases in Other Receivables Related to Operations		(34.702.352)	11.327.708
Adjustments Related to Increase / Decreases in Prepaid Expenses		(56.101.402)	569.660
Adjustments Related to Increase / Decreases in Trade Payables		1.580.048.636	214.074.904
Adjustments Related to Increase / Decreases in Deferred Income		11.750.869	13.285.575
Adjustments Related to Increase / Decreases in Employee Benefits Payables		8.764.858	5.370.948
Adjustments Related to Increase / Decreases in Other Payables Related to Operations		14.491.132	9.874.333
Cash Flows From Operating Activities		**26.630.851**	**20.707.568**
Collection from doubtful receivables	6	2.193.510	7.458.705
Interest Received		11.300.929	13.433.856
Interest Paid		(9.722.441)	(15.595.547)
Taxes Paid / Reimbursed		(14.921.748)	(3.974.888)
Paid / Reversed Provisions	13-15	(28.919.199)	(22.826.157)
Paid / Reversed Lawsuit Provisions	13	(1.830.520)	(1.828.808)
Retirement Benefits Paid	15	(4.535.458)	(757.950)
Cash Inflows / (Outflows) from Financial Derivatives		73.065.778	44.798.357
A. NET CASH GENERATED FROM OPERATING ACTIVITIES		**1.770.897.224**	**985.091.316**
Proceeds From Sale of Property, Plant and Equipment and Intangible Assets		1.420.277	744.793
Acquisition of Property, Plant and Equipment and Intangible Assets	10-12	(439.729.264)	(242.082.887)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(438.308.987)**	**(241.338.094)**
Proceeds from of Borrowings		1.218.303.599	1.820.399.000
Cash outflows from Repayment of Borrowings		(819.413.278)	(1.747.293.695)
Interest Paid	4	(267.061.574)	(268.883.409)
Interest Received		31.299.219	23.579.054
Other Cash Inflows / (Outflows) (*)		799.391.482	8.748.653
Cash Outflows from Lease Liabilities		(11.671.017)	(11.722.355)
Cash inflows from Factoring	4	(2.768.633)	8.015.280
Dividends Paid		(269.993.520)	(34.196.437)
C. CASH FLOWS FROM FINANCING ACTIVITIES		**678.086.278**	**(201.353.909)**
Net Increase / (Decrease) in Cash and Cash Equivalents before translation effect of foreign currency (A+B+C)		2.010.674.515	542.399.314
D. Translation Effect Of Foreign Currency on Cash and Cash Equivalents		614.718	(1.442.119)
Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C+D)		2.011.289.233	540.957.195
Cash and Cash Equivalents at the beginning of the period		1.331.818.047	790.860.852
Cash and Cash Equivalents at the end of the period		**3.343.107.280**	**1.331.818.047**

(*) TL 697.993.528 part of the aforementioned amount is the exchange rate difference related to foreign currency deposit accounts.

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

(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 3.115 (31 December 2020: 2.870). This number includes 2.489 employees who are subject to Collective Bargaining Agreement terms (31 December 2020: 2.239), and 621 employees who are not subject to these terms (31 December 2020: 625). There are 5 foreign employees (31 December 2020: 6). In addition, there are 38 employee who is subject to definite-term employment contracts (31 December 2020: 252).

Brisa is registered with the Capital Markets Board (“CMB”) and its shares have been quoted in Borsa İstanbul A.Ş. since 1986. As of December 31, 2021, and 31 December 2020, the Company has a 10.24% shareholding in Borsa İstanbul. As at 31 December 2021 and 31 December 2020, the main shareholders and their respective shareholding in the Company are as follows.

	31 December 2021	31 December 2020
	%	%
Hacı Ömer Sabancı Holding A.Ş.	43,63	43,63
Bridgestone Corporation	43,63	43,63
Other	12,74	12,74
Total	**100,00**	**100,00**

The gross dividend payment of 0,80700 TL per share with a nominal value of 1 TL has been decided with the decision of the Board of Directors of the Company, dated 19 February 2021 and numbered 2021/07. (2020: The gross dividend payment of 0,09300 TL per share with a nominal value of 1 TL has been decided with the decision of the Board of Directors of the Company, dated 19 February 2020 and numbered 2020/07.). The dividend payment was made in cash in March 2021 (2020: The dividend payment was made in cash in March 2020).

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

Küçük Çamlıca Mahallesi Şehit İsmail Moray Sokak
Temsa Sitesi No:2/1 Üsküdar, İstanbul

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of compliance with TFRS

The accompanying financial statements are prepared based in accordance with Turkish Financial Reporting Standards ("TFRS") published by Public Oversight Accounting and Auditing Standards Authority ("POA") as set out in the Communiqué numbered II-14.1 "Communiqué on Principles of Financial Reporting in Capital Markets" published in the Official Gazette numbered 28676 on 13 June 2013. TFRSs consist of standards and interpretations which are published as Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards, interpretations of TAS and interpretations of TFRS.

Financial statements are presented in accordance with the TFRS taxonomy developed based on the Illustrative Financial Statements and User Guide published in the Official Gazette numbered 28676 on 7 June 2019.

Approval of financial statements:

The financial statements for the period 1 Janaury-31 December 2021 have been approved for issue by the Board of Directors on 18 February 2022 and signed on behalf of the Board of Directors by Haluk Kürkçü, General Manager, and Reşat Oruç, Chief Financial Officer. The General Assembly of the Company has the right to amend and relevant regulatory bodies have the right to request the amendment of these financial statements.

The financial statements have been prepared on the historical cost basis except for derivative financial assets and liabilities that are measured at fair value. See Note 27 for fair value disclosures.

Functional 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). 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

Pursuant to the announcement made by the POA on January 20, 2022, since the cumulative change in the general purchasing power of the last three years according to the Consumer Price Index ("CPI") is 74.41%, it was stated that the companies applying TFRS for 2021, would not need to make any adjustments within the scope of the TAS 29 Financial Reporting In High Inflation Economies Standard. Therefore, while preparing the financial statements as of 31 December 2021, no inflation adjustment was made according to TAS 29.

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

2.2 Changes in Significant Accounting Policies

The accounting policy changes arising from the first time application of a new standard are applied retrospectively or prospectively in accordance with the transitional options, if any. Changes to which no transition clauses are included, material changes in accounting policies or voluntary accounting errors are applied retrospectively and prior period financial statements are restated. If changes in accounting estimates are related to only one period, they are applied in the current period that estimation change made. If changes in accounting estimates are related to future period, they are applied both in the current period when the amendment is made and for the future periods, both in the current period and in the future.

Since date of 1 January 2021, there are no changes in accounting policies.

2.3 Changes and Errors in the Accounting Estimates

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 important changes in the accounting policies for the current period. Identified accounting errors are corrected in financial statements retrospectively.

2.4 Summary of Significant Accounting Policies

2.4.1 Standards and interpretations issued but not yet effective as of 31 December 2021

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however, the Company has not early adopted are as follows.

COVID-19-Related Rent Concessions beyond 30 June 2021 (the 2021 amendment)

International Standard Board(IASB) has extended the practical expedient by 12 months – permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The original amendment was issued in May 2020 to make it easier for lessees to account for covid-19-related rent concessions, such as rent holidays and temporary rent reductions, while continuing to provide useful information about their leases to investors. Related changes were published by POA as Amendments to TFRS 16 on June 5, 2020.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021. Lessees are permitted to apply it early, including in financial statements not authorised for issue as of 31 March 2021 the date of publication of this amendment. In other words, if the financial statements for the accounting periods before the date of publication of the amendment have not yet been issued, it is possible to apply this amendment for the relevant financial statements. The 2021 amendments are applied retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.1 Standards and interpretations issued but not yet effective as of 31 December 2021 (Cont’d)

COVID-19-Related Rent Concessions beyond 30 June 2021 (the 2021 amendment) (Cont’d)

The original version of the practical expedient was, and remains, optional. However, the 2021 amendments are, in effect, not optional. This is because a lessee that chose to apply the practical expedient introduced by the 2020 amendments has to consistently apply the extension to eligible contracts with similar characteristics and in similar circumstances.

This means that lessees will need to reverse previous lease modification accounting if a rent concession was ineligible for the original practical expedient under the 2020 amendments but becomes eligible as a result of the extension.

Reference to the Conceptual Framework (Amendments to TFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations. The amendments updated IFRS 3 by replacing a reference to an old version of the Board’s Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. And then, TFRS 3 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Property, Plant and Equipment—Proceeds before Intended Use (Amendments to TAS 16)

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. And then, TAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. The amendments apply retrospectively, but only to items of Property, Plant and Equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.1 Standards and interpretations issued but not yet effective as of 31 December 2021 (Cont’d)

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to TAS 37)

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. And then, TAS 37 amendment was **issued** on 27 July 2020 by POA to reflect these amendments.

IASB developed amendments to TAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

Classification of Liabilities as Current or Non-current (Amendments to TAS 1)

On 23 January 2020, IASB issued “Classification of Liabilities as Current or Non-Current” which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

(a) Specifying that an entity’s right to defer settlement must exist at the end of the reporting period;
(b) Clarifying that classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement;
(c) Clarifying how lending conditions affect classification; and
(d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.1 Standards and interpretations issued but not yet effective as of 31 December 2021 (Cont'd)

Classification of Liabilities as Current or Non-current (Amendments to TAS 1) (Cont'd)

The Company shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, IASB decided to defer the effective date of IAS 1 until 1 January 2023 with the amendment published on 15 July 2020, and the amendment was issued by POA on 15 January 2021.

The Company does not expect that application of these amendments to IAS 1 will have significant impact on its financial statements.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to TAS 12 Income Taxes

In May 2021 IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which amended IAS 12 Income Taxes. Related changes were published by POA as Amendments to TAS 12 on 27 August 2021.

The amendments to TAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. These transactions give rise to equal and offsetting temporary differences.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

The Company does not expect that application of these amendments to Amendments to TAS 12 will have significant impact on its financial statements.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.1 Standards and interpretations issued but not yet effective as of 31 December 2021 (Cont'd)

Definition of Accounting Estimates (Amendments to TAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2021. Related changes were published by POA as Amendments to TAS 8 on 11 August 2021.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- Selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- Choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The Company does not expect that application of these amendments to Amendments to TAS 8) will have significant impact on its financial statements.

Disclosure of Accounting Policies (Amendments to TAS 1)

IASB has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures on 12 February 2021. Among these amendments, the ones related to TAS 1 were published by POA as Amendments to TAS 1 on 11 August 2021.

The key amendments to TAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.1 Standards and interpretations issued but not yet effective as of 31 December 2021 (Cont’d)

Disclosure of Accounting Policies (Amendments to TAS 1) (Cont’d)

- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

The amendments are effective from 1 January 2023, but companies can apply it earlier.

The Company does not expect that application of these amendments to Amendments to TAS 1) will have significant impact on its financial statements.

Annual Improvements to TFRS Standards 2018–2020

Improvements to TFRSs
For the current standards, "Annual Improvements in TFRSs / 2018-2020 Cycle" published by POA on 27 July 2020 is presented below. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Company does not expect that application of these improvements to TFRSs will have significant impact on its financial statements.

TFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts TFRS Standards later than its parent and applies TFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent’s date of transition to TFRSs. This amendment will ease transition to TFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

TFRS 9 Financial Instruments

This amendment clarifies that – for the purpose of performing the ‘’10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

TAS 41 Agriculture

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in TAS 41 with those in TFRS 13 Fair Value Measurement. The amendments provide the flexibility to use either, as appropriate, in line with TFRS 13.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

Amendments are effective on 1 January 2021

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2021:

1) Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases

2.4.2 Revenue

TFRS 15 requires revenue recognition for all contracts with customers to follow the five-step approach to revenue recognition.

Step 1: Identifying the contract

A contract exists only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved and the parties are committed to their obligations.

If either contracts were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Company accounts the contracts as a single contract.

Step 2: Identifying the performance obligations

The Company defines 'performance obligation' as a unit of account for revenue recognition. The Company assesses the goods or services promised in a contract with a customer and identifies as:

(a) A performance obligation either a good or service that is distinct

(b) Or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

If the Company can define a good or service in the contract separately from other commitments in the contract and enables the customer to benefit from the good or service seperately or in combination with other resources ready to use, it defines it as a different good or service.

A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determining the transaction price

In order to determine the transaction price, the Company assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Company considers variable elements of consideration, as well as the existence of a significant financing component.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.2 Revenue (Cont’d)

Significant financing component

The Company revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service.

Variable consideration

The Company identifies items such as price concessions, incentives, performance bonuses, completion bonuses, price adjustment clauses, penalties, discounts, credits, or similar items may result in variable consideration if there is any in a customer contract.

Step 4: Allocating the transaction price to performance obligations

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

Step 5: Recognition of revenue

The Company recognizes revenue over-time if any of the following conditions is met:

- Customer simultaneously receives and consumes the benefits as the entity performs, or;

- The customer controls the asset as the entity creates or enhances it, or

- Company’s performance does not create an asset for which the entity has a use; and alternative there is a right to payment for performance to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Company uses a method that measures the work performed reliably.

The Company uses cost incurred to measure the progress towards to completion of the project where the input method is used and uses units transferred to measure the progress towards to completion of the project where the output method is used.

If a performance obligation is not satisfied over time, then the Company recognize revenue at the point in time at which it transfers control of the good or service to the customer.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.2 Revenue (Cont'd)

The Company recognizes a provision in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets" when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits.

Contract modifications

The Company recognizes a contract modification as a separate contract if the modification results in a promise to deliver additional goods or services that are distinct and an increase in the price of the contract by an amount of consideration that reflects the entity's stand-alone selling price of those goods or services adjusted to reflect the circumstances of the contract. If the goods or services are distinct, then the entity accounts for the modification as if it were a termination of the existing contract and the creation of a new contract. If the modification to the contract does not add distinct goods or services, then the entity accounts for it on a combined basis with the original contract, as if the additional goods or services were part of the initial contract.

Revenues are recognized at the time of transfer of control. 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.

2.4.3 Inventories

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories are expenditure incurred in acquiring the inventories, production or conversion costs, foreign currency differences of derivative financial instruments designed as hedging instrument and other costs incurred in bringing them to their existing location and condition. The cost of unproduced finished goods and semi-finished goods includes general overhead expenses in accordance with normal production capacity. 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.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are recorded at historical cost. Accordingly, items of property, plant and equipment are accounted for at cost, after deducting accumulated depreciation and impairment, if any (Note 10). Cost refers to expenses directly related to the acquisition of the relevant asset. The cost of assets constructed by the Company includes the following items:

- Material and direct labor costs;

- Costs directly attributable to making the asset operational for the Company's intended use;

- If the Company has an obligation to dispose of the asset or restore the site, the costs of dismantling or restoring its parts, relocating parts and restoring the site where it is located;

- Capitalized borrowing costs.

The purchased software is booked as part of the equipment when it is an integral element for the use of the relevant equipment.

When the parts that make up items of property, plant and equipment have different useful lives, they are booked for as separate parts (significant parts) of the items of property, plant and equipment.

Gains and losses on the disposal of a tangible asset are recognized in profit or loss.

(ii) Subsequent costs

Subsequent expenditures and expenses arising from replacing any part of items of property, plant and equipment and maintenance and repair costs can only be capitalized in cases where it is possible to transfer future economic benefits to the Company as a result of these expenditures. All other expenses are recognized in profit or loss when incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated as of the day they are available for use and for assets constructed by the Company, on the day these assets are completed and ready for use. Depreciation is calculated using the straight-line method over the estimated useful lives of the items, after deducting the estimated residual values from the costs of the items of property, plant and equipment. Depreciation is generally recognized in profit or loss unless it is included in the carrying amount of another asset.

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.4 Property, plant and equipment (Cont'd)

The leased assets are depreciated over the lease term and the shorter of the useful life if the Company does not acquire ownership of the leased asset at the end of the lease with reasonable certainty. Land is not depreciated. The estimated useful lives of property, plant and equipment are as follows:

	Useful life (Year)
Land and land improvement	10-20
Buildings	4-50
Machinery and equipment	3-20
Motor vehicles	5-10
Furniture and fixtures	5-10

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the book value with the collected amounts and is recognized in profit or loss.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Normal maintenance and repair expenditures on property, plant and equipment are recognized as expenses. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Large-scale maintenance and repair expenses, including replacement parts changes and labor costs, are capitalized and depreciated over the average lifetime between the next large-scale maintenance.

2.4.5 Intangible assets

Intangible assets include acquired rights, software, licenses, development costs and other identifiable rights. Intangible assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method (Note 12).

	Useful life (Year)
Capitalized development costs	5-10
Rights	5
Other intangible assets	3-10

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.5 Intangible assets (Cont’d)

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Research and development

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

2.4.6 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). In cases where cash and cash equivalents are not impaired for certain reasons, the company calculates impairment using the expected credit loss model.

The Company presents time deposits over 3 months’ maturity as financial investments in its statement of financial position.

2.4.7 Trade Receivables

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortized 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. In cases where the trade receivables are not impaired for certain reasons, the Company measures the expected credit loss provision from an amount equal to lifetime expected credit losses. In calculating the expected credit losses, the dealer and customer rating model is taken into consideration which includes past credit loss experiences and the Company's future forecasts.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.7 Trade Receivables (Cont’d)

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 as income (Note 6).

2.4.8 Maturity difference finance charges / (expenses)

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

2.4.9 Taxes on income

Income tax expense consists of the sum of period tax and deferred tax. Income tax is recognized in profit or loss other than those associated with business mergers or directly with equity or other comprehensive income.

The current tax 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 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.

Deferred tax assets are recognized if it is probable that taxable profit will be generated in the future for tax advantages and deductible temporary differences, which will be sufficient to offset them in the future. Taxable profit is determined according to the Company's business plans. Deferred tax assets are reviewed at each reporting date and likely future taxable profits deferred tax asset recognized on previously not being limited to the amount that would be recognized.

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 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.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.9 Taxes on income (Cont'd)

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.

<u>Current and deferred tax for the period</u>

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.

2.4.10 Borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest 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).

2.4.11 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method (Note 6).

Those with maturities greater than 1 year are classified as non-current liabilities.

2.4.12 Foreign currency transactions

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 recognized in the profit or loss statement except when deferred in other comprehensive income according to effectiveness as qualifying cash flow hedges.

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

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.13 Provisions, contingent assets and liabilities

Provisions are recognized 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.

2.4.14 Employee Benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Vacation pay liability

In accordance with the existing labor law in Turkey, the Company is required to pay to the employee, whose employment is terminated due to any reasons, the wage of the deserved and unused vacation days over the gross prevailing wage and other benefits subject to contract at the date the contract is terminated. Unused leave provision is the earned and unused vacation rights of its employees of the Company, and measured on an undiscounted basis and are recognised in profit or loss as the related service is provided.

Long-term employee benefits

In accordance with the current labor law in Turkey, the Company is obliged to pay certain amounts to employees who have completed 1 year who quit their jobs for reasons such as retirement, military service or death. The provision for severance pay represents the present value of the Company's estimated probable future liability in the event of the retirement of its employees. The provision for severance pay is calculated as if all employees would be subject to such payment and is reflected in the financial statements on an accrual basis. The provision for severance pay is calculated according to the severance pay ceiling announced by the government. As explained in Note 15, the management of the Company used some estimates in the calculation of the provision for severance pay.

All actuarial gains and losses are accounted under the other comprehensive income.

2.4.15 Share Capital

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.15 Share Capital (Cont'd)

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

2.4.16 Earnings per share

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

In Turkey, companies can increase their share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported (Note 24).

2.4.17 Related Parties

a) A person or a member of that person's close family is related to the Company in the following cases:

(i) Having control or joint control over the company,
(ii) In case of having significant influence over the Company,
(iii) In case of being a member of the Company of Company's main ownership's key management personnel.

b) If any of the following conditions are met, the entity is counted as related with the Company:

(i) In case of, Entity and the Company are members of the same group.
(ii) In case of entity is another company's subsidiary or joint venture (or in case of a membership of a groups' member)
(iii) In case of both the companies having a business partnership with the same third party,
(iv) One of the companies having a business partnership with a third party and the other company is a subsidiary of that third party,
(v) In case of having Entity's, Company's or the associated Company's employees having a post-employment defined benefit plans (In case of Company has such a plan, the sponsoring companies are also related with the Company.)
(vi) Company's control or jointly controlled by a person identified in the article (a),
(vii) A person who is identified as in (a) article, at (i) part, in the presence of a significant impact on a person's business or such entity (or of a parent of these businesses) in the case of being a member of the key management personnel.

For the purpose of these financial statements, shareholders, the Group companies of Hacı Ömer Sabancı Holding A.Ş. and Bridgestone Corporation Group companies, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties. The Company assigned its key management as board of directors and the members of the executive board (Note 25).

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.17 Related Parties (Cont'd)

i. Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.18 Financial Instruments (Cont’d)

ii. Classification and subsequent measurement (Cont’d)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the Company’s management;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.18 Financial Instruments (Cont’d)

ii. Classification and subsequent measurement (Cont’d)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. However, see part (v) for derivatives designated as hedging instruments.

Financial assets – Subsequent measurement and gains and losses:

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.18 Financial Instruments (Cont'd)

ii. Classification and subsequent measurement (Cont'd)

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss. See part (v) for financial liabilities designated as hedging instruments.

iii. Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

iv. Financial assets and liabilities offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.18 Financial Instruments (Cont'd)

v. Derivative financial instruments and hedge accounting

TFRS 9 also includes new hedge accounting rules that are intended to align hedge accounting with risk management practices. TFRS 9 provides the option of deferring the adoption of TFRS 9's hedge accounting in the selection of accounting policies and the option to continue the application of the requirements in TAS 39 'hedge accounting. In this context, the Company will continue to apply the requirements of TAS 39 hedge accounting.

The derivative financial instruments of the Company consist of foreign exchange forward contracts, commodity forward contracts, option contracts and cross currency and interest rate swap contracts. The Company has designated their derivatives (“hedging instrument”) to hedge its cash flows on foreign purchases (“hedged item”) and its cash flow exposures arising from variable rate foreign currency denominated bank borrowings (“hedged item”). At the same time, time deposits are used as a hedging tool.

Derivatives are initially recognized at fair value on the date the derivative contract is entered into and are subsequently measured at their respective fair values. The method of recognizing 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 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 recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statements of income.

The gain or loss relating to the ineffective portions of cross currency swaps and forward transactions that are designated for hedging is recognized in the statement of profit or loss. Amounts previously recognized 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 recognized in other comprehensive income (Note 5).

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.18 Financial Instruments (Cont'd)

v. Derivative financial instruments and hedge accounting (Cont'd)

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

vi. Impairment

Non-Derivative Financial instruments and contract assets

The Company recognizes loss allowances for expected credit losses (ECL) on:

– Financial assets measured at amortized cost and contract assets;

The Company measures loss allowances at an amount equal to lifetime ECLs:

– Debt instruments determined to have low credit risk at the reporting date and

– Bank balances where credit risk (i.e., risk of default arising over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Comopany considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, that includes forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- The debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 181 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECL is the portion representing expected credit losses arising from possible default on the financial instrument within 12 months after the reporting date.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.18 Financial Instruments (Cont'd)

vi. Impairment (Cont'd)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

The Company calculated the ECLs based on previous year's credit losses experience, current financial performance analysis of customers and future expectations. The Company has computed ECLs rate separately for domestic customers and dealers. For export customers and other private customers, the Company evaluates separately and provides a provision if necessary.

The Company has applied the doubtful receivable provision methodology for dealers by taking into consideration the net receivable after deducting existing collaterals, payment performance, the credit risk score of the creditors evaluated by independent credit rating firms.

The cash shortfalls are the difference between the cash flows to be incurred and the cash flows expected to be received by the entity. As the amount and timing of payments are considered in expected credit losses, a credit loss occurs even if the entity expects to receive the full payment in the contract with the maturity specified in the contract.

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence of a financial asset's impairment of credit includes the following observable data:

- The debtor's or issuer's significant financial difficulty;
- Breach of contract, such as default of debtor or the maturity of financial instrument 181 days past;
- Restructuring of a loan or advance, depending on circumstances which the company may not consider otherwise
- The possibility of bankruptcy or financial restructuring of the debtor, or
- The disappearance of the active market of a securities asset due to financial difficulties.

Presentation of allowance for ECL

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.18 Financial Instruments (Cont’d)

vi. Impairment (Cont’d)

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

For customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

2.4.19 Reporting of cash flows

Statements of cash flows are reported by presenting cash flows from operating, investing and financing activities separately. Cash flows from operating activities are the cash flows from Company’s principal revenue-producing activities.

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

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

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

2.4.20 Provision for warranty expenses

Warranty expenses are recorded as a result of repair and maintenance expenses within two years for products sold under the scope of the warranty terms. The Company has also made provision in addition to the general provision for the files covered by the warranty, whose invoices have not been issued yet.

2.4.21 Events after the reporting period

Subsequent events represents the events after reporting date comprising any event between the reporting date and the date of authorization for the financial statements’ issue to the benefit or loss of the entity. Conditions of subsequent events are as follows:

- To have new evidences of subsequent events as of reporting date (adjusting events after reporting date); and

- To have evidences of showing related subsequent events occurred after reporting date (non adjusting events after reporting date).

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.21 Events after the reporting period (Cont’d)

The Company adjusts its financial statements according to the new condition if adjusting events arise subsequent to the reporting date. If it is not necessary to adjust the financial statements according to subsequent events, these subsequent events must be disclosed in the notes to the financial statements.

2.4.22 Impairment on non-financial assets

At each reporting date, the Company reviews the carrying assets excluding inventories and deferred tax assets to determine whether there is any impairment indication in its assets. The recoverable amount of the assets, if any, is measured so that the amount of impairment can be determined. Where the recoverable amount of an asset cannot be measured, the Company measures the recoverable amount of the cash-generating unit associated with the asset. If a reasonable and consistent allocation basis is determined, the Company assets are distributed to the cash-generating units. Where this is not possible, the Company assets are distributed to the smallest cash-generating units for the purpose of establishing a reasonable and consistent allocation basis.

When the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Where the related asset is not measured at revalued amount, the impairment loss is recognized directly in profit or loss.

When the impairment loss is expected to be reversed in subsequent periods, the carrying amount of the asset (or the related cash-generating unit) is increased to correspond to the revised estimate for the recoverable amount. The increased carrying amount should not exceed the carrying amount of the asset (or the related cash-generating unit) in the event that the impairment loss for the asset was not allocated in the previous periods. The reversal of an impairment loss is recognized directly in profit or loss unless the asset is measured at a revalued amount.

2.4.23 Comparatives and restatement of prior period financial statements

The financial statements of the Company are prepared comparatively with the previous period in order to enable the determination of the financial situation and performance trends. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when necessary and significant differences are disclosed.

Significant accounting estimates and assumptions used for the preparation of the financial statements as of 31 December 2021 are consistent with the significant accounting estimates and assumptions used for the preparation of the financial statements as of 31 December 2020.

2.4.24 Finance income and finance expenses

Finance income consists of bank deposit interest income, which forms part of the cycle used for financing purposes, and foreign exchange difference income on financial assets and liabilities (other than trade receivables and liabilities). Finance expenses include interest expenses on bank loans, early collection commission expenses on credit cards, and foreign exchange difference expenses on financial assets and liabilities (other than trade receivables and payables). Borrowing costs, which cannot be directly related to the acquisition, construction or production of an asset, are accounted for in profit or loss using the effective interest rate.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.24 Finance income and finance expenses (Cont’d)

Foreign exchange difference income and expenses on financial assets and liabilities (other than trade receivables and liabilities) are reported as net in financing income or financing expenses according to the net position of foreign exchange difference movements. Foreign exchange difference and rediscount income on trade receivables and liabilities are reported in other income from operating activities and foreign exchange difference and rediscount expenses are reported in other expenses from operating activities. Interest income is recognized using the effective interest method.

An entity that calculates interest income by applying an effective interest method to the amortized cost of the financial asset in a reporting period, in the event that the credit risk in the financial instrument improves in a way that the financial asset is no longer deemed to be impaired as a credit-impairment (if the improvement in the borrower's credit rating increase) calculates the interest income in the next reporting periods by applying the effective interest rate to the gross book value.

2.4.25 Reporting by segments

The Company carries out sales of radial, passenger cars, vans, minibuses, trucks, bus tires and back tires, as well as radial and conventional tires for heavy equipment and various tube-lights, columns, and mixtures.

The Company's field of activity, the nature and economic characteristics of the products, the production processes, the classification of the customers according to their risks and the methods used to distribute the products are similar. For this reason, in line with the management approach, the Company's operations are considered as a single business segment and the results of the Company, determination of the resources to be allocated to this activity, and the performance of these activities are evaluated in this framework.

2.5 Critical Accounting Judgments Estimates and Assumptions

The preparation of financial statements in conformity with TFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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 and depreciation method depend on best estimates of management, are reviewed in each financial period and necessary corrections are made (Note 10 - 12).

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

2.5 Critical Accounting Judgments Estimates and Assumptions (Cont’d)

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 and in accordance with the expected credit losses. The Company measures loss allowances at an amount equal to lifetime ECLs. The provision for doubtful trade receivables computed by considering the past payment performance and the future estimations for the rating of dealers and customers (Note 6).

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).

Other provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made (Note 13).

Deferred tax assets

As at 31 December 2021, the Company estimates that the Company will be able to benefit from reduced corporate tax rates in the future over the scope of the incentive investment documents. The Company calculates for the foreseeable three years since it is not predictable how long the benefit will be utilized. The Company recognizes deferred tax assets for each year in this calculation by taking into account the average tax rate which will be paid in the next 3 years, including that year. (Note 23).

Net realizable value

In accordance with the accounting policy stated in Note 2.4, inventories are valued at the lower of cost or net realizable value. Net realizable value is the amount obtained by deducting the estimated cost of completion from the estimated selling price and the estimated cost of sales required to realize the sale in the ordinary course of business.

Internally-generated intangible assets

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated. The technical feasibility of completing the intangible asset so that it will be available for use or sale, the intention to complete the intangible asset and use or sell it, the ability to use or sell the intangible asset, how the intangible asset will generate probable future economic benefits, the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset and the ability to measure reliably the expenditure attributable to the intangible asset during its development. The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

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

2.5 Critical Accounting Judgments Estimates and Assumptions (Cont'd)

Internally-generated intangible assets (Cont'd)

Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred. In the current year, the Company management re-examined the probable economic benefits of the internally generated intangible assets. The Company management expects the projects to continue as expected and relying on the analysis performed, expects them to create similar economic benefits.

The management is sure about being able to recover the carrying values of the assets even though their economic benefits decrease. The aforementioned situation is followed up closely by the Company management who will make the necessary adjustments if required by the future market transactions.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

2.5 Critical Accounting Judgments Estimates and Assumptions (Cont’d)

Fair value measurement (Cont’d)

The assessment team regularly reviews unobserved data and assessment corrections. If third party information, for example the tool is used to measure the fair value of quoted prices or pricing services, if the evaluation team of the evaluation results of the obtained from third party’s fair valuation hierarchy of the fair valuation of the requirements of the standard should be classified at what level, including to support the outcome of compliance reviews.

Important evaluation problems are reported to the Company's Audit Committee.

When measuring the fair value of an asset or liability, the company uses as much market-observable information as possible. Fair valuation is classified to different levels in the fair valuation hierarchy determined based on the information used in the valuation techniques mentioned below.

Level 1: with registered (uncorrected) price in active markets for identical assets or liabilities;

Level 2: observable data directly (through prices) or indirectly (derived from prices) in terms of assets or liabilities, excluding the registered prices included in Level 1; and

Level 3: Data that is not based on observable market data (data that is not observable) regarding assets or liabilities.

If an asset or a liability is used to measure the fair value of the fair valuation hierarchy of information that can be classified to a different level if this fair valuation fair valuation hierarchy that is significant to the whole measurement of smallest information to the same level of are classified.

The Company accounts for transfers between levels in the fair valuation hierarchy at the end of the reporting period when the change occurs.

Further information on the assumptions used when performing fair valuation measurements is stated in the notes below:

Note 5 – Derivative Financial Instruments

2.6 Significant changes regarding the current period

The Covid-19, which is declared as a pandemic by the World Health Organization (WHO) on 11 March 2020 and the precautions taken against pandemic continue to cause disruptions in operations and negatively affect economic conditions in all countries exposed to the pandemic. For this reason, asset prices, liquidity, exchange rates, interest rates and many other issues are affected and the future remains uncertain due to the effects of the pandemic. The Company management closely follows all developments, makes detailed evaluations and takes necessary precautions in order to minimize the possible effects of the Covid-19 pandemic on its activities, financial status, financial performance and cash flows.

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

2.6 Significant changes regarding the current period (Cont’d)

In order to minimize the risk of epidemics, the Company has quickly implemented many administrative and operational decisions in all its locations, such as cleaning, hygiene, remote work, restriction of travel, and quarantine at home for 14 days for staff returning from travel. The Company handled the pandemic process through strategic planning for its employees, stakeholders, business partners and customers, and became the first tire manufacturer to receive the "Covid-19 Safe Production Certificate" from the Turkish Standards Institute (TSE).

Production and sales activities continue uninterrupted as of the balance sheet date, with the reduction of restrictions toward prevent the spread of the pandemic.

The Company evaluated the possible effects of the Covid-19 pandemic on the financial statements while preparing its financial statements dated 31 December 2021 and reviewed the estimates and assumptions used in the preparation of the financial statements. Within this scope, the Company has evaluated the possible impairment of the financial assets, stocks and tangible fixed assets included in the financial statements, and no impairment has been determined except for the impairment provision made within the framework of the Company's existing accounting policies.

As of the report date, there are no significant matters affecting the Company's activities and financial statements other than those disclosed in the financial statements.

3. CASH AND CASH EQUIVALENTS AND FINANCIAL INVESTMENTS

Cash and Cash Equivalents

	31 December 2021	31 December 2020
Cash on hand	262	380
Cash at banks	3.344.879.174	1.335.061.453
Demand deposits	146.186.781	37.492.778
Time deposits	2.960.891.694	978.385.002
Other cash and cash equivalents	237.800.699	319.183.673
Credit card slip receivables	*237.800.699*	*319.183.673*
Total cash and cash equivalents	**3.344.879.436**	**1.335.061.833**
Interest accruals	(1.772.156)	(3.243.786)
Cash and cash equivalents in the cash flow statement	**3.343.107.280**	**1.331.818.047**

Nature and extent of the risks on cash and cash equivalents are described at Note 26. Demand deposits comprise collections from direct debiting system (DDS) and cheques kept under current accounts based on agreements made with banks. Credit card slip receivables contain POS balances which have less than three months’ maturities.

The Company holds deposits in US Dollars and Euro corresponding to the open position in its balance sheet in order to mitigate risks arising from the short-term balance sheet foreign currency position. In addition, the Company holds time deposits in foreign currency and hedges the cash flow position that will arise from certain inventory purchases in the future.

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

3. CASH AND CASH EQUIVALENTS AND FINANCIAL INVESTMENTS (Cont'd)

As of 31 December 2021, and 31 December 2020, the Company's time deposits are as follows:

Currency	Original Amount	Maturity	Interest rate	Amount (TL)
TL	250.000.000	3 January 2022	23,00%	250.051.626
US Dollar	10.000.000	3 January 2022	1,10%	133.493.373
EUR	2.700.000	3 January 2022	0,50%	40.774.765
US Dollar	17.184.977	11 January 2022	1,30%	223.180.739
US Dollar	2.000.000	17 January 2022	1,10%	26.701.082
US Dollar	2.000.000	17 January 2022	1,10%	26.661.219
EUR	2.500.000	20 January 2022	0,65%	37.891.498
US Dollar	20.698.403	24 January 2022	1,50%	268.625.472
US Dollar	15.095.733	27 January 2022	1,50%	196.026.305
US Dollar	8.000.000	1 February 2022	1,10%	106.690.665
EUR	6.000.000	15 February 2022	0,35%	90.557.533
US Dollar	435.237	7 March 2022	0,80%	5.658.097
US Dollar	5.000.000	15 March 2022	1,40%	66.709.407
TL	100.000.000	3 January 2022	23,00%	100.063.014
TL	150.500.000	3 January 2022	23,00%	150.594.836
US Dollar	58.000.000	3 January 2022	0,05%	752.696.030
EUR	33.000.000	3 January 2022	0,01%	484.516.033
				2.960.891.694

Currency	Original Amount	Maturity	Interest rate	Amount (TL)
TL	100.000.000	4 January 2021	16,50%	101.397.576
TL	27.400.000	4 January 2021	17,50%	27.413.101
US Dollar	430.187	29 March 2021	2,50%	3.158.648
US Dollar	10.000.000	15 January 2021	2,25%	74.023.227
US Dollar	10.000.000	12 February 2021	2,25%	74.023.227
US Dollar	4.000.000	15 March 2021	3,00%	29.446.235
US Dollar	1.500.000	15 March 2021	3,00%	11.032.410
US Dollar	5.825.150	15 January 2021	3,00%	42.994.340
US Dollar	5.000.000	1 March 2021	3,10%	36.855.244
US Dollar	45.000.000	4 January 2021	0,10%	330.323.405
EUR	27.500.000	4 January 2021	0,05%	247.717.589
				978.385.002

Financial Investments

	31 December 2021	31 December 2020
Time deposits over 3 months' maturity	133.920.137	51.484.582
Eurobond	-	150.416.021
	133.920.137	**201.900.603**

The Company recognizes time deposits over 3 months' maturity as financial investments. As of 31 December 2021, and 31 December 2020, the Company's time deposits over 3 months' maturity are as follows:

Currency	Original Amount	Maturity	Interest rate	Amount (TL)
US Dollar	10.000.000	15 April 2022	1,50%	133.920.137
				133.920.137

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

3. CASH AND CASH EQUIVALENTS AND FINANCIAL INVESTMENTS (Cont'd)

Currency	Original Amount	Maturity	Interest rate	Amount (TL)
US Dollar	7.000.000	1 April 2021	3,00%	51.484.582
				51.484.582

As of 31 December 2020, eurobond is classified as financial asset with measured at amortized cost. The coupon interest rate, the last redemption date and maturity date of the eurobond measured with the amortized cost as of 31 December 2020 are as follows:

	31 December 2020			
	ISIN code	**Coupon interest rate**	**Last Redemption Date**	**Maturity Date**
Government Bond	US900123BH29	5,6250%	30 March 2021	30 March 2021

4. FINANCIAL BORROWINGS

	31 December 2021		**31 December 2020**	
	Weighted average interest rate %	**TL**	**Weighted average interest rate %**	**TL**
Short-term TL bank borrowings	19,03	371.620.854	7,82	272.856.547
Short-term factoring liabilities		19.598.877		22.367.509
Short-term lease liabilities		-		743.886
Short-term borrowings		**391.219.731**		**295.967.942**
Short-term portion of long-term TL bank borrowings	8,74	596.044.619	12,76	114.723.949
Short-term portion of long-term USD bank borrowings	2,14	10.606.296	1,86	2.736.532
Short-term portion of long-term USD bank borrowings (*)	1,37	1.060.988.846	1,43	538.954.603
Short-term portion of long-term lease liabilities		7.705.189		7.966.820
		1.675.344.950		**664.381.904**
Total short-term borrowings		**2.066.564.681**		**960.349.846**
Long-term TL bank borrowings	12,82	510.013.656	9,40	547.036.565
Long-term USD bank borrowings	2,14	482.284.149	1,86	144.544.498
Long-term USD bank borrowings (*)	1,58	1.726.567.224	1,55	1.504.004.378
Long-term lease liabilities		4.688.023		9.601.711
Total long-term borrowings		**2.723.553.052**		**2.205.187.152**
Total financial liabilities		**4.790.117.733**		**3.165.536.998**

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

4. FINANCIAL BORROWINGS (Cont'd)

The net financial debt computation of the Company is given below:

	31 December 2021	31 December 2020
Total bank borrowings (**)	4.777.724.521	3.147.224.581
Less: Valuation difference from US Dollar borrowings for hedging	(1.912.226.689)	(941.150.469)
Less: Cash and cash equivalents	(3.344.879.436)	(1.335.061.833)
Less: Financial investments	(133.920.137)	(201.900.603)
Net financial debt	**(613.301.741)**	**669.111.676**

Bank Borrowings

(*) The Company entered into cross currency and interest rate swaps to mitigate floating interest rate and foreign currency exchange risks for the long-term foreign currency denominated borrowings when they were received. TL values of the Company's foreign currency denominated borrowings may increase or decrease as a result of exchange rates fluctuations, in return the fair value of cross currency swaps are shown under derivative assets.

(**) Total bank borrowings does not include lease liabilities.

As of 31 December 2021, accumulated foreign exchange loss due to bank borrowings designed for hedge accounting amounting to TL 1.912.226.689 (31 December 2020: TL 941.150.469) fair value of cross currency and interest rate swap contracts designed for hedge accounting amounting to TL 2.121.127.694 (31 December 2020: TL 1.030.543.527) (Note 5), equity hedging reserve amounting to TL 167.121.584 (31 December 2020: TL 71.515.227) and deferred tax liability amounting to TL 41.779.421 (31 December 2020: TL 18.053.664) were recognized in the financial statements.

Loan commission and expenses amounting to TL 4.692.142 and TL 6.975.427 were net off with the borrowings in the short-term portion of long-term borrowings, and in the long-term bank borrowings, respectively (31 December 2020 respectively TL 4.698.744 and TL 10.375.515).

As of 31 December 2021, and 31 December 2020, all of the bank borrowings consist of unsecured bank loans.

	31 December 2021	31 December 2020
Opening balance	3.165.536.998	3.177.270.737
Proceeds from Borrowings	1.203.863.949	1.828.414.280
Cash outflows from Repayment of Borrowings	(819.413.278)	(1.759.016.050)
Interest expense accounted under profit or loss (Note 22)	295.821.493	264.026.692
Capitalized interest expense at tangible assets (Note 22)	1.380.001	2.095.281
Interest paid	(267.061.574)	(268.883.409)
Foreign currency exchange differences	1.198.932.039	(83.438.000)
Reclassification	-	(8.365.256)
Other	11.058.105	13.432.723
Closing balance	**4.790.117.733**	**3.165.536.998**

The Company has fulfilled its financial commitments as of 31 December 2021.

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

4. FINANCIAL BORROWINGS (Cont’d)

Repayment schedules of borrowings are summarized below:

	31 December 2021	31 December 2020
2021	-	960.349.846
2022	2.066.564.681	1.043.296.094
2023	1.554.675.971	613.585.835
2024	708.076.045	357.699.355
2025	426.475.609	190.605.868
2026	34.325.427	-
	4.790.117.733	**3.165.536.998**

US Dollar denominated loans

The information of the Company’s US Dollar denominated significant loans and related cross currency and interest rate swap contracts which aim to mitigate variable interest rate and foreign currency risks is summarized below:

US Dollar denominated loans					Loan information after swaps			
Opening date	**US Dollar Amount**	**Duration**	**Interest Payments**	**Interest Rate**	**TL Amount**	**Interest Payments**	**Interest Rate**	**US Dollar FX Rate**
29 May 2015	*9.375.000*	*7 years maturity – 3 years no principal payment*	*Once every 6 months*	*USLibor +1,000*	*24.843.750*	*Once every 6 months*	*%11,25*	*2,6500*
4 February 2016	*3.125.000*	*7 years maturity – 3 years no principal payment*	*Once every 3 months*	*USLibor+ 0,8615*	*8.281.250*	*Once every 3 months*	*%12,70*	*2,9570*
4 March 2016	*7.812.500*	*7 years maturity – 3 years no principal payment*	*Once every 3 months*	*USLibor+ 0,8692*	*23.101.563*	*Once every 3 months*	*%12,70*	*2,9570*
26 August 2016	*7.812.500*	*7 years maturity – 3 years no principal payment*	*Once every 3 months*	*USLibor+ 1,30*	*23.101.563*	*Once every 3 months*	*%10,72*	*2,9700*
29 March 2017	*40.000.000*	*7 years maturity – 3 years no principal payment*	*Once every 3 months*	*USLibor+ 1,30*	*118.800.000*	*Once every 3 months*	*%12,22*	*3,6240*
12 June 2017	*25.000.000*	*7 years maturity – 3 years no principal payment*	*Once every 3 months*	*USLibor+ 1,30*	*90.600.000*	*Once every 3 months*	*%11,895*	*3,5140*
15 December 2017	*25.000.000*	*7 years maturity – 2 years no principal payment*	*Once every 3 months*	*USLibor+ 1,30*	*87.850.000*	*Once every 3 months*	*%13,105*	*3,8445*
26 April 2018	*19.500.000*	*7 years maturity – 2 years no principal payment*	*Once every 3 months*	*USLibor+ 1,30*	*74.967.750*	*Once every 3 months*	*%14,11*	*4,0850*
30 April 2020	*21.000.000*	*2,5 years maturity – maturity date principal payment*	*Once every 3 months*	*USLibor+ 1,50*	*85.785.000*	*Once every 3 months*	*%12,99*	*5,9725*
30 July 2020	*10.000.000*	*5 years maturity – 2,5 years no principal payment*	*Once every 3 months*	*USLibor+ 1,50*	*59.725.000*	*Once every 3 months*	*%14,87*	*6,0800*
16 October 2020	*10.000.000*	*5 years maturity – 2 years 4 months no principal payment*	*Once every 3 months*	*USLibor+ 1,65*	*60.800.000*	*Once every 3 months*	*%13,45*	*6,0800*
16 October 2020	*20.000.000*	*5 years maturity – 2 years 4 months no principal payment*	*Once every 3 months*	*USLibor+ 1,65*	*121.600.000*	*Once every 3 months*	*%15,05*	*5,755*

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

4. FINANCIAL BORROWINGS (Cont’d)

TL denominated loans

Significant TL denominated loans of the Company are summarized below:

Opening date	TL Amount	Duration	Interest Payments	Interest Rate
4 March 2016	*11.111.111*	*6 years 4 months maturity – 2 years 4 months no principal payment*	*Once every 6 months*	*%12,50*
27 March 2017	*60.400.000*	*7 years maturity – 3 years no principal payment*	*Once every 6 months*	*%13,15*
22 June 2017	*82.180.000*	*7 years maturity – 3 years no principal payment*	*Once every 6 months*	*%12,58*
19 June 2020	*60.000.000*	*2 years maturity – maturity date principal payment*	*Once every 3 months*	*7,95%*
5 June 2020	*75.000.000*	*2 years maturity – maturity date principal payment*	*Once every 6 months*	*7,95%*
12 June 2020	*15.000.000*	*2 years maturity – maturity date principal payment*	*Once every 6 months*	*7,95%*
12 June 2020	*85.000.000*	*2 years maturity – maturity date principal payment*	*Once every 6 months*	*7,90%*
9 July 2020	*200.000.000*	*2 years maturity – maturity date principal payment*	*Once every 3 months*	*8,50%*
24 November 2021	*50.000.000*	*2 years maturity – maturity date principal payment*	*Once every 6 months*	*18,00%*
14 October 2021	*145.000.000*	*1 year 6 months maturity – maturity date principal payment*	*Once every 3 months*	*18,18%*
14 October 2021	*160.000.000*	*2 years maturity – maturity date principal payment*	*Once every 3 months*	*18,15%*
13 December 2021	*33.000.000*	*1 year 6 months maturity – maturity date principal payment*	*Once every 6 months*	*19,75%*
1 October 2021	*100.000.000*	*1 year 6 months maturity – maturity date principal payment*	*Once every 3 months*	*18,10%*

US Dollar denominated loans

Significant US dollar denominated loans, which are not subject to currency hedging with cross currency and interest rate swap contracts, of the Company are summarized below:

Opening date	US Dollar Amount	Duration	Interest Payments	Interest Rate
15 October 2020	*20.000.000*	*5 years maturity - 2 years 4 months no principal payment*	*Once every 3 months*	*USLibor+1,65*
1 March 2021	*17.000.000*	*5 years maturity - 2 years 6 months no principal payment*	*Once every 3 months*	*2,55%*

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

5. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2021		31 December 2020	
	Assets	Liabilities	Assets	Liabilities
Cross currency and interest rate swaps	114.518.244	-	-	-
Commodity swap	-	-	799.242	-
Short term derivative instruments that hedge accounting applied	**114.518.244**	**-**	**799.242**	**-**
Cross currency and interest rate swaps	2.006.609.450	-	1.030.543.527	-
Long term derivative instruments that hedge accounting applied	**2.006.609.450**	**-**	**1.030.543.527**	**-**
	2.121.127.694	**-**	**1.031.342.769**	**-**

The Company's derivative financial instruments include cross currency and interest rate swap contracts and valuation differences related to these transactions are accounted under equity accounts.

Cross Currency and Interest Rate Swap

The Company's cross currency and interest rates swap contracts which are done in order to mitigate variable interest rate and foreign currency risks resulting from US Dollar loans (Note 4) are explained below:

US Dollar Loans			Loan Conditions After Swap			Derivative Asset / (Liability)	
Opening Date	**US Dollar Amount**	**Interest Rate**	**TL Amount**	**Interest Rate**	**US Dollar FX Rate**	**31 December 2021**	**31 December 2020**
29 May 2015	*3.125.000*	*USLibor+ 1,000*	*8.281.250*	*%11,25*	*2,6500*	*34.117.263*	*45.885.139*
4 February 2016	*7.812.500*	*USLibor+ 0,8615*	*23.101.563*	*%12,70*	*2,9570*	*82.804.363*	*63.772.664*
4 March 2016	*7.812.500*	*USLibor+ 0,8692*	*23.101.563*	*%12,70*	*2,9570*	*83.360.379*	*64.243.971*
26 August 2016	*40.000.000*	*USLibor+ 1,30*	*118.800.000*	*%10,72*	*2,9700*	*440.919.971*	*284.109.620*
29 March 2017	*25.000.000*	*USLibor+ 1,30*	*90.600.000*	*%12,22*	*3,6240*	*263.522.698*	*142.126.520*
12 Jıne 2017	*25.000.000*	*USLibor+ 1,30*	*87.850.000*	*%11,895*	*3,5140*	*265.875.040*	*145.067.135*
15 December 2017	*19.500.000*	*USLibor+ 1,30*	*74.967.750*	*%13,105*	*3,8445*	*201.713.589*	*95.358.415*
26 April 2018	*21.000.000*	*USLibor+ 1,30*	*85.785.000*	*%14,11*	*4,0850*	*212.472.698*	*91.536.916*
30 April 2020	*10.000.000*	*USLibor+ 1,50*	*59.725.000*	*%12,99*	*5,9725*	*80.400.981*	*15.715.000*
30 July 2020	*10.000.000*	*USLibor+ 1,50*	*60.800.000*	*%14,87*	*6,0800*	*89.404.046*	*13.938.191*
16 October 2020	*20.000.000*	*USLibor+ 1,65*	*121.600.000*	*%13,45*	*6,0800*	*187.083.148*	*28.056.265*
16 October 2020	*20.000.000*	*USLibor+ 1,65*	*115.100.000*	*%15,05*	*5,7550*	*179.453.518*	*40.733.691*
						2.121.127.694	**1.030.543.527**

The valuation of derivative instruments is based on the market prices quoted for similar instruments at the balance sheet date.

During the current period, income amounting TL 96.126.851 has been recognized in profit or loss statement related with the realized derivative contracts (31 December 2020: TL 58.575.459 expense).

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

6. TRADE RECEIVABLES AND PAYABLES

Trade Receivables

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

Short-term trade receivables	**31 December 2021**	**31 December 2020**
Account receivables	1.085.025.410	807.783.726
Notes receivables	2.770.247	2.646.399
Trade receivables from related parties (Note 25)	135.935.818	72.643.826
Unearned credit finance income	(37.572.398)	(20.425.395)
Doubtful receivables provision (-)	(142.860.965)	(135.529.286)
	1.043.298.112	**727.119.270**

Long-term trade receivables	**31 December 2021**	**31 December 2020**
Account receivables	17.551.356	45.735.494
Doubtful receivables provision (-)	(47.620)	(9.890.516)
	17.503.736	**35.844.978**

Trade receivables mainly include non-collected amounts arising from the sales of finished goods and trade goods.

As of 31 December 2021 and 31 December 2020, the maturities of trade receivables are 80 days and 117 days on average and they are discounted with average annual interest rates of 13,86% and 10,82%.

As of 31 December 2021, the receivables from third parties amounting to TL 93.692.881 (31 December 2020: TL 71.912.397) were past due but not impaired.

As of 31 December 2021, collaterals amounting to TL 49.697.565 have been received for receivables from third parties that over due (31 December 2020: TL 54.752.856).

The aging of over due receivables from third parties as of 31 December 2021 and 2020 is as follows:

	31 December 2021	**31 December 2020**
Between 0 - 1 months	75.911.076	38.796.924
Between 1 - 3 months	966.393	8.051.656
Between 3 - 12 months	16.815.413	25.063.818
	93.692.882	**71.912.398**

As of 31 December 2021, trade receivables amounting to TL 142.908.585 (31 December 2020: TL 145.419.802) were overdue and impaired.

The allowance for doubtful receivables is determined based on past experiences of collection of receivables and risk rating matrix developed for the expected credit loss computation.

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

6. TRADE RECEIVABLES AND PAYABLES (Cont'd)

Movements in provision for doubtful receivables are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Opening balance as of 1 January	145.419.802	158.031.419
Additions / (cancellation) (*)	5.866.170	(5.152.912)
Collections	(2.193.510)	(7.458.705)
Deleted receivables (**)	(6.183.877)	-
Closing balance	**142.908.585**	**145.419.802**

(*) As of 31 December 2021, the foreign currency exchange difference losses amounting to TL 3.777.567 arise from the doubtful receivables in foreign currency (31 December 2020: TL 516.337 foreign currency loss).

(**) The provision amounting to TL 6.183.877 set aside in the previous period has been removed from the list of doubtful trade receivables as of 31 December 2021, since the possibility of collection has completely disappeared.

Trade Payables

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

Short-term trade payables	**31 December 2021**	**31 December 2020**
Trade payables	1.762.848.015	758.940.381
Trade payables to related parties (Note 25)	1.072.393.563	452.118.821
Unrealized finance expense due to credit purchases	(27.757.181)	(11.224.149)
	2.807.484.397	**1.199.835.053**

Trade payables mainly include non-paid amounts arising from trade purchases and ongoing expenditures.

As of 31 December 2021 and 31 December 2020, the maturities of trade payables are 117 days and 118 days on average and they are discounted with average annual interest rates of %13,86 and %10,82 respectively. The Company has financial risk management policy in order to manage the maturity structure of liabilities.

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

7. OTHER RECEIVABLES AND PAYABLES

Other Receivables

Other Short-term Receivables	**31 December 2021**	**31 December 2020**
Other receivables from related parties (Note 25)	58.139	807.283
Receivables from tax office	3.935.359	3.730.132
Due from personnel	6.536.381	4.708.690
Other miscellaneous receivables	3.827.326	3.979.081
	14.357.205	**13.225.186**

Other Long-term Receivables	**31 December 2021**	**31 December 2020**
Other receivables from related parties (Note 25)	255.548	156.784
Deposits and guarantees given	339.857	398.401
	595.405	**555.185**

Other Payables

Other Short-term Payables	**31 December 2021**	**31 December 2020**
Other payables to public authorities	26.815.292	16.594.210
Other payables to related parties (Note 25)	1.905.017	1.478.680
Deposits and guarantees taken	8.957.966	4.924.433
	37.678.275	**22.997.323**

8. INVENTORIES

	31 December 2021	**31 December 2020**
Raw materials	324.187.638	156.456.060
Materials and supplies	83.228.293	68.977.549
Semi-finished goods	99.206.923	53.584.769
Finished goods	186.863.865	109.542.904
Trade goods	71.912.979	61.994.287
Goods in transit	364.556.792	184.896.141
Less: Impairment on inventories	(21.233.491)	(17.801.854)
	1.108.722.999	**617.649.856**

Provision for impairment on inventories is shown in cost of goods sold and marketing expenses.

As of 31 December 2021 and 31 December 2020 movements in provision for impairment on inventories are as follows:

	1 January- 31 December 2021	**1 January- 31 December 2020**
Opening balance	17.801.854	12.695.168
Period charge / (cancellation)	3.431.637	5.106.686
Closing balance	**21.233.491**	**17.801.854**

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

9. PREPAID EXPENSES AND DEFERRED INCOME

Short-term Prepaid Expenses	**31 December 2021**	**31 December 2020**
Prepaid expenses	26.247.110	22.488.622
Order advances given	40.739.338	6.458.775
Advances given to personnel	28.484	55.478
Advances given to dealers (*)	122.912	-
	67.137.844	**29.002.875**

Long-term Prepaid Expenses	**31 December 2021**	**31 December 2020**
Prepaid expenses	24.576.819	26.301.270
Advances given to dealers (*)	-	593.826
Advances given for fixed assets	20.560.651	292.683
	45.137.470	**27.187.779**

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

Short-term Deferred Income	**31 December 2021**	**31 December 2020**
Contract liability arising from sales of goods (**)	16.166.893	8.264.135
Advances received	21.846.044	18.474.043
Deferred income	2.483.444	1.200.611
	40.496.381	**27.938.789**

Long-term Deferred Income	**31 December 2021**	**31 December 2020**
Deferred income	-	806.723
	-	**806.723**

(**) Consists of performance obligations whose payment has been received but control has not yet passed on to the customer.

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

10. PROPERTY, PLANT AND EQUIPMENT

	1 January 2021	Additions	Transfers (*)	Provision for impairment (**)	Disposals	31 December 2021
Cost						
Land and land improvements	79.300.520	-	56.089	-	-	79.356.609
Buildings	705.145.385	789.918	23.834.887	-	-	729.770.190
Machinery and equipment	2.569.149.507	629.252	199.205.725	-	(1.008.917)	2.767.975.567
Motor vehicles	25.357.355	816.874	1.893.668	-	(420.341)	27.647.556
Furniture and fixtures	157.436.952	18.586.389	13.333.891	-	(226.410)	189.130.822
Other fixed assets	144.605.249	23.563.820	107.687	6.953.779	(24.555.942)	150.674.593
Construction in progress	108.592.394	392.945.901	(287.110.383)	-	-	214.427.912
	3.789.587.362	**437.332.154**	**(48.678.436)**	**6.953.779**	**(26.211.610)**	**4.158.983.249**
Accumulated depreciation						
Land and land improvements	20.446.098	3.195.140	-	-	-	23.641.238
Buildings	203.509.216	16.108.369	-	-	-	219.617.585
Machinery and equipment	1.581.301.660	146.592.830	-	-	(1.008.918)	1.726.885.572
Motor vehicles	9.355.574	3.087.343	-	-	(304.583)	12.138.334
Furniture and fixtures	79.173.020	15.844.881	-	-	(135.332)	94.882.569
Other fixed assets	66.172.255	14.163.680	-	4.132.993	(19.701.579)	64.767.349
	1.959.957.823	**198.992.243**	**-**	**4.132.993**	**(21.150.412)**	**2.141.932.647**
Net book value	**1.829.629.539**	**238.339.911**	**(48.678.436)**	**2.820.786**	**(5.061.198)**	**2.017.050.602**

(*) TL 48.678.436 of construction in progress, transferred to intangible assets at the current year (31 December 2020: TL 50.436.308). Transfers in the current period are related with Aksaray and İzmit plants which continues investments in buildings, machinery and equipment.

(**) It is the provision for the other fixed assets which were located in the closed dealers.

For the year ended 31 December 2021, TL 151.167.724 of the depreciation expense is charged to cost of goods sold, TL 166.942 is charged to research and development expenses, TL 22.644.532 is charged to selling and marketing expenses, TL 4.221.622 charged to general administrative expenses, TL 18.677.421 of the depreciation expense is charged to inventories, TL 2.114.002 of the depreciation expense is charged to capitalized development costs.

As of 31 December 2021, there are no mortgages on property, plant and equipment and intangible assets (31 December 2020: None).

The capitalized borrowing cost is TL 1.308.001 for the year ended 31 December 2021 (31 December 2020: TL 2.095.281).

All property, plant and equipment of the Company are fully insured.

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

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

	1 January 2020	Additions	Transfers (*)	Provision for impairment (**)	Disposals	31 December 2020
Cost						
Land and land improvements	79.290.720	-	9.800	-	-	79.300.520
Buildings	692.180.693	2.151.178	10.813.514	-	-	705.145.385
Machinery and equipment	2.447.799.285	296.018	121.699.890	-	(645.686)	2.569.149.507
Motor vehicles	17.974.672	658.603	6.729.809	-	(5.729)	25.357.355
Furniture and fixtures	140.288.878	11.288.853	5.893.494	-	(34.273)	157.436.952
Other fixed assets	124.602.492	24.278.332	(198.390)	(3.205.732)	(871.453)	144.605.249
Construction in progress	103.671.039	200.305.780	(195.384.425)	-	-	108.592.394
	3.605.807.779	**238.978.764**	**(50.436.308)**	**(3.205.732)**	**(1.557.141)**	**3.789.587.362**
Accumulated depreciation						
Land and land improvements	17.252.409	3.193.689	-	-	-	20.446.098
Buildings	187.402.063	16.107.153	-	-	-	203.509.216
Machinery and equipment	1.445.143.478	136.664.574	-	-	(506.392)	1.581.301.660
Motor vehicles	7.459.597	1.901.706	-	-	(5.729)	9.355.574
Furniture and fixtures	66.112.176	13.088.853	-	-	(28.009)	79.173.020
Other fixed assets	55.795.184	12.569.500	-	(1.632.323)	(560.106)	66.172.255
	1.779.164.907	**183.525.475**	**-**	**(1.632.323)**	**(1.100.236)**	**1.959.957.823**
Net book value	**1.826.642.872**	**55.453.289**	**(50.436.308)**	**(1.573.409)**	**(456.905)**	**1.829.629.539**

For the year ended 31 December 2020, TL 145.495.219 of the depreciation expense is charged to cost of goods sold, TL 120.976 is charged to research and development expenses, TL 19.368.545 is charged to selling and marketing expenses, TL 3.404.711 charged to general administrative expenses, TL 13.218.294 of the depreciation expense is charged to inventories, TL 1.917.730 of the depreciation expense is charged to capitalized development costs.

11. RIGHT OF USE ASSETS

	1 January 2021	Additions	Disposals	31 December 2021
Cost				
Buildings	8.251.865	785.367	(2.419.418)	6.617.814
Motor vehicles	20.200.341	3.158.193	(2.206.544)	21.151.990
	28.452.206	**3.943.560**	**(4.625.962)**	**27.769.804**
Accumulated depreciation				
Buildings	3.005.377	1.567.199	(1.853.299)	2.719.277
Motor vehicles	9.302.491	7.004.054	(2.206.544)	14.100.001
	12.307.868	**8.571.253**	**(4.059.843)**	**16.819.278**
Net book value	**16.144.338**	**(4.627.693)**	**(566.119)**	**10.950.526**

For the year ended 31 December 2021, TL 8.571.523 depreciation expense is charged to general administrative expenses.

	1 January 2020	Additions	Disposals	31 December 2020
Cost				
Buildings	3.483.924	5.043.079	(275.138)	8.251.865
Motor vehicles	17.394.306	4.494.850	(1.688.815)	20.200.341
	20.878.230	**9.537.929**	**(1.963.953)**	**28.452.206**
Accumulated depreciation				
Buildings	1.646.551	1.633.964	(275.138)	3.005.377
Motor vehicles	4.534.512	6.456.794	(1.688.815)	9.302.491
	6.181.063	**8.090.758**	**(1.963.953)**	**12.307.868**
Net book value	**14.697.167**	**1.447.171**	**-**	**16.144.338**

For the year ended 31 December 2020, TL 8.090.758 depreciation expense is charged to general administrative expenses.

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

12. INTANGIBLE ASSETS

	1 January 2021	Additions	Transfers	Disposals	31 December 2021
Cost					
Capitalized development costs	118.920.827	-	40.642.528	-	159.563.355
Rights	96.448.017	-	-	(190.000)	96.258.017
Other intangible assets	95.755.150	5.920.252	8.035.908	-	109.711.310
	311.123.994	**5.920.252**	**48.678.436**	**(190.000)**	**365.532.682**
Accumulated depreciation					
Capitalized development costs	45.065.973	21.829.921	-	-	66.895.894
Rights	91.727.277	2.588.044	-	(190.000)	94.125.321
Other intangible assets	67.019.512	11.031.127	-	-	78.050.639
	203.812.762	**35.449.092**	**-**	**(190.000)**	**239.071.854**
Net book value	**107.311.232**	**(29.528.840)**	**48.678.436**	**-**	**126.460.828**

For the year ended 31 December 2021, TL 22.402.635 of the amortization expense is charged to cost of goods sold, TL 2.004 is charged to research and development expenses, TL 7.456.787 is charged to selling and marketing expenses, TL 5.539.228 expense is charged to general administrative expenses, TL 19.299 is included in inventories, TL 29.139 of the depreciation expense is charged to capitalized development costs.

	1 January 2020	Additions	Transfers	Disposals	31 December 2020
Cost					
Capitalized development costs	75.596.595	-	43.324.232	-	118.920.827
Rights	96.568.451	-	-	(120.434)	96.448.017
Other intangible assets	83.199.283	7.147.215	7.112.076	(1.703.424)	95.755.150
	255.364.329	**7.147.215**	**50.436.308**	**(1.823.858)**	**311.123.994**
Accumulated depreciation					
Capitalized development costs	28.550.924	16.515.049	-	-	45.065.973
Rights	85.858.905	5.908.862	-	(40.490)	91.727.277
Other intangible assets	60.337.810	7.745.934	-	(1.064.232)	67.019.512
	174.747.639	**30.169.845**	**-**	**(1.104.722)**	**203.812.762**
Net book value	**80.616.690**	**(23.022.630)**	**50.436.308**	**(719.136)**	**107.311.232**

For the year ended 31 December 2020, TL 16.554.093 of the amortization expense is charged to cost of goods sold, TL 1.778 is charged to research and development expenses, TL 9.070.210 is charged to selling and marketing expenses, TL 4.486.705 expense is charged to general administrative expenses, TL 26.978 is included in inventories, TL 30.081 of the depreciation expense is charged to capitalized development costs.

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

13. PROVISIONS, CONTINGENT AND LIABILITIES

Provisions

Other short-term provisions	**31 December 2021**	**31 December 2020**
Provision for sales campaigns (*)	-	7.763.916
Provision for sales discount premium	26.269.366	-
Lawsuits	14.493.358	14.201.440
Warranty claims	1.919.911	1.311.677
Other provisions	8.854.943	8.097.007
	51.537.578	**31.374.040**

(*) Provisions for sales campaigns whose progress payments were calculated over 2020 sales and whose realization date will be in 2021.

Provision for sales discount premium is the current period portion of discount premium to be paid to customers.

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

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.

Other provisions mainly consist of advertising promotion expenditures to be invoiced in the next period.

Movements of provisions during the period are as follows:

	Provision for sales campaigns	**Provision for sales discount premium**	**Lawsuits**	**Warranty claims**	**Other provisions**	**Total**
1 January 2021	7.763.916	-	14.201.440	1.311.677	8.097.007	31.374.040
Additions	-	26.269.366	2.122.438	-	-	28.391.804
Payments/reversals	(7.763.916)	-	(1.830.520)	608.234	757.936	(8.228.266)
31 December 2021	**-**	**26.269.366**	**14.493.358**	**1.919.911**	**8.854.943**	**51.537.578**

	Provision for sales campaigns	**Provision for sales discount premium**	**Lawsuits**	**Warranty claims**	**Other provisions**	**Total**
1 January 2020	-	200.000	12.261.395	559.243	922.502	13.943.140
Additions	7.763.916	-	3.768.853	-	7.781.513	19.314.282
Payments/reversals	-	(200.000)	(1.828.808)	752.434	(607.008)	(1.883.382)
31 December 2020	**7.763.916**	**-**	**14.201.440**	**1.311.677**	**8.097.007**	**31.374.040**

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

14. COMMITMENTS

Received commitments	**31 December 2021**	**31 December 2020**
Direct debiting system (“DDS”) limits	546.217.158	369.826.785
Letter of guarantees received	691.460.928	630.014.978
Mortgages	145.061.936	134.950.538
Export insurance	426.078.547	232.347.310
Cheques and notes receivables received as guarantee	15.550.607	6.522.172
Domestic receivables insurance	81.729.428	82.580.978
Payment guarantees obtained from banks	33.066.170	18.758.470
Letter of credit	21.009.956	20.491.159
Foreign currency blockage received as guarantee	10.003.587	5.658.357
	1.970.178.317	**1.501.150.747**

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.

The Company has guarantees comprising letters of guarantee received, mortgages, notes obtained from custormers and DDS limits provided to customers through banks in order to minimize customer credit risk in sales made to domestic customers on due. The Company also has guarantees for receivables from foreign customers due to credit risk management including export insurance, bank guarantee letters and letter of credit.

Company’s total guarantees received from international export insurance company in order to carry out open account transactions with overseas non-related party customers have been disclosed as export insurance.

The amount of collaterals received by the Company within the scope of the agreement made with the domestic and international insurance companies in order to enable the Company to open account and term sales to the domestic dealers and fleet customers is stated as domestic receivables insurance.

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

14. COMMITMENTS (Cont’d)

Collaterals, Pledges and Mortgages:

As of 31 December 2021, and 2020 collaterals, pledges and mortgages (“CPM”) given by the Company is as follows:

		31 December 2021			31 December 2020		
CPM given by the Company		**Currency**	**Amount**	**TL Equivalent**	**Currency**	**Amount**	**TL Equivalent**
A.	Total of CPMs given on behalf of own legal personality	TL	19.646.793	19.646.793	TL	20.335.124	20.335.124
		USD	-	-	USD	-	-
		EURO	2.903.147	43.877.873	EURO	2.899.483	26.118.253
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	-	-	-	-	-	-
				63.524.666			**46.453.377**

The ratio of other CPM to equity is 0% (31 December 2020: 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 labor matters, guarantees to several governmental institutions to participate in several tenders.

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

15. EMPLOYEE BENEFITS

Payables related to employee benefits

	31 December 2021	31 December 2020
Salaries and wages payable	8.889.301	7.346.107
Social security premiums payable	18.405.581	14.427.297
Withholding personnel income tax payable	14.046.393	10.924.830
Private pension contributions payable	648.444	526.627
	41.989.719	**33.224.861**

Short-term provisions for employee benefits

	31 December 2021	31 December 2020
Bonus accruals	33.184.265	20.499.845
Unused vacation pay provision	9.068.974	6.642.878
Personnel expense provisions	-	7.422
	42.253.239	**27.150.145**

Movements of provisions during the period are as follows:

	Bonus accruals	Unused vacation pay provision	Personnel expense provisions	Total
1 January 2021	20.499.845	6.642.878	7.422	27.150.145
Additions	34.499.993	3.131.976	(7.422)	37.624.547
Payments / Cancellations	(21.815.573)	(705.880)	-	(22.521.453)
31 December 2021	**33.184.265**	**9.068.974**	**-**	**42.253.239**

	Bonus accruals	Unused vacation pay provision	Personnel expense provisions	Total
1 January 2020	21.174.218	6.901.740	-	28.075.958
Additions	21.643.535	194.813	7.422	21.845.770
Payments / Cancellations	(22.317.908)	(453.675)	-	(22.771.583)
31 December 2020	**20.499.845**	**6.642.878**	**7.422**	**27.150.145**

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 8.284,51 for each period of service at 31 December 2021 (31 December 2020: TL 7.117,17).

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

15. 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 2021, 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:

	31 December 2021	31 December 2020
Discount rate (%)	3,91	3,91

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 10.848,59 TL effective from 1 January 2021 (1 January 2021: TL 7.638,96) has been taken into consideration in calculation of provision from employee termination benefits. As of 31 December 2021, the rate of voluntary employee withdrawal is 6,14% (31 December 2020: 6,14%).

The movement of employee termination benefits is as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
As of 1 January	112.520.630	82.307.274
Service cost	12.107.866	7.725.464
Interest cost	13.812.753	9.167.802
Payments during the year	(4.535.458)	(757.950)
Actuarial gain / (loss)	34.611.192	14.078.040
As of 31 December	**168.516.983**	**112.520.630**

16. OTHER ASSETS AND LIABILITES

Other Current Assets	31 December 2021	31 December 2020
Deferred VAT	54.649.750	20.992.138
Other miscellaneous current assets	-	111.077
	54.649.750	**21.103.215**

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

17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid-in capital and adjustment to share capital

The Company adopted the registered capital system according to the provisions of the Capital Market Law and entered into this system with the permission of the Capital Market Board no. 96 dated February 24, 1989.

The registered capital ceiling of the company is TL 400.000.000 (Four hundred million). It has been divided into 40.000.000.000 units of shares, each having a nominal value of 1 kr (One Kurus).

The permission by the Capital Market Board for the registered capital ceiling is applicable between the years of 2018-2022 (5 years). Even if the permissible registered capital ceiling is not achieved by the end of the year 2022, the board of directors may take a decision for increase of capital after the year 2022 only if authorization for a new period is received from the General Assembly by obtaining permission from the Capital Market Board for the previously permitted ceiling or a new ceiling amount. If such authorization is not received, capital increase cannot be made with the decision of the Board of Directors. The Board of Directors is authorized to increase the issued capital by issuing registered shares up to the registered capital ceiling if and when required according to the provisions of the Capital Market Law.

The Company's authorized and issued capital, amounting to TL 305.116.875 (31 December 2020: TL 305.116.875) consists of 30.511.687.500 shares at Kr 1 nominal value each (31 December 2020: 30.511.687.500 shares). All issued shares are paid in cash. The Company's shareholders and their shareholdings at 31 December 2021 and 2020 are as follows:

Shareholders	**(%)**	**31 December 2021**	**(%)**	**31 December 2020**
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
Nominal capital	**100,00**	**305.116.875**	**100,00**	**305.116.875**
Adjustment to share capital		54.985.701		54.985.701
Total		**360.102.576**		**360.102.576**

The shares are divided into seven classes, such as (A), (B), (C), (D), (E), (F) and (G) as listed below. In case of increase of the issued capital, new shares shall be issued for each class of shares in proportion with their share ratios in the issued capital.

Share Classes	**Number of Shares**	**Issued Capital Amount (TL)**
A	6.865.129.687,50	68.651.296,875
B	762.792.187,50	7.627.921,875
C	762.792.187,50	7.627.921,875
D	762.792.187,50	7.627.921,875
E	10.679.090.625,00	106.790.906,250
F	3.059.101.102,00	30.591.011,020
G	7.619.989.523,00	76.199.895,230
Total	**30.511.687.500,00**	**305.116.875,000**

As stated in the article of association, Hacı Ömer Sabancı Foundation which owns 100 redeemed shares has privilege in profit sharing. These privileges are being computed in accordance with the article of association. There are no privileges for shares other than that.

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

17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

Share premium

Share premium which is considered as a part of capital results from equity movements such as cancelled shares and gains on the sales of shares. As at 31 December 2021, The Company's share premium in the financial statements is TL 4.903 (31 December 2020: TL 4.903).

Restricted reserves and retained earnings

Restricted reserves are reserves which are reserved for specific purposes other than law or contractual obligations or dividend payments. These reserves are presented as the same amount in Company's statutory books and differences arising preparing the financial statements in accordance with TFRS are associated with prior years' profit or losses.

The details of the Company's restricted reserves at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
1st group legal reserves	60.985.835	42.123.735
2nd group legal reserves	111.043.815	85.570.047
Total	**172.029.650**	**127.693.782**

In accordance with the Turkish Commercial Code ("TCC") numbered 519, the first legal reserve is appropriated out of statutory profits at the rate of 5 percent per annum, until the total reserve reaches 20 percent of the company's paid-in share capital. The second legal reserve is appropriated at the rate of 10 percent per annum of all cash distributions in excess of 5 percent of the paid-in share capital.

As of 31 December 2021, the Company's 1st group legal reserves are 20% of the paid-in share capital (31 December 2020: 13,8%), and there is no limit for the 2nd group legal reserves. Unless such reserves do not exceed half of the Company's paid-in share capital, they may only be used to settle losses, to continue operations or to prevent unemployment and to mitigate the consequences when business is not going well.

Details of the Company's equity is as follows:

	31 December 2021	31 December 2020
Restricted reserves	172.029.650	127.693.782
Other reserves	689.259	200.582
Net income for the period	1.004.575.346	539.949.789
Retained earnings	579.261.062	353.497.183
Total equity	**1.756.555.317**	**1.021.341.336**

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

17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

Other Comprehensive Income or Expenses that will be Reclassified to Profit or (Loss)

	Hedging reserve gains / (losses)
As at 1 January 2020 (Opening balance)	**25.359.530**
Current year increase / (decrease)	58.564.660
Tax effect	(11.710.594)
As at 31 December 2020 (Closing balance)	**72.213.596**
As at 1 January 2021 (Opening balance)	**72.213.596**
Current year increase / (decrease)	186.906.066
Tax effect	(23.725.756)
As at 31 December 2021 (Closing balance)	**235.393.906**

Other Comprehensive Income or Expenses that will not be Reclassified to Profit or (Loss)

	Actuarial gains / (losses)
As at 1 January 2020 (Opening balance)	**(4.013.009)**
Current year increase / (decrease)	(14.078.040)
Tax effect	2.815.609
As at 31 December 2020 (Closing balance)	**(15.275.440)**
As at 1 January 2021 (Opening balance)	**(15.275.440)**
Current year increase / (decrease)	(34.611.192)
Tax effect	6.922.238
As at 31 December 2021 (Closing balance)	**(42.964.394)**

18. SALES AND COST OF SALES

Revenue	**1 January- 31 December 2021**	**1 January- 31 December 2020**
Domestic sales	4.458.818.125	2.829.354.431
Export sales	2.542.156.114	1.577.275.600
Sub-total	**7.000.974.239**	**4.406.630.031**
Sales returns (-)	(16.408.036)	(18.323.649)
Sales discounts (-)	(350.303.797)	(151.430.935)
Net Sales	**6.634.262.406**	**4.236.875.447**
Cost of sales	(4.618.321.892)	(2.960.444.581)
Gross profit	**2.015.940.514**	**1.276.430.866**

The details of domestic and export sales are as follow:

	1 January- 31 December 2021	**1 January- 31 December 2020**
Finished goods	6.236.108.956	3.583.812.870
Trade goods	724.676.723	759.769.246
Semi-finished goods	37.957.242	59.504.776
Other	2.231.318	3.543.139
Total	**7.000.974.239**	**4.406.630.031**

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

19. EXPENSES BY NATURE

	1 January-31 December 2021	1 January-31 December 2020
Raw materials and supplies	3.233.028.246	1.710.613.068
Personnel expenses and direct labor expenses	733.112.219	524.581.577
Cost of trade goods sold	437.867.801	407.581.047
Depreciation and amortization	236.667.998	223.271.062
Production overheads	326.348.361	237.132.175
Transportation and storage expenses	170.572.433	101.824.322
Advertisement expenses	96.847.460	69.771.479
Royalty and sales commission expenses	103.737.674	83.500.711
Impairment loss on trade receivables, net	3.672.660	(12.611.617)
Communication and information technology expenses	27.172.104	21.145.712
Consultancy expenses	28.273.996	14.247.907
Service, maintenance and repair expenses	16.257.900	14.134.505
Other taxes and charges	3.116.437	3.109.562
Claims for defective tires	6.070.534	4.918.006
Energy expenses	7.408.661	3.768.390
Insurance expenses	7.225.958	4.030.990
Provision for inventory impairment	3.431.637	5.106.686
ELT (end of life-tire) management service	870.474	1.140.162
Change in semi-finished goods	(45.622.154)	(22.080.569)
Change in finished goods	(69.190.841)	53.315.121
Other expenses	64.340.729	54.312.043
	5.391.210.287	**3.502.812.339**

The details of general administrative expenses and marketing expenses are as follows:

General Administrative Expenses	1 January-31 December 2021	1 January-31 December 2020
Personnel expenses and direct labor expenses	71.117.326	49.556.797
Depreciation and amortization	18.332.102	15.982.174
Communication and information technology expenses	25.478.493	20.022.956
Service, maintenance and repair expenses	9.499.171	10.033.837
Other taxes and charges	1.605.562	1.611.364
Energy expenses	4.079.401	2.097.192
Insurance expenses	2.370.448	1.088.740
ELT (end of life-tire) management service	870.474	1.140.162
Consultancy expenses	22.587.453	9.835.109
Other expenses	24.666.194	20.783.295
	180.606.624	**132.151.626**

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

19. EXPENSES BY NATURE (Cont'd)

Marketing Expenses	**1 January- 31 December 2021**	**1 January- 31 December 2020**
Personnel expenses and direct labor expenses	116.161.059	83.814.254
Depreciation and amortization	30.101.318	28.438.755
Advertisement expenses	96.847.460	69.771.479
Royalty and sales commission expenses	103.737.674	83.500.711
Communication and information technology expenses	1.674.197	1.108.451
Rent expenses	2.913.235	1.255.896
Service, maintenance and repair expenses	6.711.937	4.049.898
Other taxes and charges	1.503.644	1.491.412
Claims for defective tires	6.070.534	4.918.006
Transportation and storage expenses	170.546.529	101.821.764
Energy expenses	3.107.836	1.512.351
Insurance expenses	4.839.297	2.929.634
Consultancy expenses	5.675.485	4.399.929
Other expenses	37.163.788	32.018.434
	587.053.993	**421.030.974**

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

Depreciation and amortization expenses	**1 January- 31 December 2021**	**1 January- 31 December 2020**
Cost of sales	188.065.632	178.727.379
Marketing expenses	30.101.318	28.438.755
General administrative expenses	18.332.102	15.982.174
Research and development expenses	168.946	122.754
	236.667.998	**223.271.062**

As of 31 December 2020, TL 14.495.272 depreciation expense remained on inventories is recognized under cost of sales after the sales of related inventories in 2021.

Personnel expenses	**1 January- 31 December 2021**	**1 January- 31 December 2020**
Cost of sales	544.393.210	390.049.674
Marketing expenses	116.161.059	83.814.254
General administrative expenses	71.117.326	49.556.797
Research and development expenses	1.440.624	1.160.852
	733.112.219	**524.581.577**

As of 31 December 2021, gain arising from hedging transactions amounting to TL 78.447.105 has been recognized in the cost of sales.

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

20. OTHER OPERATING INCOME AND EXPENSES

Details of other operating income for years ended 31 December 2021 and 2020 are as follows:

	1 January-31 December 2021	**1 January-31 December 2020**
Finance income on credit sales	135.952.215	95.428.014
Interest income from operations	11.300.929	13.433.857
Income from derivative financial instruments, net (**)	29.559.746	3.112.376
Other income	11.344.947	6.882.406
	188.157.837	**118.856.653**

Details of other operating expenses for years ended 31 December 2021 and 2020 are as follows:

	1 January-31 December 2021	**1 January-31 December 2020**
Foreign exchange losses on operations, net (*)	578.179.028	101.594.838
Due date expenses on trade payables	139.808.876	71.026.512
Credit card commission expenses	43.069.374	24.564.582
Interest expense from operations	9.722.441	15.595.547
Loss from derivative financial instruments, net (**)	11.880.000	-
Other expenses	5.169.865	7.678.744
	787.829.584	**220.460.223**

(*) The amount consists of the foreign exchange gains and losses resulting from trade receivables and payables.
(**) The amount consists of gain and losses resulting from derivative instruments made for the purpose of balance sheet hedging.

21. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from Investing Activities	**1 January-31 December 2021**	**1 January-31 December 2020**
Gain on sale of property, plant and equipment	900.845	125.156
Reversal of impairment on property, plant and equipment	2.820.786	-
	3.721.631	**125.156**

Expenses from Investing Activities	**1 January-31 December 2021**	**1 January-31 December 2020**
Impairment on property, plant and equipment	-	1.573.409
Loss on sale of property, plant and equipment	4.541.766	556.404
	4.541.766	**2.129.813**

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

22. FINANCING INCOME & EXPENSES

Details of financial income & expenses for years ended 31 December 2021 and 31 December 2020 are as follows:

	1 January- 31 December 2021	**1 January- 31 December 2020**
Foreign currency gains from bank deposits	752.258.372	125.202.894
Interest income from banks	27.538.748	25.459.708
Interest income from eurobond	2.288.841	1.693.243
Foreign currency gains from eurobond	6.434.495	-
Total financial income	**788.520.456**	**152.355.845**

	1 January- 31 December 2021	**1 January- 31 December 2020**
Interest expenses on borrowings	294.522.702	262.437.170
Interest expense included in cost of fixed assets	(1.380.001)	(2.095.281)
Total interest expense	**293.142.701**	**260.341.889**
Foreign currency losses from borrowings, net	221.882.076	23.743.000
Foreign currency losses from eurobond	-	11.721.800
Interest expense from leases	2.678.792	3.684.803
Other financial expenses	27.914.006	8.035.196
Total financial expenses	**545.617.575**	**307.526.688**

23. TAXATION ON INCOME

Corporate tax

	31 December 2021	**31 December 2020**
Corporate income tax provision for the current period (*)	6.852.537	5.017.829
Less: Prepaid taxes	(9.626.926)	(4.318.859)
Tax liabilities / (assets) related with the current period	**(2.774.389)**	**698.970**

(*) Includes the tax effect, amounting to TL 423.157 calculated from the effective tax rate, of the foreign exchange losses of the time deposits within the scope of hedging, which is classified into other comprehensive income (31 December 2020: TL 950).

As of 31 December 2021, the amount of prepaid tax expense amounting to TL 2.774.389 which is the portion exceeding the corporate tax payable, is included in the current tax assets (31 December 2020: TL 698.970 current tax liability).

The Company is subject to Turkish corporate taxes. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant accounting period and is paid in one installment until the end of the relevant month.

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

23. TAXATION ON INCOME (Cont'd)

In Turkey, the corporate tax rate applied to the legal tax base to be found by adding the expenses that are not accepted as deductible in accordance with tax laws to the commercial income of corporations in Turkey and by deducting the exemptions in the tax laws was applied as 20% after January 1, 2021. However, with the Law No. 7316 on the Collection Procedure of Public Receivables and the Law on the Amendment of Certain Laws, which entered into force after being published in the Official Gazette dated April 22, 2021 and numbered 31462, with the Provisional Article 13 added to the Corporate Tax Law No. 5520, the corporate tax rate is set to be 25% for corporate earnings for the 2021 taxation period and 23% for corporate earnings for the 2022 taxation period. This change is valid for the taxation of corporate earnings for the periods starting from 1 January 2021, starting with the declarations that must be submitted as of July 1, 2021. Since the tax rate change came into effect as of April 22, 2021, the tax rate was used as 25% in the calculations of the period tax in the financial statements dated 31 December 2021.

Within the scope of the said amendment, deferred tax assets and liabilities in the financial statements dated 31 December 2021 are calculated at the rates of 23% and 20%, respectively, for the portions of temporary differences that will have tax effects in 2022 and the following periods.

	1 January-31 December 2021	**1 January-31 December 2020**
Current period corporate tax expense (-) (*)	(11.025.232)	(5.016.879)
Deferred tax income / (expense)	130.137.460	69.682.630
	119.112.228	**64.665.751**

(*) The portion amounting to TL 4.595.852 for the period 1 January-31 December 2021 is the tax related to the revaluation of the real estate registered as assets within the scope of the law numbered 7326.

Current period tax reconciliation for the years ended 31 December 2021 and 31 December 2020 is as follows:

Current tax provision reconciliation:	**1 January-31 December 2021**	**%**	**1 January-31 December 2020**	**%**
Profit before taxation on income	885.463.118		475.284.038	
Corporate tax rate %25 (2020: %22)	(221.365.780)	(25,00)	(104.562.488)	(22,00)
Tax effect:				
- Non-taxable income	3.145.601	0,36	1.821.552	0,38
- Non-deductible expenses	(11.891.130)	(1,34)	(3.095.326)	(0,65)
- The effect of change in corporate tax rate	(7.332.699)	(0,83)	(1.277.941)	(0,27)
- Research and development incentive	7.668.838	0,87	5.164.391	1,09
- Reduced corporate tax deferred tax income / (expense)	41.069.261	4,64	96.988.727	20,41
- Revaluation	52.852.294	5,97	-	-
- Hedged bank deposit exchange difference	(16.750.000)	(1,89)	(15.750)	(0,00)
- Other	-	-	(9.471.092)	(1,99)
- Reduced corporate tax	271.715.843	30,69	79.113.678	16,65
Tax income / (expense) recognized in statement of profit or loss	**119.112.228**	**13,45**	**64.665.751**	**13,61**

23. TAXATION ON INCOME (Cont'd)

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period, provided that they do not exceed 5 years. Declarations and related accounting records can be examined by the tax office within five years and tax accounts can be revised.

Dividend payments made to resident joint stock companies in Turkey, to those who are not liable and exempt from corporate tax and income tax, and to real persons and non-resident legal entities in Turkey are subject to 15% income tax.

Dividend payments made from joint stock companies residing in Turkey to joint stock companies residing in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, income tax is not calculated.

Dividend earnings of corporations from participation in the capital of another fully liable corporation (except for participation certificates of mutual funds and dividends obtained from shares of investment partnerships) are exempt from corporate tax. In addition, 75% of the profits arising from the sale of the participation shares in the assets of the corporations for at least two full years and the founding certificates of the real estates (immovables) that they own for the same period, the usufruct shares and the preference rights, are exempt from corporate tax as of 31 December 2017. However, with the amendment made with the Law No. 7061, this rate has been reduced from 75% to 50% in terms of immovables, and this rate is used as 50% in tax returns to be prepared as of 2018.

In order to benefit from the exemption, the said income must be kept in a passive fund account and not withdrawn from the business for 5 years. The sales price must be collected until the end of the second calendar year following the year of sale.

In Turkey, there is no practice of reaching an agreement with the tax administration regarding the taxes to be paid. Corporate tax returns are submitted within four months following the end of the accounting period. The tax inspection authorities may examine the tax returns and the accounting records underlying them for five years following the accounting period and make a reassessment as a result of their findings.

Income tax withholding

There is a withholding tax liability on dividend distributions, and this withholding liability is accrued in the period when the dividend payment is made. Dividend payments are subject to a 15% withholding tax until December 22, 2021, except for non-resident companies that generate income through a workplace or their permanent representative in Turkey, and those made to companies residing in Turkey. However, in accordance with the Presidential Decision no. 4936, which was published in the Official Gazette dated 22 December 2021 and numbered 31697, arrangements were made in the provisions of the Income Tax Law no. 193 and the Corporate Tax Law no. 5520 on dividend distribution and the withholding tax rate of 15% has been reduced to 10%.

In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the withholding tax rates in the relevant Double Taxation Agreements are also taken into account. Adding retained earnings to the capital is not counted as dividend distribution, so it is not subject to withholding tax.

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

23. TAXATION ON INCOME (Cont'd)

Transfer pricing regulations

In Turkey, transfer pricing regulations are specified in Article 13 of the Corporate Tax Law, titled "Disguised profit distribution through transfer pricing". The communiqué dated 18 November 2007 on disguised profit distribution via transfer pricing regulates the details of the implementation.

If the taxpayer buys or sells goods or services with related parties at the price or price they have determined in violation of the arm's length principle, the profit is deemed to have been distributed implicitly through transfer pricing in whole or in part. Disguised profit distribution through such transfer pricing is considered as an expense that is not legally accepted for corporate tax.

Deferred tax

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

	Temporary differences		**Deferred income tax assets / liabilities**	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Deferred tax assets				
Allowance for doubtful receivables	47.361.478	46.743.214	10.893.140	9.348.643
Provision for employment termination benefits	168.516.980	112.520.631	33.703.396	22.504.126
Trade receivables	37.513.501	20.365.812	8.628.105	4.073.162
Provision for bonus premium	33.184.265	20.499.845	7.632.381	4.099.969
Inventories	185.857.787	46.148.385	42.747.291	9.229.677
Provision for lawsuits	14.493.360	14.201.440	3.333.473	2.840.288
Provision for unused vacation liability	9.068.974	6.642.878	2.085.864	1.328.576
Provision for warranty claims	1.919.911	1.311.677	441.579	262.335
Investment incentive	-	-	182.238.671	141.169.410
Other	59.980.121	42.430.103	13.795.427	8.486.021
	557.896.377	**310.863.985**	**305.499.327**	**203.342.207**
Deferred tax liabilities				
Derivative instruments valuation differences	208.897.105	90.188.396	41.779.421	18.053.664
Property, plant and equipment and intangible assets	381.623.483	577.728.603	76.324.697	115.545.721
Trade payables	27.757.181	11.224.149	6.384.152	2.244.830
Other	1.123.735	396.669	258.459	79.332
	619.401.504	**679.537.817**	**124.746.729**	**135.923.547**
Deferred tax assets / (liabilities), net			**180.752.598**	**67.418.660**

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

23. TAXATION ON INCOME (Cont'd)

The movements in deferred tax assets / (liabilities) for the years ended 31 December 2021 and 31 December 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Opening as of 1 January	**67.418.660**	**6.631.015**
Recognized in profit or loss statement	130.137.460	69.682.630
Income / (expense) recognized in equity	(16.803.522)	(8.894.985)
Closing as of 31 December	**180.752.598**	**67.418.660**

The movements of deferred tax income/(expense) for the years ended 31 December are as follows:

	1 January 2021	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2021
Allowance for doubtful receivables	9.348.643	1.544.497	-	10.893.140
Provision for employment termination benefits	22.504.126	4.277.035	6.922.235	33.703.396
Trade receivables	4.073.162	4.554.943	-	8.628.105
Provision for bonus premium	4.099.969	3.532.412	-	7.632.381
Inventories	9.229.677	33.517.614	-	42.747.291
Provision for lawsuits	2.840.288	493.185	-	3.333.473
Provision for unused vacation liability	1.328.576	757.288	-	2.085.864
Provision for warranty claims	262.335	179.244	-	441.579
Investment incentive	141.169.410	41.069.261	-	182.238.671
Derivative instruments valuation differences	(18.053.664)	-	(23.725.757)	(41.779.421)
Property, plant and equipment and intangible assets	(115.545.721)	39.221.024	-	(76.324.697)
Trade payables	(2.244.830)	(4.139.322)	-	(6.384.152)
Other	8.406.689	5.130.279	-	13.536.968
	67.418.660	**130.137.460**	**(16.803.522)**	**180.752.598**

	1 January 2020	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2020
Allowance for doubtful receivables	11.880.947	(2.532.304)	-	9.348.643
Provision for employment termination benefits	16.461.455	3.227.062	2.815.609	22.504.126
Trade receivables	3.360.053	713.109	-	4.073.162
Provision for bonus premium	4.658.328	(558.359)	-	4.099.969
Inventories	6.291.467	2.938.210	-	9.229.677
Provision for lawsuits	2.697.507	142.781	-	2.840.288
Provision for unused vacation liability	1.518.383	(189.807)	-	1.328.576
Provision for warranty claims	123.033	139.302	-	262.335
Investment incentive	44.180.683	96.988.727	-	141.169.410
Derivative instruments valuation differences	(6.343.070)	-	(11.710.594)	(18.053.664)
Property, plant and equipment and intangible assets	(81.369.968)	(34.175.753)	-	(115.545.721)
Trade payables	(2.230.540)	(14.290)	-	(2.244.830)
Other	5.402.737	3.003.952	-	8.406.689
	6.631.015	**69.682.630**	**(8.894.985)**	**67.418.660**

23. TAXATION ON INCOME (Cont’d)

Investment incentive certificate

In accordance with the Letter no. 40613 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 certificate has been completed on 20 May 2015 and the investment completion visa amounting to TL 472.729.954 was obtained on 29 June 2017. The Company utilized reduced corporate tax amounting to TL 21.094.967 TL for the years ended between the years 2010-2020 and TL 6.852.537 for the period 1 January – 31 December 2021.

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 13 February 2014 dated, 113798 numbered Investment Incentive Certificate has been arranged for the plant construction amounting to TL 495.000.000 that had started on 9 October 2013. Investment contribution rate is 60% while the tax deduction rate is 90% for the investment certificate.

In accordance with the 67577454-401.07 - E.36663 numbered Letter on 28 March 2016 from T.C. Ministry of Economy Promoting Implementation and Foreign Investment General Directorate, Aksaray Plant Investments domestic and imported machinery and equipment lists have been revised and approved and the total investment expenditure figure has been increased to TL 755.998.847. On February 9, 2021, the document was revised again and the total investment amount was increased to TL 1.238.225.012. The document has been revised again on 5 November 2021 and the total investment expenditure figure has been increased to TL 1.374.547.375. There has been no change in the supportive element of the new investment incentive document. The Company utilized reduced corporate tax amounting to TL 137.794.594 for the years ended between the years 2013-2020 and TL 247.696.629 for the period 1 January – 31 December 2021.

The duration of the investment incentive certificate received for the Company’s Aksaray Plant dated 9 October 2013 has been expanded from 9 October 2018 to 9 April 2022. With this extension, the 90% corporate tax deduction under the Aksaray large-scale investment incentive will continue to be applied to the entire Company tax base until July 2022, as in the last 5 years, regardless of the factory distinction.

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 690.443.917. Investment incentive certificates provided by the contribution rate of 25%, the tax deduction rate is 50%. The incentive certificate has been increased to TL 1.339.613.803 on 17 December 2020. The Company utilized reduced corporate tax amounting to TL 14.705.388 for the years ended between the years 2015 - 2020 and TL 17.166.677 for the period 1 January – 31 December 2021. The Decision Amending the Decision on State Aids in Investments (Decision Number: 323) was published in the Official Gazette dated 9 November 2018 and numbered 30590. According to article 2 of this published decision, the duration of the document was extended by 2 and a half years to November 2022.

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

23. TAXATION ON INCOME (Cont'd)

In line with the investment decision on the Electricity Generation, Transmission and Distribution of the Company's factory in the Aksaray Province Organized Industrial Zone, the application for the GES Energy Efficiency Investment made to the Ministry of Industry and Technology has been approved and within the scope of Regional Priority Investment, Solar Energy Investment Incentive Certificate dated 17 December 2021 and numbered 531105 was issued for the new investment with a starting date of 21 October 2021 and with the total amount of 19.940.639 TL. The investment contribution rate provided by the investment incentive certificate is 40% and the tax deduction rate is 80%.

The "Decision Amending the Decision Regarding State Aid in Investments" (Decision No. 2846) was published in the Official Gazette dated 21 August 2020 and numbered 31220. The dates 2017-2019 in paragraph 1 of Article 8 of this published decision have been changed as 2017-2022. Based on this change, the Company has obtained the right of 15% additional contribution amount and 100% tax deduction right for investment expenditures made within the scope of incentive certificates in 2021.

The Company estimates to utilize TL 1.249.793.171 reduced corporate tax in the future. In addition to this, since it is not predictable how long the benefit will be utilized, the Company recognized deferred tax asset amounting to TL 182.238.671 for the foreseeable 3 years.

24. EARNINGS PER SHARE

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

	31 December 2021	**31 December 2020**
Average number of shares during the period	30.511.687.500	30.511.687.500
Net profit for the period	1.004.575.346	539.949.789
Profit attributable to redeemed to shares	44.273.156	23.764.202
Earnings shares with nominal value of TL 1	3,147	1,692
Diluted earnings share with nominal value of TL 1	3,147	1,692

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

25. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from related parties as of 31 December 2021 mostly consist of sales transactions and have average maturity of approximately 4 days (31 December 2020: 2 days). Due to related parties as of 31 December 2021 mostly consist of purchase transactions and have average maturity of approximately 154 days (31 December 2020: 156 days).

Balances with related parties	**31 December 2021**			
	Receivables Short / Long term		**Payables Short / Long term (*)**	
	Trade	Non-Trade	Trade	Non-Trade
Shareholders				
H.Ö. Sabancı Holding A.Ş.	2.061	-	104.074	-
Bridgestone Corporation	-	-	92.125.905	1.901.732
Other related parties				
Bridgestone Europe S.A/N.V.	54.037.735	310.137	68.260.982	-
Bridgestone France S.A.	-	-	1.057.973	-
Bridgestone Italia Manufacturing S.A.	-	-	-	-
Bridgestone Poznan Sp. Z.O.O.	-	-	3.093.790	-
Bridgestone Tatabanya Termelo Kft.	-	-	-	-
Bridgestone Hispania	278.802	-	2.742.629	-
Akbank T.A.Ş. (**)	63.311.667	-	-	-
Ak Sigorta A.Ş.	15.479	-	1.686.302	-
Bridgestone Singapore Pte. Ltd.	-	-	670.824.347	-
Temsa Ulaşım Araçları San. Tic. A.Ş.	4.054.050	-	-	-
Kordsa Teknik Tekstil A.Ş.	-	-	156.898.224	-
Enerjisa Enerji Üretim A.Ş.	-	-	21.529.296	-
Enerjisa Doğalgaz Toptan Satış A.Ş.	-	-	-	-
Bridgestone (Shenyang) Steel Cord Co.	-	-	3.791.918	-
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	-	-	15.140.868	-
Bridgestone Carbon Black Co. Ltd.	-	-	6.283.254	-
Bridgestone Stargard SP.ZO.O	13.218.363	-	1.782.893	-
Akçansa Çimento Sanayi ve Ticaret A.Ş.	983.522	-	-	-
Bridgestone Plant Engineering CO. L	-	-	611.371	-
Enerjisa Müşteri Çözümleri A.Ş.	-	-	19.940.640	-
Firestone Polymers, LLC.	-	-	4.593.920	-
LASDER Lastik Sanayicileri Derneği	-	-	1.829.693	-
Other	34.139	3.550	95.484	3.285
	135.935.818	**313.687**	**1.072.393.563**	**1.905.017**

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

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

Balances with related parties	**31 December 2020**			
	Receivables		**Payables**	
	Short / Long term		**Short / Long term (*)**	
	Trade	Non-Trade	Trade	Non-Trade
Shareholders				
H.Ö. Sabancı Holding A.Ş.	-	-	29.341	-
Bridgestone Corporation	455.423	10.585	61.658.888	1.475.381
Other related parties				
Bridgestone Europe S.A/N.V.	58.529.975	951.363	50.084.013	-
Bridgestone France S.A.	825.567	-	115.418	-
Bridgestone Italia Manufacturing S.A.	-	-	935.470	-
Bridgestone Poznan Sp. Z.O.O.	1.921.011	-	-	-
Bridgestone Tatabanya Termelo Kft.	-	-	-	-
Bridgestone Hispania	4.766.943	-	440.079	-
Akbank T.A.Ş	406.485	-	-	-
Ak Sigorta A.Ş.	15.479	-	814.491	-
Bridgestone Singapore Pte. Ltd.	-	-	238.938.692	-
Temsa Ulaşım Araçları San. Tic. A.Ş.	4.927.833	-	-	-
Kordsa Teknik Tekstil A.Ş.	-	-	63.970.889	-
Enerjisa Enerji Üretim A.Ş.	-	-	7.999.988	-
Enerjisa Doğalgaz Toptan Satış A.Ş.			5.048.971	-
Bridgestone (Shenyang) Steel Cord Co.	-	-	4.305.883	-
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	-	-	13.037.265	-
Bridgestone Carbon Black Co. Ltd.	-	-	2.385.248	-
Other	795.110	2.119	2.354.185	3.299
	72.643.826	**964.067**	**452.118.821**	**1.478.680**

(*) TL 51.633.470 (31 December 2020: TL 32.305.152) of trade payables consists of long-term royalty and sales commission payable to Bridgestone Corporation.

(**) Akbank T.A.Ş. includes credit card POS receivables over 90 days.

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

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

Sales of finished goods and trade goods	**1 January- 31 December 2021**	**1 January- 31 December 2020**
Shareholders		
Bridgestone Corporation	84.175	1.028.451
Other related parties		
Bridgestone Europe SA./N.V.	802.205.042	498.859.189
Bridgestone Italia Manufacturing S.A.	1.509.450	4.271.388
Bridgestone France S.A.	-	7.684.906
Bridgestone Tatabanya Termelo	23.435.601	11.572.960
Bridgestone Poznan Sp. Z. O.O.	-	23.116.506
Bridgestone Hispania	865.840	12.385.916
Other	24.703.990	5.192.332
	852.804.098	**564.111.648**

Other sales	**1 January- 31 December 2021**	**1 January- 31 December 2020**
Shareholders		
Bridgestone Corporation	416.208	187.505
Other related parties		
Bridgestone Europe SA./N.V.	2.005.320	948.611
Other	8.041.758	2.874.174
	10.463.286	**4.010.290**

Purchases of Raw Materials, Semi Finished Goods and Consumables	**1 January- 31 December 2021**	**1 January- 31 December 2020**
Shareholders		
Bridgestone Corporation	7.947.762	3.848.093
Other related parties		
Bridgestone Singapore Pte. Ltd.	1.000.914.048	470.942.651
Kordsa Teknik Tekstil A.Ş.	230.712.845	136.676.242
Bridgestone (Shenyang) Steel Cord Co.	19.079.695	13.069.537
Bridgestone Carbon Black Co. Ltd.	17.048.950	9.013.328
Firestone Polymers, LLC.	14.118.197	2.957.809
Other	26.916.365	8.432.246
	1.316.737.862	**644.939.906**

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

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

Purchases of finished goods and trade goods	**1 January-31 December 2021**	**1 January-31 December 2020**
Shareholders		
Bridgestone Corporation	114.667.212	77.690.469
Other related parties		
Bridgestone Europe SA./N.V.	250.747.013	252.332.856
Enerjisa Enerji Üretim A.Ş.	116.293.157	66.420.533
Enerjisa Doğalgaz Toptan Satış A.Ş.	-	36.788.809
Other	5.187.167	1.090.454
	486.894.549	**434.323.121**

Purchases of services	**1 January-31 December 2021**	**1 January-31 December 2020**
Shareholders		
H. Ö. Sabancı Holding A.Ş.	151.921	-
Other related parties		
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	25.661.269	24.302.430
Aksigorta A.Ş.	26.204.644	18.710.222
Lasder Lastik San. Derneği İktisadi İşletmesi	9.142.903	8.565.394
Vista Turizm ve Seyahat A.Ş.	846.328	1.722.965
Other	1.010.450	3.087.981
	63.017.515	**56.388.992**

Rent expense	**1 January-31 December 2021**	**1 January-31 December 2020**
Other related parties		
Exsa Export Sanayi Mamulleri A.Ş.	1.593.120	1.391.880
Teknosa İç ve Dış Ticaret A.Ş.	80.322	58.704
	1.673.442	**1.450.584**

Purchase of fixed assets	**1 January-31 December 2021**	**1 January-31 December 2020**
Shareholders		
Bridgestone Corporation	15.148.293	538.544
Other related parties		
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	12.903.354	7.795.070
Bridgestone Plant Eng.	3.693.799	526.995
Bridgestone Logistics Co.	1.564.324	-
Other	24.113.470	716.059
	57.423.240	**9.576.668**

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

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

	1 January-31 December 2021	1 January-31 December 2020
Commission expense (Sales premium, Royalty, and Interest Expense (*))		
Shareholders		
Bridgestone Corporation	103.775.611	84.601.028
	103.775.611	**84.601.028**

(*) Interest expense for the royalty payable of the Company amounting to TL 37.937 is included (2020: TL 1.100.317).

	1 January-31 December 2021	1 January-31 December 2020
Financial income		
Akbank Malta	-	2.282.684
Akbank T.A.Ş.	14.239.711	1.066.633
	14.239.711	**3.349.317**
Financial expense		
Akbank Malta	55.980.129	50.277.007
Akbank T.A.Ş.	22.412.781	16.894.399
	78.392.910	**67.171.406**

	31 December 2021	31 December 2020
Demand deposits		
Akbank T.A.Ş.	66.155.261	30.432.469
	66.155.261	**30.432.469**
Time deposits (**) (Less than 3 months)		
Akbank T.A.Ş.	1.387.806.899	-
	1.387.806.899	**-**
Credit card slip receivables		
Akbank T.A.Ş.	131.285.591	51.188.993
	131.285.591	**51.188.993**
Derivative assets		
Akbank Malta	1.207.757.650	623.928.386
	1.207.757.650	**623.928.386**
Short-term financial liabilities (***)		
Akbank T.A.Ş.	14.230.734	15.708.642
	14.230.734	**15.708.642**
Long-term finacial liabilities (****)		
Akbank Malta	264.100.327	264.086.921
	264.100.327	**264.086.921**

(**) Interest rates of the Company's time deposits from related parties are 23% for TL, 0,05% for US dollar, 0,01% for EUR and maturities are in January 2022.

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

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

(***) The Company's short-term financial borrowings to related parties in the current period are factoring liabilities to Akbank T.A.Ş. regarding supplier financing in TL.

(****) The Company's long-term financial borrowings denominated in TL has obtained from Akbank T.A.Ş. Interest rate of the borrowing is 8.37% and the maturity of the borrowing is June / July 2022.

	31 December 2021	31 December 2020
Advances given		
Bridgestone France	902.321	-
Bridgestone Plant Engineering	111.264	739.800
Bridgestone Corporation	732.721	63.098
Bridgestone Europe S.A/N.V.	445.401	45.168
	2.191.707	**848.066**
Advances received		
Bridgestone Corporation	-	3.167
Bridgestone Europe SA./N.V.	1.189.727	-
	1.189.727	**3.167**

Key management personnel include members of the board of directors, executive board members. The compensation of key management consists of the payments for salary, termination indemnity, premiums, pensions, health and life insurances, rent and relocation expenses, vehicle rents, fuel and cell phones, other expenses and the provision of employee termination benefits and other provisions.

The remuneration of key managements for the year ended 31 December 2021 and 2020 are as follows:

	1 January-31 December 2021	1 January-31 December 2020
Salaries and other short-term benefits	17.350.119	13.401.122
Employment termination benefits	430.445	167.476
Other long-term benefits	287.786	252.849
	18.068.350	**13.821.447**

There is no guarantee that the Company gave or received from its related parties.

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

26. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Financial risk management

Financial risk factors

The Company’s activities expose it to a variety of financial risks: liquidity risk, market risk (including currency risk, interest rate risk), credit risk and funding risk.The Company’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize 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 Chief Financial Officer of Brisa under policies approved by the board of directors. Chief Financial Officer 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.

As of 31 December 2021, and 31 December 2020, liquidity risk analysis of the financial liabilities of the Company is as follows:

31 December 2021

Contractual Maturities	**Carrying value**	**Contractual cash flows total (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**Over 5 years (IV)**
Non-derivative financial liabilities						
Unsecured bank loans (*)	4.758.125.644	3.273.663.384	379.263.202	1.034.076.589	1.860.323.593	-
Lease liabilities	12.393.212	14.177.146	2.581.988	5.690.995	5.904.163	-
Factoring payables	19.598.877	19.598.877	4.899.719	14.699.158	-	-
Trade payables	2.807.484.397	2.835.241.578	929.045.231	1.906.196.347	-	-
Other payables	79.820.112	79.820.112	70.751.138	9.068.974	-	-
Total liabilities	**7.677.422.242**	**6.222.501.097**	**1.386.541.278**	**2.969.732.063**	**1.866.227.756**	**-**
Derivative financial liabilities						
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-
	-	-	-	-	-	-

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

26. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

(a) Liquidity risk (Cont'd)

31 December 2020

Contractual Maturities	Carrying value	Contractual cash flows total (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Unsecured bank loans (*)	3.124.857.072	2.647.844.753	284.171.129	481.973.041	1.881.700.583	-
Lease liabilities	18.312.417	20.532.865	2.850.713	7.850.941	9.831.211	
Factoring payables	22.367.509	22.367.509	5.591.877	16.775.632	-	-
Trade payables	1.199.835.053	1.211.059.202	929.045.231	282.013.971	-	-
Other payables	56.248.999	56.248.999	49.606.121	6.642.878	-	-
Total liabilities	**4.421.621.050**	**3.958.053.328**	**1.271.265.071**	**795.256.463**	**1.891.531.794**	**-**
Derivative financial liabilities						
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	(799.242)	(44.633.316)	(44.633.316)	-	-	-
	(799.242)	**(44.633.316)**	**(44.633.316)**	**-**	**-**	**-**

(*) Cash outflows from bank loans are shown in cash flows that are fixed by cross currency and interest swap agreements.

(b) Market Risk

Interest rate risk

The Company's floating interest rate loans are exposed to risk as a result of differences resulting from the re-pricing of various variable rate indicators. The goal of risk management is to optimize net interest income by keeping market interest rates in line with the company's operating policies. The Company has secured 85% of its floating rate US dollar loan against the risk of fluctuating interest rates in the market. In accordance with this policy, the Company has signed interest rate swap agreements for its floating rate loans. As of December 31, 2021 and 2020, the Company's table of interest position is as follows:

	31 December 2021	31 December 2020
Financial instruments with fixed interest rate		
Financial liabilities	4.277.628.411	2.995.888.459
Time deposits	2.960.891.694	978.385.002
Financial investments	133.920.137	201.900.603
Financial instruments with variable interest rate		
Financial liabilities	492.890.445	147.281.030

Fair value risk of fixed rate instruments:

The Company has no fixed rate financial assets and liabilities at fair value through profit or loss, and hedging derivative instruments (forward interest rate swaps) recorded under the fair value hedge accounting model. Therefore, changes in interest rates as of the reporting period will not affect profit or loss.

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

26. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

(b) Market Risk (cont'd)

Fair value risk of variable rate instruments:

	Profit / Loss		**Equity**	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2021				
Financial liabilities	-	-	-	-
Cash flow sensitivity	**-**	**-**	**-**	**-**
31 December 2020				
Financial liabilities	(248.903)	249.102	-	-
Cash flow sensitivity	**(248.903)**	**249.102**	**-**	**-**

As of 31 December 2021, cash flow sensitivity has not been calculated since the Company does not have a variable rate loan.

Foreign exchange risk

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

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

Derivative financial instruments

The derivative financial instruments of the Company consist of foreign exchange forward contracts, commodity forward contracts, option contracts and cross currency and interest rate swap contracts. At the same time, time deposits are used as a hedging instrument. 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 recognize effective portion of 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.

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

26. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

(b) Market Risk (Cont'd)

Foreign exchange risk (cont'd)

The Company's assets and liabilities denominated in foreign currencies at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021				
Foreign currency position table	**TL Equivalent (Functional currency)**	**US Dollar**	**Euro**	**JPY**	**GBP**
Cash and cash equivalents (*)	2.069.290.131	113.894.772	33.858.873	5.014.937	2.214.587
Financial investments	133.920.137	10.047.276	-	-	-
Trade receivables	142.401.242	3.866.745	4.399.226	-	1.363.166
Other receivables	272.361	360	17.735	-	-
Trade receivables from related parties	67.990.884	-	4.506.677	-	-
Other receivables from related parties	58.144	-	3.854	-	-
Current Assets	**2.413.932.899**	**127.809.153**	**42.786.365**	**5.014.937**	**3.577.753**
Trade receivables	17.409	345	-	-	713
Other receivables from related parties	264.047	-	17.502	-	-
Non-Current Assets	**281.456**	**345**	**17.502**	**-**	**713**
Total Assets	**2.414.214.355**	**127.809.498**	**42.803.867**	**5.014.937**	**3.578.466**
Trade payables	1.022.477.866	17.365.429	49.549.277	336.526.335	143.273
Trade payables to related parties	911.028.006	56.240.988	9.308.123	166.513.743	-
Other payables	8.957.967	670.858	-	-	-
Other payables to related parties	1.917.541	-	-	16.492.561	-
Short-term portion of long-term bank borrowings	1.071.600.946	80.251.265	384	-	-
Current Liabilities	**3.015.982.326**	**154.528.540**	**58.857.784**	**519.532.639**	**143.273**
Long-term bank borrowings	2.211.395.484	165.610.386	-	-	-
Long-term trade payables to related parties	-	-	-	-	-
Non-Current Liabilities	**2.211.395.484**	**165.610.386**	**-**	**-**	**-**
Total Liabilities	**5.227.377.810**	**320.138.926**	**58.857.784**	**519.532.639**	**143.273**
Net Foreign Currency Position	**(2.813.163.455)**	**(192.329.428)**	**(16.053.917)**	**(514.517.702)**	**3.435.193**
Total foreign currency amount of off-balance sheet derivative financial assets	2.787.556.069	208.758.786	-	-	-
Total foreign currency amount of off-balance sheet derivative financial liabilities	-	-	-	-	-
Net foreign currency position of derivative financial instruments	**2.787.556.069**	**208.758.786**	**-**	**-**	**-**
Net foreign currency asset/ (liability) position	**(25.607.386)**	**16.429.358**	**(16.053.917)**	**(514.517.702)**	**3.435.193**
Fair Value of Financial Instruments Used for Foreign Exchange Hedge	-	-	-	-	-
Hedged Amount of Foreign Currency Assets	**-**	**-**	**-**	**-**	**-**
Hedged Amount of Foreign Currency Liabilities	**(2.787.556.069)**	**(208.758.786)**	**-**	**-**	**-**
Export (**)	2.542.156.114	89.136.476	163.063.243	-	7.110.493
Import (**)	2.901.073.581	147.004.075	133.485.004	2.119.684.174	20.735

(*) As of 31 December 2021, the Company holds time deposits amounting to USD 37.000.000 and Euro 11.200.000 for hedge purposes in order to mitigate the exchange rate risk of import transactions that will take place in 2021. This amount is not shown in cash and cash equivalents in foreign currency position table.

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

26. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont’d)

(b) Market Risk (Cont’d)

Foreign exchange risk (cont’d)

	31 December 2020				
Foreign currency position table	**TL Equivalent (Functional currency)**	**US Dollar**	**Euro**	**JPY**	**GBP**
Cash and cash equivalents (*)	495.766.142	30.771.943	27.890.125	9.010.569	1.811.593
Financial investments	201.900.603	27.505.021	-	-	-
Trade receivables	71.512.838	4.401.487	3.150.181	-	1.088.840
Other receivables	8.777	360	681	-	-
Trade receivables from related parties	66.784.255	-	7.413.965	-	-
Other receivables from related parties	807.278	-	89.619	-	-
Current Assets	**836.779.893**	**62.678.811**	**38.544.571**	**9.010.569**	**2.900.433**
Trade receivables	9.622	345	-	-	713
Other receivables from related parties	156.784	-	17.405	-	-
Non-Current Assets	**166.406**	**345**	**17.405**	**-**	**713**
Total Assets	**836.946.299**	**62.679.156**	**38.561.976**	**9.010.569**	**2.901.146**
Trade payables	193.713.346	-	19.466.172	248.891.004	71.419
Trade payables to related parties	353.667.406	38.020.588	8.240.753	4.869.599	-
Other payables	4.924.433	670.858	-	-	-
Other payables to related parties	1.311.900	-	-	18.495.705	-
Short-term portion of long-term bank borrowings	542.016.374	73.794.855	36.106	-	-
Current Liabilities	**1.095.633.459**	**112.486.301**	**27.743.031**	**272.256.308**	**71.419**
Long-term bank borrowings	1.648.554.686	224.582.641	645	-	-
Long-term trade payables to related parties	-	-	-	-	-
Non-Current Liabilities	**1.648.554.686**	**224.582.641**	**645**	**-**	**-**
Total Liabilities	**2.744.188.145**	**337.068.942**	**27.743.676**	**272.256.308**	**71.419**
Net Foreign Currency Position	**(1.907.241.846)**	**(274.389.786)**	**10.818.300**	**(263.245.739)**	**2.829.727**
Total foreign currency amount of off-balance sheet derivative financial assets	2.043.430.011	278.377.496	-	-	-
Total foreign currency amount of off-balance sheet derivative financial liabilities	-	-	-	-	-
Net foreign currency position of derivative financial instruments	**2.043.430.011**	**278.377.496**	**-**	**-**	**-**
Net foreign currency asset/ (liability) position	**136.188.165**	**3.987.710**	**10.818.300**	**(263.245.739)**	**2.829.727**
Fair Value of Financial Instruments Used for Foreign Exchange Hedge	-	-	-	-	-
Hedged Amount of Foreign Currency Assets	-	-	-	-	-
Hedged Amount of Foreign Currency Liabilities	**(2.043.430.011)**	**(278.377.496)**	**-**	**-**	**-**
Export (**)	1.577.275.600	68.803.687	133.197.993	-	3.898.524
Import (**)	1.618.463.549	96.546.454	106.079.968	1.400.041.238	298.546

(*) In addition, as of 31 December 2020, the Company keeps time deposits amounting to USD 52.325.150 for hedging purposes in order to hedge the currency risk of import transactions to be realized in 2021. This amount is not shown in cash and cash equivalents in the currency risk statement.

(**) Rediscount of sales and purchases were not taken into consideration for the exports and imports balances denominated in foreign currency for the year ended 31 December 2021 and 2020. Exchange rates at the date of exports have been taken into consideration during computation of the export amounts in TL equivalent. Monthly average exchange rate was used in calculating the TL equivalent of imports.

26. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

(b) Market Risk (cont'd)

Foreign exchange 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 analysis table

	31 December 2021			
	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%				
1 - USD net asset / liability	21.631.379	(21.631.379)	(278.755.607)	278.755.607
2- Hedged USD (-)	-	-	278.755.607	(278.755.607)
3- USD net effect (1 +2)	**21.631.379**	**(21.631.379)**	-	-
Change in Euro against TL by 10%				
4 - Euro net asset / liability	(24.380.156)	24.380.156	-	-
5 - Hedged Euro (-)	-	-	-	-
6- Euro net effect (4+5)	**(24.380.156)**	**24.380.156**	**-**	**-**
Change in other currencies against TL by 10%				
7- Other currencies net asset / liability	188.039	(188.039)	-	-
8- Hedged other currencies (-)	-	-	-	-
9- Other currencies net effect (7+8)	**188.039**	**(188.039)**	**-**	**-**
TOTAL (3+6+9)	**(2.560.738)**	**2.560.738**	**-**	**-**

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

26. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

(b) Market Risk (cont'd)

Foreign exchange risk (cont'd)

Foreign currency sensitivity analysis table

	31 December 2020			
	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%				
1 - USD net asset / liability	2.927.179	(2.927.179)	(204.295.898)	204.295.898
2- Hedged USD (-)	-	-	204.295.898	(204.295.898)
3- USD net effect (1 +2)	**2.927.179**	**(2.927.179)**	**-**	**-**
Change in Euro against TL by 10%				
4 - Euro net asset / liability	9.745.016	(9.745.016)	-	-
5 - Hedged Euro (-)	-	-	-	-
6- Euro net effect (4+5)	**9.745.016**	**(9.745.016)**	**-**	**-**
Change in other currencies against TL by 10%				
7- Other currencies net asset / liability	946.622	(946.622)	-	-
8- Hedged other currencies (-)	-	-	-	-
9- Other currencies net effect (7+8)	**946.622**	**(946.622)**	**-**	**-**
TOTAL (3+6+9)	**13.618.817**	**(13.618.817)**	**-**	**-**

26. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont’d)

(b) Market Risk (cont’d)

Forward contracts

None (31 December 2020: None).

The detail information on foreign currency denominated borrowings and cross currency swap transactions is given in disclosures of derivative financial instruments (Note 5).

(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.

Bank deposits, credit card receivables and derivative financial instruments are being held at reputable banks and financial institutions.

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

26. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

(d) Credit Risk (cont'd)

As of 31 December 2021, the credit risk regarding the financial instruments is as follows:

Credit risk regarding the financial instruments	**Receivables**							
	Trade Receivables		**Other Receivables**					
31 December 2021	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties(*)**	**Bank Deposits**	**Financial Investments**	**Derivative Financial Instruments**	**Other**
Maximum credit risk based on financial instruments as of reporting date	135.935.818	924.866.030	313.687	10.363.707	3.344.879.174	133.920.137	2.121.127.694	-
- Collateralized or secured with guarantees part of maximum credit risk	-	472.533.032	-	-	-	-	-	-
A. Net book value of not due or not impaired financial assets	82.112.408	831.173.148	313.687	10.363.707	3.344.879.174	133.920.137	2.121.127.694	-
B. Net book value of past due but not impaired financial assets	53.823.410	93.692.882	-	-	-	-	-	-
- Collateralized or guaranteed part	-	49.697.565	-	-	-	-	-	-
C. Net book value of impaired financial assets								
- Gross amount of overdue part	-	144.671.085	-	-	-	-	-	-
- Impairment (-)	-	(142.908.585)	-	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	1.762.500	-	-	-	-	-	-
- Gross amount of not due part	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-	-
D. Off-balance sheet items comprising credit risk	-	-	-	-	-	-	-	-

(*) Receivables from tax office and deposits & guarantees given are not included.

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

26. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont’d)

(d) Credit Risk (cont’d)

As of 31 December 2020, the credit risk regarding the financial instruments is as follows:

Credit risk regarding the financial instruments	Receivables							
	Trade Receivables		Other Receivables					
31 December 2020	Related Parties	Third Parties	Related Parties	Third Parties(*)	Bank Deposits	Financial Investments	Derivative Financial Instruments	Other
Maximum credit risk based on financial instruments as of reporting date	72.643.826	690.320.422	964.067	8.687.771	1.335.061.453	201.900.603	1.031.342.769	-
- Collateralized or secured with guarantees part of maximum credit risk	-	472.533.032	-	-	-	-	-	-
A. Net book value of not due or not impaired financial assets	8.875.184	618.408.024	964.067	8.687.771	1.335.061.453	201.900.603	1.031.342.769	-
B. Net book value of past due but not impaired financial assets	63.768.642	71.912.398	-	-	-	-	-	-
- Collateralized or guaranteed part	-	54.752.856	-	-	-	-	-	-
C. Net book value of impaired financial assets								
- Gross amount of overdue part	-	147.182.302	-	-	-	-	-	-
- Impairment (-)	-	(145.419.802)	-	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	1.762.500	-	-	-	-	-	-
- Gross amount of not due part	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-	-
D. Off-balance sheet items comprising credit risk	-	-	-	-	-	-	-	-

(*) Receivables from tax office and deposits & guarantees given are not included.

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

26. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (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 period.

The aging table of the Company's overdue but not impaired trade receivables including due from related parties is as follows:

	31 December 2021	31 December 2020
Between 0 - 1 months	129.734.486	102.565.566
Between 1 - 3 months	966.393	8.051.656
Between 3 - 12 months	16.815.413	25.063.818
	147.516.292	**135.681.040**

As of 31 December 2021, collaterals amounting to TL 49.697.565 have been received for receivables from third parties (31 December 2020: TL 54.752.856).

The Company calculates ECL's based on previous year's credit losses experience, analysis of customers' current financial situation and future expectations. The Company performs the ECL rate calculations separately for customers. The Company makes evaluations separately for export customers and other private customers and provides a provision where necessary. The Company has applied the doubtful receivable provision methodology by taking into consideration the dealers' remaining receivables after deducting existing collaterals, the credit risk score of the creditors evaluated by independent credit rating firms and payment history.

The tables below provide information on credit risk for trade receivables as of 31 December 2021 and 31 December 2020, credit losses, and exposure to ECL.

31 December 2021	%	Gross Trade Receivables(*)	Doubtful Receivables Provision
Domestic – Dealers	21%	619.782.155	127.217.284
Export Receivables	5%	167.301.069	8.435.499
Receivables from Automotive Manufacturers	-	179.110.916	419.963
Domestic – Customers	5%	139.152.873	6.835.839
Trade Receivables from Related Parties	-	135.935.818	-
	12%	**1.241.282.831**	**142.908.585**

31 December 2020	%	Gross Trade Receivables(*)	Doubtful Receivables Provision
Domestic – Dealers	31%	431.559.056	131.879.242
Export Receivables	9%	86.102.493	7.522.137
Receivables from Automotive Manufacturers	2%	138.684.035	3.464.071
Domestic – Customers	1%	199.820.035	2.554.352
Trade Receivables from Related Parties	-	72.643.826	-
	16%	**928.809.445**	**145.419.802**

(*) Gross trade receivables do not include unearned credit finance income amounting to TL 37.572.398 (31 December 2020: TL 20.425.395).

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

26. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

(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.

the Company monitors capital on the basis of the net debt/(equity+net debt) ratio. Net debt is calculated as total bank borrowings less cash and cash equivalents.

Capital risk management	**31 December 2021**	**31 December 2020**
Net financial debt (Note 4)	(613.301.741)	669.111.676
Equity	2.309.092.308	1.438.386.971
Equity + Net debt	**1.695.790.567**	**2.107.498.647**
Net financial debt / (Equity + Net financial debt) ratio	**(0,36)**	**0,32**

(f) Operational risk

Operational risk the is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, employees, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the activities of the Company. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate distribution of duties and responsibilities, including independent authorization of transactions
- Requirements for reconciliation and oversight of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risk identified
- Requirements for reporting operational losses and proposed remedial action
- Development of emergency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation remedies, including insurance where this is effective

Compliance with the Company standards is supervised by a periodic audit program conducted by Internal Audit. The results of the internal audit review are reported to the management of the relevant operational department and shared with the Audit Committee and senior management.

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

27. FINANCIAL INSTRUMENTS

Classes and fair values of financial instruments

31 December 2021	Financial assets shown at amortized cost	Financial liabilities shown at amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Carrying value	Note
Financial assets						
Cash and cash equivalents	3.344.879.436	-	-	-	3.344.879.436	3
Financial investments	133.920.137	-	-	-	133.920.137	3
Trade receivables	924.866.030	-	-	-	924.866.030	6
Receivables from related parties	135.935.818	-	-	-	135.935.818	6-25
Other receivables (*)	11.017.251	-	-	-	11.017.251	7
Derivative financial assets	-	-	2.121.127.694	-	2.121.127.694	5
	4.550.618.672	**-**	**2.121.127.694**	**-**	**6.671.746.366**	
Financial liabilities						
Financial liabilities	-	4.790.117.733	-	-	4.790.117.733	4
Trade payables	-	1.735.090.834	-	-	1.735.090.834	6
Payables to related parties	-	1.072.393.563	-	-	1.072.393.563	6-25
Other payables	-	37.678.275	-	-	37.678.275	7
Derivative financial liabilities	-	-	-	-	-	5
	-	**7.635.280.405**	**-**	**-**	**7.635.280.405**	

Classes and fair values of financial instruments

31 December 2020	Financial assets shown at amortized cost	Financial liabilities shown at amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Carrying value	Note
Financial assets						
Cash and cash equivalents	1.335.061.833	-	-	-	1.335.061.833	3
Financial investments	201.900.603	-	-	-	201.900.603	3
Trade receivables	690.320.422	-	-	-	690.320.422	6
Receivables from related parties	72.643.826	-	-	-	72.643.826	6-25
Other receivables (*)	10.050.239	-	-	-	10.050.239	7
Derivative financial assets	-	-	1.031.342.769	-	1.031.342.769	5
	2.309.976.923	**-**	**1.031.342.769**	**-**	**3.341.319.692**	
Financial liabilities						
Financial liabilities	-	3.165.536.998	-	-	3.165.536.998	4
Trade payables	-	747.716.232	-	-	747.716.232	6
Payables to related parties	-	452.118.821	-	-	452.118.821	6-25
Other payables	-	22.997.323	-	-	22.997.323	7
Derivative financial liabilities	-	-	-	-	-	5
	-	**4.388.369.374**	**-**	**-**	**4.388.369.374**	

(*) Receivables from tax office are not included.

27. FINANCIAL INSTRUMENTS (Cont’d)

Fair value of financial instruments

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

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

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

Monetary assets

Foreign currency denominated balances are translated into Turkish Lira at the forex buying exchange rates at the end of the period. It is foreseen that fair values are close to the carrying value.

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. (Note 4).

Fair value estimation:

The Company’s financial instruments measured at fair value in the balance sheet reclassified as flows:

Level 1: Quoted prices in markets for assets and liabilities.

Level 2: Direct or indirect observable inputs for the assets or liabilities other than quoted prices in Market.

Level 3: Inputs for the assets and liabilities where observable market data cannot be determined.

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

27. FINANCIAL INSTRUMENTS (Cont’d)

Financial Assets /Financial Liabilities	Fair Value				Fair value Hierarchy	Valuation Technique	Signifi-cant unob-servable inputs	Relati-onship of unobv-servable inputs to fair value
	31 December 2021		**31 December 2020**					
	Assets	**Liabilities**	**Assets**	**Liabilities**				
Forward contracts	-	-	-	-	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	2.121.127.694	-	1.030.543.527	-	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	-	-	-	-	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.	-	-
Commodity swap	-	-	799.242	-	2	Discounted cash flow method	-	-

	Level 1	**Level 2**	**Level 3**
31 December 2021			
Fair value through other comprehensive income, (net)	-	2.121.127.694	-
31 December 2020			
Derivative financial instruments, (net)	-	1.031.342.769	-

28. EVENTS AFTER THE REPORTING PERIOD

- Pursuant to the application made to the Competition Authority in order to complete the acqusition of Arvento M2M Elektronik Sistemleri Sanayi Ticaret A.Ş. shares representing 88.89% of total share capital, the necessary permits for the contemplated transaction have been granted on 20 January 2022 by the Competition Board.

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

28. EVENTS AFTER THE REPORTING PERIOD (Cont'd)

- Pursuant to Board Resolution on 27 January 2022, Neslihan DÖNGEL ÖZLEM will be appointed as Chief Financial Officer as of March 1st, 2022. CFO Reşat Oruç shall be appointed as Head of Finance, BSEMIA Operations in Bridgestone EMIA and will be leaving Brisa as of March 1st, 2022.

- 22nd Collective Labor Agreement Negotiatons with Türkiye Petrol, Kimya and Lastik Sanayi İşçileri Sendikası will be held on 10 February 2022.

29. OTHER MATTERS THAT MAY AFFECT THE FINANCIAL STATEMENTS OR MUST BE EXPLAINED FOR THE FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND UNDERSTANDABLE

A Share Purchase Agreement dated 14 December 2021 was signed by and among Brisa, and Özer Hıncal and Track Holdings S.A.R.L. with regard to the acquisition of Arvento M2M Electronic Systems Industry and Trade Inc. shares representing 88.89% of total share capital by Brisa for a consideration of TL 291.469.028,30.

30. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR

	1 January-31 December 2021	**1 January-31 December 2020**
Audit fee for the reporting period	299.000	260.000
Fees for tax advisory services	-	-
Fee for other assurance services	-	20.425
Fees for services other than audit	-	-
Total	**299.000**	**280.425**