Tümosan Engine and Tractor Industry Inc.

Financial statements and independent audit report for the period December 31, 2011, 2010 and 2009

Tümosan Engine and Tractor Industry Inc.

Contents

The accompanying accounting policies and notes on pages 7 to 61 are an integral part of these financial statements.

Güney Independent
Audit and Certified
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Independent audit report

To the Board of Management of Tümosan Engine and Tractor Industry Inc.;

1. We have audited the accompanying balance sheets of Tümosan Engine and Tractor Industry Inc. (hereinafter "Tümosan" or the "Company") prepared as at December 31, 2011, 2010 and 2009 and its statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

The Company management's responsibility for the financial statements

2. The Company's management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting standards published by the Capital Markets Board. This responsibility includes designing, implementing and maintaining the necessary internal control system relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, making accounting estimates that are reasonable in the circumstances and selecting appropriate accounting policies.

Responsibility of the independent auditing company

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the independent auditing standards promulgated by the Capital Markets Board. These standards require that we comply with ethical requirements and plan and perform the independent audit in such a manner that it may be ascertained with reasonable assurance whether the financial statements give a true and fair view.

4. Our audit involves using independent audit techniques to obtain audit evidence about the amounts and disclosures in the financial statements. The selection of independent audit techniques depends on our professional judgment, including the assessment of the risk of "material misstatements" in the financial statements due to error or fraud. In assessing this risk, the Company's internal control system has been considered. Our purpose, however, is not to express an opinion on the effectiveness of the internal control system but to establish the relationship between the financial statements prepared by the Company's management and the internal control system in order to design the independent audit techniques that are appropriate in the circumstances. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

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

ERNST & YOUNG

Basis for qualified opinion

6. As we were not appointed as auditors of the Company as of December 31, 2010, 2009 and 2008, we were not able to participate in the physical count of the inventories amounting to TL 30,208,962, TL 29,473,632 and TL 27,154,305 respectively, and test inventory quantities retrospectively by using alternative methods bacause of high transaction volumes.

Qualified opinion

7. In our opinion, the accompanying financial statements give, except the effects of possible adjusting entries relating to the matter mentioned in the aforementioned section "Basis for qualified opinion", a true and fair view of the financial position of Tümosan Engine and Tractor Industry Inc. as of as of December 31, 2011, 2010 and 2009 and of its financial performance and cash flows for the years then ended in accordance with the financial reporting standards promulgated by the Capital Markets Board.

Güney Independent Audit and Certified Public Accountancy Inc.
A member firm of Ernst & Young Global Limited
Metin Canoğulları, CPA
Reponsible Partner, Chief Auditor
June 1, 2012
Istanbul, Turkey

Tümosan Engine and Tractor Industry Inc.

Balance sheets as of December 31, 2011, 2010, 2009 and December 31, 2008

(Currency: Turkish Lira (TL))

		Current period	Prior period	Prior period	Prior period
		Audited	Audited	Audited	
Assets	Note references	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Current assets		132,743,552	64,414,089	38,907,087	44,585,680
Cash and cash equivalents	5	288,474	4,072,812	248,208	66,379
Trade receivables	8	31,485,477	11,857,672	2,408,038	8,434,728
Receivables from related parties	27	986,243	5,045,741	1,090,308	6,874
Inventories	9	79,909,072	32,218,122	30,672,996	32,647,776
Other current assets	17	20,074,286	11,219,742	4,487,537	3,429,923
Fixed assets		145,871,009	40,309,740	42,369,335	43,898,248
Tangible fixed assets, net	10	82,621,444	37,015,764	35,854,784	36,909,362
Intangible fixed assets, net	11	528,805	1,258,262	69,475	58,912
Investment property	13	1,676,679	1,715,290	1,753,901	1,792,512
Receivables from related parties	27	60,975,839	-	-	-
Other fixed assets	17	68,242	120,909	127,991	327,471
Deferred tax receivable	25		199,515	4,563,184	4,809,991
Total assets		278,614,561	104,723,829	81,276,422	88,483,928

		Current period	Prior period	Prior period	Prior period
		Audited	Audited	Audited	
Liabilities	Note references	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Short-term liabilities		123,240,954	48,933,137	46,690,462	84,823,621
Financial payables	6	26,103,263	13,735,390	23,076,890	24,230,545
Trade payables	8	85,860,314	28,558,014	10,334,815	12,395,065
Payables to related parties	27	4,978	4,241	9,461,259	42,528,397
Tax liability on income for the period	25	2,283,955	-	-	-
Debt provisions	14	5,161,229	3,942,279	782,820	1,487,358
Provisions for employee benefits	16	333,770	256,338	109,313	69,991
Other short-term liabilities	17	3,493,445	2,436,875	2,925,365	4,112,265
Long-term liabilities		13,357,477	7,096,471	2,170,189	15,242,112
Financial payables	6	10,219,786	5,926,334	_	13,206,104
Provisions for employee benefits	16	1,303,786	1,170,137	555,386	421,205
Long-term debt provisions	14	-	-	1,614,803	1,614,803
Other long-term liabilities	17	717,690	-	-	-
Deferred tax liability	25	1,116,215	"	"	"
Equity		142,016,130	48,694,221	32,415,771	(11,581,805)
Equity					
Paid-in capital	18	55,950,000	55,950,000	55,000,000	12,000,000
Reserves on retained earnings	18	85,576	85,576	85,576	85,576
Special funds		-	-	950,000	-
Tangible fixed assets valuation fund	2.3.1	39,371,136	-	-	-
Accumulated losses	18	(7,341,355)	(23,619,805)	(23,667,381)	(23,667,381)
Net income for the period		53,950,773	16,278,450	47,576	"
Total liabilities and equity		278,614,561	104,723,829	81,276,422	88,483,928

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The accompanying accounting policies and notes on pages 7 to 61 are an integral part of these financial statements.

Tümosan Engine and Tractor Industry Inc.

Statements of comprehensive income for the years ended December 31, 2011, 2010 and 2009

(Currency: Turkish Lira (TL))

		Current period	Prior period	Prior period
		Audited	Audited	Audited
	Note references	January 1 - December 31, 2011	January 1 - December 31, 2010	January 1 - December 31, 2009
Real operating income				
Sales revenue	19	411,417,514	181,112,931	59,031,828
Cost of sales (-)	19	(320,783,822)	(146,378,583)	(49,637,120)
Gross profit	19	90,633,692	34,734,348	9,394,708
Research and development expenses (-)	20	(1,574,455)	(779,383)	(950,409)
Marketing, sales and distribution expenses (-)	20	(15,894,098)	(8,872,279)	(3,596,298)
General administrative expenses (-)	20	(4,076,615)	(2,566,652)	(2,406,462)
Other operating income	22	2,271,180	1,927,914	807,146
Other operating expense (-)	22	(2,588,278)	(248,569)	(593,974)
Operating profit		68,771,426	24,195,379	2,654,711
Financial income	23	9,373,072	2,638,582	3,273,104
Financial expenses (-)	24	(11,760,636)	(6,191,842)	(5,633,432)
Profit before tax		66,383,862	20,642,119	294,383
Tax expense				
- Tax expense for the period (-)	25	(13,189,524)	-	-
- Deferred tax income/(expense)	25	756,435	(4,363,669)	(246,807)
Net income for the period		53,950,773	16,278,450	47,576
Other comprehensive income/(expense): Tangible fixed asset revaluation fund	2.3.1	41,443,301		
Tax effect		(2,072,165)		
Other comprehensive income (after tax)		39,371,136	-	-
Total comprehensive income		93,321,909	16,278,450	47,576
Earnings per share attributable to major shareholders (full TL)	26	0.5138	0.1550	0.0005
Weighted average number of shares (average share for 1 TL)		105,000,000	105,000,000	105,000,000

The accompanying accounting policies and notes on pages 7 to 61 are an integral part of these financial statements.

Tümosan Engine and Tractor Industry Inc.

Cash-flow statements for the years ended December 31, 2011, 2010 and 2009
(Currency: Turkish Lira (TL))

	Capital	Special funds (Note 18)	Tangible fixed assets valuation fund (Note 2.3.1)	Reserves on retained earnings	Accumulated losses and net income for the period	Total
December 31, 2008	12,000,000	-	-	85,576	(23,667,381)	(11,581,805)
Capital increase	43,000,000					43,000,000
Transactions with shareholders	-	950,000	-	-	-	950,000
Net income for the period			-	-	47,576	47,576
Total comprehensive income	-	-	-	-	47,576	47,576
December 31, 2009	55,000,000	950,000	-	85,576	(23,619,805)	32,415,771
January 1, 2010	55,000,000	950,000	-	85,576	(23,619,805)	32,415,771
Transfers	950,000	(950,000)	-	-	-	-
Net income for the period	-	-	-	-	16,278,450	16,278,450
Total comprehensive income	-	-	-	-	16,278,450	16,278,450
December 31, 2010	55,950,000	-	-	85,576	(7,341,355)	48,694,221
January 1, 2011	55,950,000	-	-	85,576	(7,341,355)	48,694,221
Net income for the period					53,950,773	53,950,773
Effect of change in accounting policies	-	-	39,371,136	-	-	39,371,136
Total comprehensive income	-	-	39,371,136		53,950,773	93,321,909
December 31, 2011	55,950,000	-	39,371,136	85,576	46,609,418	142,016,130

Notes to the financial statements for the years ended December 31, 2011, 2010 and 2009
(Currency: Turkish Lira (TL))

	Note references	Current period Audited January 1 - December 31, 2011	Prior period Audited January 1 - December 31, 2010	Prior period Audited January 1 - December 31, 2009
Net profit before tax				
Reconciliation of net income to net cash provided by operating activities:		66,383,862	20,642,119	294,383
Depreciation, amortisation and depletion	10,11,13	3,647,940	2,331,328	2,540,383
Provision for severance payments	16	230,608	713,361	277,934
Provision for doubtful receivables	8	201,095	46,663	60,671
Provision for inventories	9	895,018	768,886	241,195
Loss on sale of tangible fixed assets	22	906,992	-	-
Provision for unused vacation entitlements	16	77,432	147,025	39,322
Provision for warranties, net	14	2,885,172	1,493,237	(704,538)
Discount (income)/expenses, net		(1,041,981)	(160,830)	100,800
Provision for lawsuits	14	(51,419)	51,419	-
Interest and factoring expenses	24	1,320,844	3,096,379	1,704,516
Interest income	23	(3,381,241)	(257)	(10,507)
Net cash from/(used in) operating activities before changes in operating assets and liabilities		72,074,322	29,129,330	4,544,159
Change in assets and liabilities				
Trade and other receivables, net		(20,062,249)	(9,767,362)	5,596,088
Commercial transactions with related parties, net		9,190	(45,280)	(44,346)
Inventories		(48,585,968)	(2,314,012)	1,733,585
Other current assets		(8,854,544)	(6,731,948)	(1,057,614)
Other fixed assets		52,667	7,082	199,480
Trade payables		58,577,630	18,655,094	(1,791,119)
Other liabilities and provisions		1,056,570	(488,487)	(1,186,900)
Other long-term liabilities and provisions		(897,113)	-	-
Severance payments paid	16	(96,959)	(98,610)	(143,753)
Taxes paid		(10,905,569)	-	“
Net cash from operating activities		42,367,977	28,345,807	7,849,580
Cash used in investing activities				
Purchases of tangible and intangible fixed assets	10, 11	(8,731,051)	(4,642,485)	(1,457,757)
Proceeds from the sale of tangible fixed assets		781,804	-	-
Interest received		251,843	257	10,507
Advances given to related parties		(57,846,441)		
Net cash used in investing activities		(65,543,845)	(4,642,228)	(1,447,250)
Net cash used in financial activities				
Bank loans obtained		29,050,002	5,926.074	852,054
Loans and financial payables paid		(13,388,736)	(11,871,332)	(15,540,294)
Interest paid		(320,784)	(606,546)	(1,376,035)
non-trade transactions with related parties, net		4,051,048	(13,367,171)	8,893,774
Capital increase		-	-	950,000
Net cash from/(used in) financial activities		19,391,530	(19,918,975)	(6,220,501)
Net (decrease)/increase in cash and cash equivalents		(3,784,338)	3,784,604	181,829
Cash and cash equivalents at the beginning of the period	5	4,032,812	248,208	66,379
Cash and cash equivalents at the end of the period	5	248,474	4,032,812	248,208

(Currency: Turkish Lira (TL))

1. Company's organization and area of activity

Tümosan Engine and Tractor Industry Inc. (formerly Alçelik Steel Structure Construction Industry and Trade Inc.) (hereinafter "Tümosan" or the "Company") was established in 1975 to produce engine parts, transmission organs and similar equipment, but later on has concentrated its activities in the production of diesel engines and tractors. Tümosan, being Turkey's first diesel-engine manufacturer, has been supplying diesel engines for tractors manufactured under the same brand, as well as other manufacturers of diesel-powered vehicles for many years.

The Company was included in the privatization program on August 18, 1998, and the Company's shares belonging to the Mechanical and Chemical Industry Corporation were transferred to the Privatization Administration and it was decided to complete the privatization process within one year.

Four companies participated in the tender held on April 24, 2000. At the end of the tender, Anadolu Joint Venture Group ranked first and Konya Selçuklu Joint Venture Group ranked second. As the entrepreneurs determined to be the buyers as per the tender result were not able to sign the sales contract offered to them respectively within the given time period, the tender could not be concluded positively and their tender guarantees were forfeited in connection therewith.

Tümosan, which continued its activities limitedly after the tender, was attached to Sümer Holding on February 7, 2003.

The second tender for its privatization was announced in 2004 and Alçelik Steel Construction Industry and Trade Inc. purchased Tümosan by means of an asset sale and the transfer was completed on July 1, 2004.

The Company's headquarters and factory are located at the following addresses:

<u>Head Office:</u>

Istanbul World Trade Centre A3 Blok Kat: 8, 34149-Istanbul/Tukey

<u>Factory:</u>

Büyükkayacık Mahallesi Aksaray Çevre Yolu Caddesi No: 7/1 Selçuklu, Konya/Turkey

Information on the Company's shareholders and their shares is as follows:

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Ereğli Textile Tourism Industry and Trade Inc.	78.18%	78.18%	78.18%	
Muzaffer Albayrak	6.27%	6.27%	3.11%	14.25%
Ahmet Albayrak (son of Ahmet)	3.11%	3.11%	3.11%	14.25%
Bayram Albayrak	3.11%	3.11%	3.11%	14.25%
Nuri Albayrak	3.11%	3.11%	3.11%	14.25%
Kazım Albayrak	3.11%	3.11%	3.11%	14.25%
Mustafa Albayrak	3.11%	3.11%	3.11%	14.25%
Ahmet Albayrak (son of Kazım)			3.16%	14.50%
	100%	100%	100%	100%

The Company is controlled by the Albayrak Family although Ereğli Textile Tourism Industry and Trade Inc. is the main shareholder.

As of September 30, 2011, the average number of white-collar workers employed by the Company is 99 (2010 - 85; 2009 - 88) and the number of blue-collar workers is 306 (2010 - 164; 2009 - 130).

2. Basis of presentation of financial statements

2.1 Basis of presentation

Applied financial reporting standards

The financial statements of the Company are prepared in accordance with the financial reporting standards adopted by the Capital Markets Board (CMB) ("CMB Financial Reporting Standards"). CMB's "Communiqué on Principles Relating to Financial Reporting in Capital Markets" (Serial: XI, No: 29) sets down the principles and procedures pertaining to financial reports to be prepared by entities and the preparation and submission of financial reports. In accordance with this Communiqué, entities are required to prepare their financial statements in accordance with International Financial Reporting Standards ("IAS / IFRS") as in the form accepted by the European Union. However, IAS / IFRS will be applied until the differences of IAS / IFRS accepted by the European Union from those published by the International Accounting Standards Board ("IASB") are announced by the Turkish Accounting Standards Board ("TASB"). In this context, Turkish Accounting Standards / Financial Reporting Standards ("TAS / TFRS") published by TASB that are not contrary to the adopted standards will be taken as a basis.

The Company prepared its financial statements in prior periods, incuding the year ended January 1, 2008, in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the requirements Uniform Chart of Accounts issued by the Ministry of Finance of the Republic of Turkey ("Ministry of Finance"). Financial statements for the year ended December 31, 2008 are the first financial statements which the Company prepared in accordance with CMB Financial Reporting Standards. The disclosures regarding the application of CMB Financial Reporting Standards for the first time are given in Note 2.5.

By a decision of 17 March 2005 which would be effective from 1 January 2005, CMB announced that the implementation of inflation accounting was not required for companies operating in Turkey and preparing financial statements according to CMB Financial Reporting Standards. Accordingly, IAS 29 "Financial Reporting in Hyperinflationary Economies" published by IASB has not been applied in financial statements since January 1, 2005.

As at the date of preparation of the financial statements, the financial statements have been prepared within the frame of the CMB's Communiqué Serial: XI, No. 29 and announcements clarifying this Communiqué in accordance with the CMB Financial Reporting Standards which are based on IAS / IFRS. The financial statements and notes thereof are presented in accordance with the formats recommended by CMB's announcements dated April 14, 2008 and January 9, 2009 and with the inclusion of the mandatory information.

The Company complies with the principles and requirements of CMB, the Turkish Commercial Code ("TCC"), tax legislation and the requirements Uniform Chart of Accounts issued by the Ministry of Finance of the Republic of Turkey ("Ministry of Finance") in keeping accounting records and preparation of financial statements. The financial statements have been prepared by applying the necessary adjustments and classifications to the statutory records in order to present them correctly in accordance with the CMB Financial Reporting Standards. The financial statements have been prepared on the historical cost basis except for lands for which revaluation model was initiated as of December 31, 2011.

The Company's balance sheets for December 31, 2011, 2010 and 2009 and statements of comprehensive income for the years then ended prepared in accordance with the CMB's Communiqué Serial: XI No. 29 were approved for publication by the Company Management on June 1, 2012. The General Meeting of Shareholders and various regulatory bodies have the right to amend the financial statements.

2. Basis of presentation of financial statements (continued)

Functional and presentation currency

The functional and presentation currency of the Company is accepted as TL.

2.2 Changes in accounting policies

Standards issued but not yet effective and not applied early

The new standards, interpretations and amendments published as of the date of approval of the financial statements but not yet effective for the current reporting period and not applied early by the Company are as follows. Unless otherwise stated, the Company will make the necessary changes that will affect its financial statements and notes after the entry into force of the new standards and interpretations.

IAS 1 Presentation of Financial Statements (Revised) - Presentation of Components of Other Comprehensive Income (Statement of Comprehensive Income)

The amendments are effective for annual periods beginning on or after 1 July 2012, but early application is allowed. The amendments made only change the grouping of items shown in the statement of other comprehensive income. Items that can be classified (or that may be reversed) in the income statement at a future date will be shown separately from items that can never be classified in the income statement. The amendments will be applied retrospectively. This standard has not yet been adopted by the European Union. The amendment only affects basis of presentation and will not have an impact on the Company's financial position or performance.

IAS 12 Income Taxes - Recovery of Underlying Assets (Amendment)

The amendment is effective for annual periods beginning on or after January 1, 2012, but early application is permitted. IAS 12 has been updated due to the fact that i) deferred taxes on investment property, which are measured with the fair value model under IAS 40, are calculated on the basis of the recovery of the carrying amount of property through sale, as rebuttable presumption, and ii) deferred taxes on non-depreciable assets, which are measured with the revaluation model within IAS 16, should always be calculated on a sale basis. The amendments will be implemented retroactively. This amendment has not yet been adopted by the European Union. It is not expected that this amendment will have a significant effect on the Company's financial position or performance.

IAS 19 Employee Benefits (Revised)

The standard is effective for annual periods beginning on or after January 1, 2013 and earlier application is permitted. Except for some exceptions, it will be implemented retroactively. Within the scope of the amendment to the standard, either many issues were clarified or amendments were made in the implementation. The most important ones of the many amendments that have been made are the removal of the application of the mechanism of indemnification corridor and the determination of the distinction of short- and long-term employee benefits according to the estimated date of payment of the obligation rather than according to the principle of employee's entitlement. This standard has not yet been adopted by the European Union. The Company is assessing the effects of the amended standard on its financial position and performance.

2. Basis of presentation of financial statements (continued)

IAS 27 Separate Financial Statements (Revised)

As a result of the publication of IFRS 10 and IFRS 12, IASB has also amended IAS 27. As a result of the amendments, IAS 27 now includes only the accounting of subsidiaries, jointly controlled entities and associated companies in separate financial statements. The transitional provision of these amendments are the same as in IFRS 10. This standard has not yet been adopted by the European Union. It is not expected that this amendment will have any impact on the Company's financial position or performance.

IAS 28 Investments in Associates and Joint Ventures (Amendment)

As a result of the publication of IFRS 11 and IFRS 12, IASB also amended IAS 28 and changed the name of the standard as IAS 28 Investments in Associates and Joint Ventures. With this amendment, equity method of accounting has also been introduced for joint ventures in addition to associates. The transitional provisions of these amendments are the same as IFRS 11. This standard has not yet been adopted by the European Union. It is not expected that this standard will have any effect on the Company's financial position or performance.

IAS 32 Financial Instruments: Presentation - Offsetting of Financial Assets and Liabilities (Amendment)

The amendment clarifies the meaning of the expression "presence of a legal right available on offsetting the amounts accounted for" and clarifies the application area of IAS 32 offsetting principle in accounting systems (such as clearing offices) which are not realised simultaneously and where gross settlement is made. The amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014. It is not expected that this standard will have a material effect on the Company's financial position or performance.

IFRS 7 Financial Instruments: Disclosures - Enhanced Disclosure Requirements - Derecognition (Amendment)

The intent of the amendment is to ensure that financial statement readers better understand transfer transactions (such as securitization) of financial assets - including possible risks that may remain on the party that transfers the financial asset. Furthermore, the amendment introduces additional disclosure requirements where disproportionate financial asset transfer transactions are made towards the end of the accounting period. This amendment has not yet been adopted by the European Union. The amendment is effective for annual periods beginning on or after July 1, 2011. It is not mandatory to give comparative disclosures. The amendment affects disclosure rules only and will not have an impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures - Offsetting of Financial Assets and Liabilities (Amendment)

The clarifications provide useful information to the users of financial statmements i) for the assessment of the effects and possible effects of transactions that are set off on the company's financial position, and ii) for the comparison and analysis of financial statements prepared in accordance with IFRS and other generally accepted accounting principles. This amendment has not yet been adopted by the European Union. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2013 and interim periods therein. The amendment affects disclosure rules only and will not have an impact on the financial position or performance of the Company.

2. Basis of presentation of financial statements (continued)

IFRS 9 Financial Instruments - Classification and Disclosure

With the amendment made in December 2011, the new standard will be effective for annual periods beginning on or after 1 January 2015. The first phase of the standard IFRS 9 Financial Instruments introduces new provisions for the measurement and classification of financial assets and liabilities. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and the measurement of financial liabilities that are classified as the ones which are measured by reflecting the fair value difference to profit or loss. These amendments require that the portion relating to credit risk of the fair value changes of this kind of financial liabilities be presented in the statement of other comprehensive income. Early application of the standard is permitted. This standard has not yet been endorsed by the European Union. The Company is assessing the effects of the standard on its financial position and performance.

IFRS 10 [Consolidated] Financial Statements

The standard is effective for annual periods ending on or after January 1, 2013, and the amendments will be applied retrospectively with some different arrangements. Early application is allowed provided that the standards IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities are also applied simultaneously.

It replaced the consolidation part of IAS 27 Consolidated and Separate Financial Statements. A new "control" definition has been made which will be used to determine which companies will be consolidated. It is a principle-based standard that leaves preparers of financial statement more space to decide. This standard has not yet been adopted by the European Union. The Company is assessing the effects of the standard on its financial position and performance.

IFRS 11 Joint Arrangements

The standard is effective for annual periods ending on or after January 1, 2013, and the amendments will be applied retrospectively with some arrangements. Early application is allowed provided that the sandards IFRS 10 [Consolidated] Financial Statements and IFRS 12 Disclosure of Interests in Other Entities are also applied simultaneously.

The standard regulates how jointly managed joint ventures and joint activities shall be accounted for. Under the new standard, proportionate consolidation of joint ventures is no longer allowed. This standard has not yet been adopted by the European Union. It is not expected that this standard will have any impact on the Company's financial position or performance.

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods ending on or after January 1, 2013, and the amendments will be applied retrospectively with some arrangements. Early application is permitted provided that the standards IFRS 10 [Consolidated] Financial Statements and IFRS 11 Joint Arrangements are also applied simultaneously.

IFRS 12 comprises all disclosures related to consolidated financial statements previously contained in IAS 27 [Consolidated] and Separate Financial Statements and all note disclosures required to be made in relation to associates, joint ventures, subsidiaries and structural entities previously contained in IAS 31 Interests in Joint Ventures and IAS 28 Investments in Associates. This standard has not yet been adopted by the European Union. Under the new standard, the Company will provide further disclosures about its investments in other entities.

2. Basis of presentation of financial statements (continued)

IFRS 13 Fair Value Measurement

While the new standard explains how to measure the fair value pursuant to IFRS, it does not introduce any change as to when the fair value may be used and/or should be used. It is a guide for all fair value measurements. The new standard also introduces additional disclosure requirements for fair value measurements. This standard is mandatory for annual periods ending on or after January 1, 2013 and it will be implemented prospectively. Earlier adoption is permitted. New disclosures are required to be made as from the period when IFRS 13 will be implemented - i.e. comparative disclosures with prior periods are not required. This standard has not yet been adopted by the European Union. The Company is assessing the impact of the standard on its financial position and performance.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

It will become effective for annual periods beginning on or after January 1, 2013 and early application is allowed. Companies will need to apply this interpretation's requirements to excavation costs incurred during the production phase as from the beginning of the period presented comparatively. The interpretation clarifies when and under what conditions the excavations in the production phase will be accounted for as assets and how the accounted assets will be measured in the initial recognition and in subsequent periods. It is not expected that this standard will have any impact on the Company's financial position or performance.

2.3 Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents include cash, checking accounts and other short-term highly liquid investments with a maturity of 3 months or less at the time of purchase, which are readily convertible to cash and not subject to significant risks in terms of change in value.

Financial instruments

Financial assets

The Company has classified its financial assets as trade receivables, available-for-sale financial investments and cash and cash equivalents. Classification is made according to the purpose of acquisition of financial assets. The management classifies the financial assets on the date of purchase.

Available-for-sale financial investments

The subsequent valuation following the initial recognition of available-for-sale securities classified under financial investments is made at fair value. Profit or loss arising from changes in the fair value of available-for-sale securities is presented in a separate line item under equity until the related assets are sold, converted to cash, or otherwise disposed of, or until their value decreases, and after that date, the accumulated fair value differences are associated with income and expenditure account.

The fair values of securities available for sale that are traded in active markets are determined either at the current market rates as of the balance sheet date or at the prices quoted on the Stock Exchange or at the current market buying prices.

Dividends received from securities available for sale are accounted for in dividend income.

2. Basis of presentation of financial statements (continued)

Trade receivables

Trade receivables are recognised with their invoiced amounts and are carried at their net values discounted using the effective interest rate method and, if any, after deducting provision for doubtful receivables in the following periods.

Notes and postdated cheques classified in trade receivables are carried at their discounted values rediscounted using the effective interest rate method.

The provision for doubtful receivables is recognized as an expense. If there is a concrete indication that the due receivables cannot be collected, a provision for doubtful receivables is allocated. The provision is the amount that is estimated by the Company management and considered to cover the possible losses that may arise from economic conditions or risks which the account carries by its very nature. Uncollectible receivables (bad debts) are completely deleted from the records in case they are detected.

The Company collects some of its receivables through factoring. The Company follows the related receivables in the financial statements since the collection risk belongs to the Company until the factoring company collects the transferred receivables from the customers. Advances received from the factoring company in exchange of these receivables are reported as factoring payables under "Financial Payables". Factoring expenses are accounted for on accrual basis in financing expenses account.

Impairment of financial assets

At each balance sheet date, financial assets or groups of financial assets are assessed on whether there are any indicators of impairment. An impairment loss exists if, after the initial recognition of a financial asset, one or more events occur and there is an objective indicator that the related financial asset, or assets group, is impaired in value due to the negative impact of the said event(s) on the foreseeable future cash flows of the related financial asset, or assets group. The amount of impairment on loans and receivables is the difference between the asset's carrying amount and the present value of its anticipated future cash flows, which are discounted using the financial asset's effective interest rate. The Company follows its receivables separately and does not allocate a collective provision.

For all financial assets, except for trade receivables where the carrying amount is written down by the use of a reserve (provision) account, the impairment is directly deducted from the carrying amount of the related financial asset. A trade receivable will be deducted and deleted from the reserve account if it cannot be collected. Changes in the reserve account are recognized in the statement of comprehensive income/(expense)

Negative differences between the acquisition cost and the fair value of available-for-sale financial assets are associated with the statement of comprehensive income in case the difference is significant and prolonged. Impairment losses recognized in profit or loss (income statement) relating to investments in equity instruments classified as available for sale are not reversed through profit or loss.

Except for equity instruments available for sale, if the impairment loss decreases in the following period and the decrease can be attributed to an event occurring after the impairment loss is recognised, the previously recognised impairment loss will be cancelled in the statement of comprehensive income in a manner that will not exceed the amount of the amortised cost that would have been achieved if the impairment of the investment had not been accounted for at the date the impairment was cancelled.

The increase occurred after the impairment in the fair value of available-for-sale equity instruments is accounted for directly in equity.

2. Basis of presentation of financial statements (continued)

Financial liabilities

Financial liabilities are accounted for at their fair value and are carried at amortized cost using the effective interest method in the following periods together with the interest expense calculated according to the effective interest rate.
The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the related interest expense over the relevant period. The effective interest rate is the rate at which the estimated future cash payments are discounted over the expected life of the financial instrument or a shorter period, where applicable, to arrive at the net present value of the related financial liability.

Bank loans

All bank loans are recorded at time of the initial recognition at the cost value that is considered to reflect their fair value and that includes the transaction cost.

After the initial recognition, the loans are shown with their net values discounted using the effective interest rate method. When the discounted value is calculated, the costs at the time of initial issue and the discounts and premiums during the reimbursement are taken into account.

Trade payables

Trade payables are recognised at discounted cost value representing the fair value of the invoiced or uninvoiced amount related to the purchase of goods and services to be incurred in the future. A part of the Company's trade payables is paid by the factoring company and the bank, and the Company owes the amount paid to the factoring company or bank. The related amounts are reported as factoring payables and letter of credit liabilities under "Financial Payables", respectively.

Recognition and derecognition of financial assets and liabilities

All purchases and sales of financial assets are recognised on the transaction date, i.e. on the date the Company commits to purchase or sell the asset. Such purchases and sales are trades that generally require the delivery of the financial asset within the time-frame determined by general custom and regulations of the market.
A financial asset (or part of a financial asset, or a part of a group consisting of similar financial assets) is derecognized;

- if the time relating to the right to obtain cash flow from the asset is over;
- if the Company has the right to obtain cash flow from the asset but is obligated to pay the full amount without spending too much time under an agreement requiring direct transfer to a third party;
- if, in the case Company transfers its right to obtain cash flows from the asset, (a) all risks or rewards with respect to the asset have been transferred or (b) all controls on the asset have been transferred although all rights or rewards have not been transferred.

If, in the case the Company transfers its right to obtain cash flows from the asset, all risks or rewards with respect to the asset have not been transferred or controls on it have not been transferred, the asset is carried in the financial statements according to the Company's ongoing relationship with the asset.

Financial liabilities are derecognized if the debts arising from these liabilities are abolished, cancelled or expired.

2. Basis of presentation of financial statements (continued)

Netting I Offset
Financial assets and liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize an asset and settle the liability simultaneously.

Effects of changes in foreign exchange rates

Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the transaction dates when they are initially recognized. Monetary assets and liabilities denominated in foreign currencies are measured at the rates prevailing at the reporting date and foreign exchange gains and losses resulting therefrom are recognized in the comprehensive income statement for the related period. All monetary assets and liabilities are translated at the period-end exchange rates and the related foreign exchange differences are recognized in the comprehensive income statement. Non-monetary items denominated in foreign currencies and measured at cost value are translated into functional currency at the rates prevailing at the initial transaction date. Non-monetary items denominated in foreign currencies and measured at fair value are translated into functional currency at the exchange rates prevailing at the time the fair value was determined.

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ('reporting entity').

(a) A person or a close member of that person's family is deemed related to the reporting entity in the following situations:
If that person:
   (i) has control or joint control over the reporting entity;
   (ii) exercises significant influence over the reporting entity;
   (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) In the presence of any of the following conditions, the entity is deemed related with the reporting entity:
   (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   (ii) The entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   (iii) Both entities are joint ventures of the same third party.
   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   (v) The entity has a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity has itself such a plan, the sponsoring employers are also related to the reporting entity.

2. Basis of presentation of financial statements (continued)

(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes all expenses incurred in bringing the inventories to their present location and condition. Material, direct labor and general manufacturing costs consist the cost included in the inventories. Raw materials and materials, work in process, finished goods, commodities, and spare parts that consist other inventories are valued using the moving weighted average cost method.

The Company has allocated provision for impairment of inventories for the parts of spare parts and commodity inventories that are not expected to be sold/used.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

Tangible fixed assets

Tangible fixed assets other than land are stated at cost less accumulated depreciation and impairment, if any. Lands are stated at fair value in accordance with the revaluation model as permitted by IAS 16 and are not depreciated. When the tangible assets are sold, the income or expense that arises after the deduction of the cost and accumulated depreciation of these assets from the related accounts is included in the comprehensive income/loss statement.

The initial cost of a tangible fixed asset comprises its purchase price, import duties, non-refundable taxes and any directly attributable costs of preparing the asset for its intended use. Expenses such as repair and maintenance that occur after the use of the tangible fixed asset has started are recognized as expense in the period in which they are incurred. If the expenditures made provide economic added value for the future use of the related tangible asset, these costs are added to the cost of the asset.

Tangible fixed assets are capitalized and depreciated when their capacity is fully available for use. Depreciable assets are depreciated using straight-line method on prorata basis over their expected useful lives.

Depreciation periods are as follows:

	Period
Buildings	25-50 years
Machinery and equipment	4-20 years
Vehicles	4-5 years
Furniture and fixtures	2-10 years
Rights	7-14 years
Special costs	5 years

2. Basis of presentation of financial statements (continued)

The useful life and depreciation method are regularly reviewed and accordingly the compliance of the method and period of depreciation with the economic benefits to be gained from the related asset are looked through and thus prospective amendments are made if they are in compliance.

Intangible fixed assets

Intangibles fixed assets consisting of software rights are recognized at acquisition cost. Software rights are amortised over their adjusted cost values using straight-line depreciation method over 3 to 15 years.

The carrying values of intangible fixed assets are reviewed and the necessary provision is allocated if the changes in conditions and the events indicate a possible decrease in the carrying value.

Investment property

Investment property is property held to earn rental income and/or for the purpose of capital appreciation. It is measured initially at cost, including transaction costs directly associated with acquisition. The book value also covers the cost of replacing a part of the investment property if the recognition principle of adding such costs is met. This value does not include daily expenditures made for the provision of services for investment properties.

Depreciation is calculated using the ordinary depreciation method over the estimated useful life of the investment property other than land. In this context, depreciation period applied for buildings is 50 years.

Research and development expenses

Research expenditures are recognized as an expense when they occur (Note 20). Costs incurred in development projects (related to the design and testing of new or improved products) are recognized as intangible fixed assets if the following conditions are met:

- In case the intangible asset is completed, it can be sold and used taking account of its technical feasibility;
- The management must intend and be able to complete the intangible asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefits;
- Sufficient technical, financial and other resources for the completion, use or sale of the intangible asset;
- Reliable measurement of costs incurred during the development of the intangible asset.

Other development costs that do not meet these criteria are recorded as expense in the period in which they are incurred. Development costs recorded as expense in prior periods cannot be capitalized in subsequent periods. Capitalised development costs are recognised as intangible fixed assets and are amortised on a straight-line basis, following the date the related asset is ready for use, over the estimated useful life not exceeding 5 years .

2. Basis of presentation of financial statements (continued)

Government grants

All government grants, including non-monetary government grants monitored at fair value, are recognised in the financial statements only when there is reasonable assurance that the Company will comply with necessary conditions attached to the grant and the grant will be received or if the Company receives the grant. Government grants are accounted for as a deduction from the costs of the capitalizable intangible fixed assets that are intended to be financed with these grants.

Impairment of non-financial assets

Impairment test is conducted for depreciable assets if it is not possible for the asset to recover its carrying amount. An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest level where cash flows are separately identifiable (cash-generating units). Non-financial assets are reviewed at each reporting date for possible indications of impairment.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of assets that require significant time to be ready for their intended use or sale are capitalized as part of the cost of the related assets. Other borrowing costs are accounted for as expense in the periods they are incurred. Borrowing costs include interest and other costs incurred due to borrowing.

Provisions, contingent liabilities and contingent assets

Provisions

Provisions are only recognised if, and only if the Company has a present obligation resulting from a past event, and there is a probability of an outflow of economic resources providing economic benefit to the entity due to this obligation and and the amount of the obligation can be estimated reliably.
Where the time value of money is material, provisions are reflected with the discounted value of possible future costs at the balance sheet date. Provisions are reviewed at each balance sheet date and necessary adjustments are made to reflect the management's best estimates.

Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the financial statements, but disclosed in the notes if the situation requiring the transfer of resources is not highly probable. Contingent assets are not recognized in the financial statements, but disclosed in the notes where an inflow of economic benefits is probable.

2. Basis of presentation of financial statements (continued)

Leasing transactions - as lessee

Finance leases

The Company recognizes fixed assets acquired through finance lease at the fair value at the beginning of the lease date on the balance sheet or, if lower, the value of the minimum rent payments at the balance sheet date (they are included in the related tangible asset items in the financial statements). In calculating the present value of the minimum lease payments, the discount factor is the interest rate implicit in the lease if this is practicable to determine, if not, borrowing interest rate is used as the discount factor. The expenses incurred during the initial acquisition of the fixed asset subject to finance lease are included in the cost. The liability arising from the leasing transaction is divided into interest payable and principal debt. Interest expenses are calculated over the fixed interest rate and included in the comprehensive income statement accounts of the related period. Leased fixed assets recognized in the financial statements are depreciated according to the corresponding useful lives of the depreciable assets owned by the Company.

Operating leases

If, in the lease of an asset, all risks and benefits remain with the lessor, such leases are classified as operating leases. Lease payments made under an operating lease are recognized as expense in the statement of comprehensive income on a straight-line basis over the lease term.

Taxes calculated on the basis of the company's earnings

Tax expense or income is the sum of the current and deferred taxes calculated in relation to the gains or losses incurred in the period.

In the calculation of current and deferred tax, the tax rates that are valid as of the balance sheet date are used in accordance with the tax legislation in force in the country in which the Company operates.

Deferred tax is calculated according to the balance sheet liability method. Deferred tax is the tax effect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their statutory tax bases, and is accounted for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, unused grants and financial losses carried forward, to the extent that it is probable that a future taxable profits will be available where this time time differences can be utilised. The deferred tax asset is reviewed at each balance sheet date and the carrying amount of the deferred tax asset is reduced in cases where it is not possible to generate sufficient taxable profit for future use of the deferred tax asset.

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 enterprise.

Deferred tax is directly associated with equity account group if it relates to transactions that are directly associated with equity at a similar or different period.

The Company recognises the deferred tax asset for deductible temporary differecences only in the following situations and only when both situations are probable:

(a) Temporary differences will reverse in the foreseeable future and
(b) there will be taxable income sufficient to enable the temporary differences to be utilized

2. Basis of presentation of financial statements (continued)

Employee benefits

Provision for severance payments

Pursuant to the existing Turkish Labour law, the Company is obligated to make a certain amount of severance payment to the personnel, who leaves work due to retirement or resignation or who is dismissed from work for reasons other than misconduct, after serving at least one year.

The Company calculated the provision for severance payment on the financial statements using the "Projection Method" based on the Company's experience gained in the past years about the completion of the personnel's period of service and severance payment entitlements and discounted according to the government bond rates at the balance sheet date. All actuarial gains and losses calculated are recognized in the statement of comprehensive income/expense.

Unused vacation entitlements

The unused vacation entitlements in the financial statements represent the estimated total sum of possible future liabilities related to the accumulated vacation days of the employees as of the balance sheet date.

Events occurring after the balance sheet date

Post-balance-sheet events (events requiring adjustments) that provide additional information about the Company's position at the balance sheet date are reflected in the accompanying financial statements. Post-balance-sheet events that do not require adjustment are disclosed in the notes if they are material.

Earnings per share (TL)

Earnings per share disclosed in the statement of comprehensive income are calculated by dividing the net income for the period by the weighted average number of shares outstanding during the reporting period.

In Turkey, companies can increase their capital through "bonus shares" distributed to their present shareholders from prior years' earnings. Such "bonus share" distributions are treated as issued shares in the calculation of earnings per share. Accordingly, the weighted average number of shares used in these calculations is found by also taking into account the retrospective effects of such share distributions.

Income

Sales revenues are recognized on an accrual basis at the fair value of the consideration received or receivable in the cases the goods are delivered or the service is provided, the product-related important risks and benefits are transferred to the buyer, the amount of income can be calculated reliably or if it is very likely that the Company will obtain the economic benefits related to the transaction. Net sales show the invoiced value, excluding the sales tax of the sold product or completed service, less rebates and discounts (Note 19).

Interest income obtained within other income is calculated using the effective interest rate method and recognized on an accrual basis, and rental income obtained within operating lease is recognized on a periodical accrual basis.

2. Basis of presentation of financial statements (continued)

Cash-flow statement

In the statement of cash flows, cash flows for the period are classified and reported as operating, investing and financing activities.

Cash flows from operating activities represent the Company's cash flows from tractor and engine selling activities.

Cash flows related to investing activities represent the cash flows which the Company uses in its investment activities (tangible and intangible investments and financial investments).

Cash flows from financing activities represent the resources which the Company uses in its financing activities and the repayments of those resources.

Cash and cash equivalents include cash, checking accounts and other short-term highly liquid investments with a maturity of 3 months or less at the time of purchase, which are readily convertible to cash and not subject to significant risks in terms of change in value.

2.3.1 Changes in accounting policies

As at 31 December 2011, the Company changed its policy in recognition of lands within the framework of IAS 16 and decided to apply the revaluation method, which represents the fair value, instead of the cost model. The Company determined the fair value of its lands according to the valuation work made by a valuation company holding a valuation licence issued by CMB and recognized them as of 31 December 2011. This voluntary change in accounting policies requires a retrospective application in financial statements. However, retrospective application was not possible because it was determined that it was not possible to obtain sufficient and healthy information and to make a reliable assessment for determining the fair value of the lands. The following accounting entries were made in the financial statements due to change in the Company's accounting policy:

Increase in the value of lands: 41,443,301 TL.
Increase in tangible fixed assets valuation fund: 39,371,136 TL.
Increase in deferred tax liability: 2,072,165 TL.

2.4 Significant accounting judgements, estimates and assumptions

In the preparation of the financial statements, the Company's management is required to make judgments, estimations and assumptions to determine the liabilities and commitments that may occur as of the balance sheet date and the amounts of income and expenses for the reporting period, which will effect the amounts of reported assets and liabilities. Actual results may differ from estimates. Estimations are regularly reviewed and revised and necessary adjustments are made, and they are reflected in the statement comprehensive income for the period in which they occur.

Significant assumptions, which were made taking into consideration the main sources of estimations that were available at the balance sheet date or that may be realized in the future, that may have a significant effect on the amounts reflected in the financial statements are as follows:

2. Basis of presentation of financial statements (continued)

Economic lives of tangible and intangible fixed assets

The Company's management has made significant assumptions in determining the economic lifetimes of tangible assets (Note 2.3). The Company constantly reviews the physical and economic usability of the machinery and equipment currently in use. The physical and economic lifetimes of the main production lines has been determined based on the assumption that the main production lines are not overly worn due to below-capacity production during and after the privatisation process.

Fair value of land

In order to determine the fair values of lands in accordance with IAS 16 revaluation model, the Company management had a valuation company assess the fair value of the land on which the factory in Konya stands and reflected the fair value determined as as result of this valuation in the financial statements.

Provision for warranties

Repair and maintenance costs made for the goods manufactured and sold by the Company, labour and material costs of the authorised services provided free of charge to the customers within the warranty period, initial maintenance costs incurred by the Company and results of estimations according to historical data for possible returns and repair levels of products in the coming years whose proceeds have been recognised as income in the current period are recognised as warranty expenses (Notes 14 and 20) The Company provides a two-year warranty for the goods which it sells. As the Company expects a significant part of the warranty expenses to be realized within 1 year, the Company reflects the provisions for warranties as short-term expenses.

Provision for doubtful trade receivables

The Company management has made estimates for the determination of doubtful trade receivables in its trade receivables portfolio, taking into account past collection history and the current status of customers (Note 8).

Provision for severance payments

Provision for severance pay is determined using actuarial calculations based on a number of assumptions, including discount rates, future salary increases and employee turnover rates. Due to the long-term nature of these plans, these assumptions involve significant uncertainties (Note 16).

Provision for inventories

In relation to inventory impairment, inventories are examined physically and in terms of the length of time passed, their usability is determined according to the technical personnel's opinions and a provision is allocated for the items which are estimated as unusable (Note 9). In the determination of the net realizable value of inventories, the list prices and data regarding the average discount rates given during the year are used, and estimates related to the sales expenses to be incurred are made.

2. Basis of presentation of financial statements (continued)

Deferred taxes

Deferred tax assets are accounted for to the extent that it is very likely that a taxable profit will be available to benefit from tax advantage in the future. Deferred tax assets are calculated on the basis of unused tax deductions and other temporary differences if the tax advantage is probable (Note 25).

The Company recognised deferred tax assets as of December 31, 2011, 2010 and 2009 and December 31, 2008 because it is very likely that there will be sufficient taxable profit that can be offset in the following periods.

2.5 First-time Adoption of CMB Financial Reporting Standards

The Company adopted CMB Financial Reporting Standards for the first time in 2008 by accepting 31 December 2008 as the date of transition. Previously used accounting practices (statutory accounting practices applicable in Turkey) were used the last time in financial statements prepared as of December 31, 2007.

The Company prepares its accounting records and statutory financial statements in Turkish lira (TL) in accordance with the Turkish Commercial Code, tax legislation and Uniform Chart of Accounts issued by the Ministry of Finance. The financial statements have been prepared by applying the adjusting entries and classifications required by CMB financial reporting standards.

Estimates

While the Company was not required to make any estimates and assumptions about the financial statements that it was preparing previously, within the frame of the newly adopted financial reporting standards, the Company has estimated the useful life of tangible and intangible assets, provision for warranties, doubtful trade receivables, provision for severance payment, impairment of inventory and deferred tax receivables.

The Company has also allocated additional provisions for trade receivables and inventories within the frame of the newly adopted financial reporting standards. Disclosures on these provisions are presented under the title "Significant adjustment and reclassification entries". Certain legal procedures have to be completed for the allocation of these provisions in legal records, otherwise substantial amounts of tax losses may occur.

(Currency: Turkish Lira (TL))

2. Basis of presentation of financial statements (continued)

Reconciliation as of 31 December 2008 (transition to CMB Financial Reporting Standards):

		Previous application	Effects of transition	Revised
Current assets		60,981,511	(16,395,831)	44,585,680
Cash and cash equivalents	A	247,702	(181,323)	66,379
Trade receivables	B	18,095,464	(9,660,736)	8,434,728
Receivables from related parties	C	-	6,874	6,874
Inventories	D	40,203,898	(7,556,122)	32,647,776
Other current assets	E	2,434,447	995,476	3,429,923
Fixed assets		30,937,774	12,960,474	43,898,248
Investment property	F	-	1,792,512	1,792,512
Tangible and intangible fixed assets	F,G	30,412,437	6,555,837	36,968,274
Other fixed assets	H	525,337	(197,866)	327,471
Deferred tax asset	P	“	4,809,991	4,809,991
Total assets		91,919,285	(3,435,357)	88,483,928
Short-term liabilities		34,754,699	50,068,922	84,823,621
Financial payables	H,I,J	-	24,230,545	24,230,545
Trade payables	K	19,380,485	(6,985,420)	12,395,065
Payables to related parties	L	-	42,528,397	42,528,397
Other short-term liabilities	J	15,374,214	(11,261,949)	4,112,265
Debt provisions	L	-	1,487,358	1,487,358
Provisions for employee benefits	N	-	69,991	69,991
Long-term liabilities		67,214,155	(51,972,043)	15,242,112
Financial payables	H,I	29,286,946	(16,080,842)	13,206,104
Trade payables	I	37,927,209	(37,927,209)	-
Long-term debt provisions	T	-	1,614,803	1,614,803
Provisions for employee benefits	0	-	421,205	421,205
Equity		(10,049,569)	(1,532,236)	(11,581,805)
Equity Paid-in capital		12,000,000	-	12,000,000
Reserves on retained earnings		85,576	-	85,576
Accumulated Losses	R	(22,135,145)	(1,532,236)	(23,667,381)
Total liabilities and equity		91,919,285	(3,435,357)	88,483,928

(Currency: Turkish Lira (TL))

2. Basis of presentation of financial statements (continued)

Reconciliation as of 31 December 2009:

		Previous application	Effects of transition	Revised
Current assets		57,073,475	(18,166,388)	38,907,087
		248,208		248,208
Cash and cash equivalents Trade receivables	B,M	18,444,253	(16,036,215)	2,408,038
Receivables from related parties Inventories	C	1,039,088	51,220	1,090,308
Other current assets	D	33,501,033	(2,828,037)	30,672,996
	E	3,840,893	646,644	4,487,537
Fixed assets		29,963,194	12,406,141	42,369,335
Investment property Tangible and intangible fixed			1,753,901	1,753,901
assets Other tangible fixed assets Deferred tax	F		6,167,910	35,924,258
assets	F,G	29,756,348	(78,854)	127,992
	P	206,846	4,563,184	4,563,184
Total assets		87,036,669	(5,760,247)	81,276,422
Short-term liabilities		46,738,567	(48,105)	46,690,462
	H, I, J		13,160,803	23,076,890
Financial payables Trade payables Payables to	K		(1,216,328)	10,334,815
related parties Other payables Debt provisions	L		9,461,259	9,461,259
Provisions for employee benefits	M	9,916,087	(22,345,972)	2,925,365
	L	11,551,143	782,820	782,820
	N	25,271,337	109,313	109,313
Long-term liabilities		12,488,828	(10,318,639)	2,170,189
Financial payables	H,I		(12,488,828)	
Long-term debt provisions	T		1,614,803	1,614,803
Provisions for employee benefits	0	12,488,828	555,386	555,386
Equity		27,809,274	4,606,497	32,415,771
Equity				
Paid-in capital		55,000,000		55,000,000
Reserves on retained earnings		85,576		85,576
Special funds		950,000		950,000
Accumulated Losses	S	(28,226,302)	4,606,497	(23,619,805)
Total liabilities and equity		87,036,669	(5,760,247)	81,276,422

A: Effects of adjusting entry on the cash
B: Effect of discount, provision for doubtful receivables and various classifications
C: Effects of classification of related party receivables
D: Effect of value adjustments and classificiations in inventories
E: Effect of cancellation of interest accruals and adjustment and classification of factoring transactions
F: Effect of the classification of investment property to fixed assets
G: Effect of CMB, depreciation and various adjustments
H: Effect of various classifications
I: Classification from long term to short term
J: Effect of classification of factoring payables
K: Effect of discount and classifications
L: Effect of classification of related-party payables
N: Effect of provisions for vacation
O: Effect of provision for severance payment
P: Deferred tax effect
Q: Effect of classification of idle capacity expenses
R: Classification of other sales
S: Effects of the above adjustments on accumulated losses
T: Effect of debt provision related to tax amnesty

(Currency: Turkish Lira (TL))

2. Basis of presentation of financial statements (continued)

Reconciliation of the statement of comprehensive income for the year ended December 31, 2009:

		Previous application	Effects of transition	Revised
Continuing operations				
Sales revenue	R	59,391,137	(359,309)	59,031,828
Cost of sales (-)	D, G, M, N	(51,050,442)	1,413,322	(49,637,120)
Gross profit		8,340,695	1,054,013	9,394,708
Research and development expenses (-)		(956,128)	5,719	(950,409)
Marketing, sales and distribution expenses (-)	G	(4,256,747)	660,449	(3,596,298)
General administrative expenses (-)	G	(2,625,761)	219,299	(2,406,462)
Other operating income	A, G, N G G	619,793	187,353	807,146
Other operating expenses (-)		(3,853,722)	3,259,748	(593,974)
Operating (loss)/profit		(2,731,870)	5,386,581	2,654,711
Financial income	D	3,648,151	(375,047)	3,273,104
Financial expenses		(7,007,438)	1,374,006	(5,633,432)
pre-tax (loss)/profit from continuing operations		(6,091,157)	6,385,540	294,383
Tax expense from continuing operations, net		-	(246,807)	(246,807)
- Tax expense for the period (-) - Deferred tax expense	P	-	(246,807)	(246,807)
Net (loss)/ income for the period from continuing operations		(6,091,157)	6,138,733	47,576
Other comprehensive income/expense		-	-	-
Total comprehensive income (expense)		(6,091,157)	6,138,733	47,576
Other comprehensive income		-	-	-
Other comprehensive income (after tax)		(6,091,157)	6,138,733	47,576
Total comprehensive income		(6,091,157)	6,138,733	47,576

3. Business combinations

The Company does not have a business combination in the current and prior periods.

4. Reporting by segments

The Company management does not report financial information by segments because there are no different types of products and different geographical areas that need to be reported by segments. The distribution of the Company's sales according to geographical markets (domestic-foreign) and product groups are shown in Note 18.

(Currency: Turkish Lira (TL))

5. Cash and cash equivalents

As of the reporting periods, the amounts of the Company's time deposits, their average rates of return and their average maturities are as follows:

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Cash	1,759	3,610	37,994	17,324
Banks - demand deposits	242,231	4,027,153	210,214	49,055
Banks - time deposits	44,484	42,049	-	-
Total cash and cash equivalents	288,474	4,072,812	248,208	66,379

As of December 31, 2011 and 2010, the TL-denominated time deposit amounting to TL 40,000 is a guarantee for an oil company with which the Company has an agreement and is maintained as time deposit in the bank. This deposit has an indefinite term and the interest rate is 6.5% per annum. As of December 31, 2009 and December 31, 2008, the Company has no time deposits.

The details of cash and cash equivalents in the cash-flow statements as of December 31, 2011, 2010, 2009 and December 31, 2008 are as follows:

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Cash	1,759	3,610	37,994	17,324
Banks	286,715	4,069,202	210,214	49,055
Less: Blocked bank deposits	(40,000)	(40,000)	-	-
Cash and cash equivalents in the cash-flow statement	248,774	4,032,812	248,208	66,379

6. Financial payables

6.1 Short-term financial payables

a) Payables to financial institutions

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Payables to financial institutions	**24,641,506**	19,627,793	22,870,956	31,477,146
Payables from factoring transactions (*)	**11,681,543**	33,931	205,934	5,959,503
	36,323,049	19,661,724	23,076,890	37,436,649
Less: long-term payables to financial institutions	**(10,219,786)**	(5,926,334)	-	(13,206,104)
Short-term financial payables	**26,103,263**	13,735,390	23,076,890	24,230,545

As of December 31, 2010, there is a mortgage on the Company's factory buildings located in Konya in the value of TL 64,700,000 provided as a guarantee for the loans that the Company used from the banks and monitored in the off-balance sheet accounts (2009 - TL 64,700,000, 2008 - TL 64,700,000).

(*) Liabilities from factoring transactions are about postdated cheques and notes transferred revocably to factoring institutions and are shown in the balance sheet assets under postdated cheques and notes receivable, details of which are given in Note 8.

(Currency: Turkish Lira (TL))

6. Financial payables (continued)

The interest and foreign exchange details of liabilities from financial loans are as follows:

	December 31, 2011		December 31, 2010		December 31, 2009		December 31, 2008	
	Effective interest rate %	TL amount	Effective interest rate %	TL amount	Effective interest rate %	TL amount	Effective interest rate %	TL amount
Short term:								
- US dollar	7.48%	12,051,127	1 Year LIBOR plus 5.5%	13,631,699	3 Months LIBOR plus 2% and 1 Year LIBOR plus 5.5% and 7.5%	22,870,956 -	3 Months LIBOR plus 2% and 1 Year LIBOR plus 5.5% and 7.5%	18,271,042
- TL	19.31%	2,370,593	11.00%	69,760	-	-	-	-
Long term: - US dollar	7.48%	8,790,682	1 Year LIBOR plus 5.5%	5,926,334	-	-	1 Year LIBOR plus 5.5% and 7.5%	13,206,104
- TL	19.31%	1,429,104						
		24,641,506		19,627,793		22,870,956		31,477,146

Financial loans are measured at discounted value using the effective interest rate method and their carrying amounts are assumed to be close to their fair values.

(Currency: Turkish Lira (TL))

6.2 Long-term financial payables

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Long-term payables to financial institutions	10,219,786	5,926,334	-	13,206,104
Long-term financial payables	10,219,786	5,926,334	-	13,206,104

The maturities of long-term financial payables are as follows:

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
2010	.			8,006,822
2011	-	-	-	5,199,282
2012	-	1,288,334	-	-
2013 and beyond	10,219,786	4,638,000		-
	10,219,786	5,926,334	-	13,206,104

The Company paid off its long-term financial payables as of December 31, 2008 in 2009.

7. Other financial liabilities

The Company has no other financial liabilities as of December 31, 2011, 2010, 2009 and December 31, 2008.

8. Trade receivables and payables

a) Trade receivables

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Trade receivables	5,045,645	9,975,069	4,840,838	6,395,366
Postdated cheques and notes receivable	29,239,784	4,519,176	1,078,387	5,406,816
Rediscount of trade receivables and notes (-)	(233,349)	(271,065)	(251,188)	(168,126)
	34,052,080	14,223,180	5,668,037	11,634,056
Less: Provision for doubtful receivables	(2,566,603)	(2,365,508)	(3,259,999)	(3,199,328)
	31,485,477	11,857,672	2,408,038	8,434,728

The movement of the provision for doubtful receivables as of December 31, 2011, 2010 and 2009 is as follows:

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
1 January	(2,365,508)	(3,259,999)	(3,199,328)	(2,154,502)
Provisions allocated during the period	(201,095)	(46,663)	(60,671)	(1,044,826)
Doubtful receivables deleted from records (*)	“	941,154		”
December 31,	(2,566,603)	(2,365,508)	(3,259,999)	(3,199,328)

(*) Amounts for which a provision was allocated in the previous periods but that appeared to be uncollectible were derecognised as of December 31, 2010.

(Currency: Turkish Lira (TL))

8. Trade receivables and payables (continued)

The aging schedule for trade receivables as of December 31, 2011, 2010, 2009 and 2008 is as follows:

			Provision not allocated despite being overdue			
	Total	Amounts that are not past due and for which a provision is not allocated	Up to 1 month	1 to 3 months	3 to 6 months	6 months and over
2011	5,045,645	4,786,065	57,628	201,952	-	.
2010	9,975,069	9,767,801	96,900	1,203	150	109,015
2009	4,840,838	2,242,718	2,093,948	443,619	2,891	57,662
2008	6,395,366	3,554,134	1,539,307	1,205,658	-	96,267

b) Trade payables

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Trade payables	31,808,803	21,354,486	6,939,904	7,421,054
Notes payable	55,326,841	7,63,5423	3,664,042	5,200,556
Rediscount for trade payables and notes (-)	(1,275,330)	(431,895)	(269,131)	(226,545)
	85,860,314	28,558,014	10,334,815	12,395,065

9. Inventories

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Raw material	44,081,237	27,459,521	25,848,825	20,475,709
Work in process inventories	2,062,036	1,110,449	1,089,010	1,359,298
Finished goods inventories	16,933,831	709,767	2,199,798	5,435,398
Trade goods	3,238,823	1,733,067	1,433,504	1,516,707
Goods in transit	14,523,118	2,009,160	1,199,364	5,493,471
	80,839,045	33,021,964	31,770,501	34,280,583
Less: Provision for inventories (*)	(929,973)	(803,842)	(1,097,505)	(1,632,807)
	79,909,072	32,218,122	30,672,996	32,647,776

(*) As of December 31, 2011, 2010 and 2009, provision allocated for impairment of finished goods inventories and trade goods is recognised in cost-of-sales account.

As of December 31, 2011, 2010, 2009 and December 31, 2008, there are no pledges or mortgages on inventories.

The movements in inventory impairment by periods are as follows;

	2011	2010	2009
As of January 1	(803,842)	(1,097,505)	(1,632,807)
Current-year expense	(895,018)	(768,886)	(241,195)

Realised with sales in the current year	768,887	1,062,549	776,497
As of December 31	(929,973)	(803,842)	(1,097,505)

(Currency: Turkish Lira (TL))

10. Tangible fixed assets

	Lands	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Special costs	Investments in progress (*)	Total
Cost								
January 1, 2011	2,255,238	7,044,978	34,842,820	1,079,378	1,384,863	308,184	8,035,724	54,951,185
Inflows	–	772,400	4,014,847	725,191	983,623	–	2,069,193	8,565,254
Outflows	–	–	(1,461,324)	(100,055)	(78,480)	-	(137,939)	(1,777,798)
Transfers	-	–	8,155,291	-	–	-	(8,155,291)	–
Effect of change in accounting policy (**)	41,443,301		-			-		41,443,301
December 31, 2011	43,698,539	7,817,378	45,551,634	1,704,514	2,290,006	308,184	1,811,687	103,181,942
Accumulated depreciation								
January 1, 2011	-	904,510	15,525,225	269,626	998,037	238,023	-	17,935,421
Depreciation for the current year	–	161,077	2,700,227	186,139	204,808	54,225	–	3,306,476
Outflows			(584,635)	(18,811)	(77,953)			(681,399)
December 31, 2011	–	1,065,587	17,640,817	436,954	1,124,892	292,248	-	20,560,498
Net book value on January 1, 2011	2,255,238	6,140,468	19,317,595	809,752	386,826	70,161	8,035,724	37,015,764
Net book value on December 31, 2011	43,698,539	6,751,791	27,910,817	1,267,560	1,165,114	15,936	1,811,687	82,621,444

(*) In 2011, the Company has received a grant of TL 1,338,738 from TUBITAK for the development expenses, which it monitors in the account of investments in progress. The Company has offset this grant income with development expenses, which it monitors under the account for investments in progress.

(**) TSKB Real Estate Appraisal Inc., a company licensed by the Capital Markets Board, determined the fair values of the lands using the comparable price method.

(Currency: Turkish Lira (TL))

10. Tangible fixed assets (continued)

	Lands	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Special costs	Investments in progress (*)	Total
Cost								
January 1, 2010	2,255,238	7,044,978	33,140,948	522,909	1,127,473	308,184	7,149,5160	51,549,246
Inflows	_	-	1,701,872	562,285	257,390	-	886,208	3,407,755
Outflows		-		(5,816)	“	“		(5,816)
December 31, 2010	2,255,238	7,044,978	34,842,820	1,079,378	1,384,863	308,184	8,035,724	54,951,185
Accumulated depreciation								
January 1, 2010	-	763,608	13,846,103	120,185	784,556	180,010	-	15,694,462
Depreciation for the current year	-	140,902	1,679,122	155,257	213,481	58,013	-	2,246,775
Outflows				(5,816)	"	“	“	(5,816)
December 31, 2010	-	904,510	15,525,225	269,626	998,037	238,023	-	17,935,421
Net book value on January 1, 2010	2,255,238	6,281,370	19,294,845	402,724	342,917	128,174	7,149,516	35,854,784
Net book value on December 31, 2010	2,255,238	6,140,468	19,317,595	809,752	386,826	70,161	8,035,724	37,015,764

(*) As of 31 December 2010, the part of investments in progress amounting to TL 4,956,379 is related to the Company's investment in its Konya factory for a foundry line, and the Company has started this investment, which it monitors under investments in progress, on January 1, 2005. The foundry line investment planned at the handover phase of the factory was completed in December 2011.

(Currency: Turkish Lira (TL))

10. Tangible fixed assets (continued)

	Lands	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Special costs	Investments in progress (*)	Total
Cost								
January 1, 2009	2,255,238	7,044,978	32,835,588	354,804	1,101,275	308,184	6,219,775	50,119,842
Inflows	-	-	305,360	168,105	26,198	-	929,741	1,429,404
December 31, 2009	2,255,238	7,044,978	33,140,948	522,909	1,127,473	308,184	7,149,516	51,549,246
Accumulated depreciation								
January 1, 2009	-	622,711	11,846,145	50,949	569,817	120,858	-	13,210,480
Depreciation for the current year	-	140,897	1,999,958	69,236	214,739	59,152	-	2,483,982
December 31, 2009	-	763,608	13,846,103	120,185	784,556	180,010	-	15,694,462
Net book value on January 1, 2009	2,255,238	6,422,267	20,989,443	303,855	531,458	187,326	6,219,775	36,909,362
Net book value on December 31, 2009	2,255,238	6,281,370	19,294,845	402,724	342,917	128,174	7,149,516	35,854,784

As of December 31, 2010, there is a mortgage on the Company's factory buildings located in Konya in the value of TL 64,700,000 provided as a guarantee for the loans that the Company took over, and monitored in the off-balance sheet accounts (2009 - TL 64,700,000, 2008 - TL 64,700,000).

(Currency: Turkish Lira (TL))

11. Intangible fixed assets

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Software rights	1,258,262	69,475	58,912	117,026
Net book value on January 1	1,258,262	69,475	58,912	117,026
Purchases	165,796	1,234,729	28,353	34,463
Amortisation charges	(302,853)	(45,942)	(17,790)	(12,018)
Outflows, net	(592,397)	-	-	(80,559)
Net book value on December 31	528,808	1,258,262	69,475	58,912
December 31,				
Cost	920,551	1,347,155	112,426	84,073
Accumulated amortisation charges	(391,746)	(88,893)	(42,951)	(25,161)
Net book value	528,805	1,258,262	69,475	58,912

In 2010 and 2011, the Company received a grant of TL 1,083,662 from TUBITAK within the frame of development expenses. The Company has capitalised its grant income by offsetting such grant incomes against the development expenses incurred in 2010, and amortises them over 5 years.

There are no pledges or mortgages on the Company's intangible fixed assets.

12. Completely depreciated and amortised tangible and intangible fixed assets

The book values of fixed assets that have been completely depreciated and amortised over the years, but that are still in use for the relevant years are as follows.

	2011	2010	2009	2008
Machinery and equipment	**6,791,259**	6,793,196	6,148,152	2,712,881
Vehicles	**252,870**	164,080	101,057	-
Furniture and fixtures	**886,294**	258,982	75,015	41,313
Rights	**63,216**	-	-	-
Special costs	**271,138**	21,900	-	-
	8,264,777	7,238,158	6,324,224	2,754,194

(Currency: Turkish Lira (TL))

13. Investment property

	2011	2010	2009
Cost			
Opening balance	**1,930,542**	1,930,542	1,930,542
Closing balance	**1,930,542**	1,930,542	1,930,542
Opening balance	**215,252**	176,641	138,030
Depreciation expense for the period	**38,611**	38,611	38,611
Closing balance	**253,863**	215,252	176,641
Net book value	**1,676,679**	1,715,290	1,753,901

As of December 31, 2011, 2010 and 2009, investment property consists of apartments rented as offices. These investment properties are leased to the related parties controlled by the parent company through operating lease. In 2011,2010 and 2009, the Company obtained rental income of TL 271,982, TL 246,551 and TL 254,460, respectively, for these investment properties.

As of the end of 2010, the Company commissioned a valuation study to determine the fair values of investment properties. According to this study, the Company determined the fair value of its investment properties as approximately TL 6,000,000 as of 31 December 2011 and this value is higher than their carrying value in the financial statements.

There are mortgages amounting to TL 6,000,000 on the Company's investment properties relating to the debts taken on by the companies managed by the Albayrak Family from financial institutions.

14. Provisions, contingent assets and liabilities

Short-term debt provisions

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Provision for warranties	5,161,229	2,276,057		
Provisions for labour lawsuits	-	51,419	782,820	1,487,358
Debt provisions related to tax amnesty (*)	-	1,614,803		
	5,161,229	3,942,279	782,820	1,487,358

The movements of provision for warranty expenses over periods are as follows:

	2011	2010	2009
1 January	2,276,057	782,820	1,487,358
Provision used during the period	(4,514,966)	(3,292,027)	(2,055,885)
Provision allocated during the period	7,400,138	4,785,264	1,351,347
December 31,	5,161,229	2,276,057	782,820

(Currency: Turkish Lira (TL))

14. Provisions, contingent assets and liabilities (continued)

Long-term debt provisions

December 31, 2011 December 31, 2010	December 31, 2009	December 31, 2008
Debt provisions related to tax amnesty (*)	1,614,803	1,614,803
_	1,614,803	1,614,803

(*) The Company has benefited from the Law No. 6111 on the Restructuring of Certain Receivables published in the Official Gazette on 25 February 2011. The Law basically comprises the restructuring of taxes, customs duties, receivables falling under the Social Security Law and some other receivables accrued before December 31, 2010. As of the date the Law was published, the Company has filed an application for tax settlement with respect to tax disputes (unconfirmed or on trial) under the tax audit report dated April 20, 2010. According to the settlement made on May 18, 2011, the Company has agreed to pay the restructured tax liabilities amounting to TL 1,614,803 for the accounting period of 2005 in 18 equal installments of TL 89,711.28 within 3 years. The Company has allocated a provision amounting to TL 1,614,803 for these restructured tax liabilities under the long-term provisions account of the opening balance on December 31, 2008. As of June 30, 2011, the Company has paid the first 4 installments in the sum of TL 358,845 for the restructured tax liabilities. As of December 31, 2011, the Company owes a total tax liability in the sum of TL 1,255,938 consisting of a short-term liability of TL 538,268 and a long-term liability of TL 717,690 to the tax office of Davutpaşa (Note 17).

15. Commitments

As of December 31, 2011, 2010, 2009 and December 31, 2008, the Company's position for guarantees, pledges and mortgages (GPM) is as follows. GPMs given by the Company:

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
A: Guarantees and mortgages given on behalf of its own legal personality				
B: The total amount of GPMs given for the continuation of its ordinary business operations on behalf of other third parties (*)	3,408,449	76,700,000	76,700,000	76,700,000
C: The total amount of other GPMs given	232,008,692	42,149,030	21,169,283	30,648,467
i. The total amount of GPMs given on behalf of the main shareholder	6,000,000	7,599,909	5,583,706	5,472,156
ii. The total amount of GPMs given on behalf the other group companies that do not fall under Articles B and C	6,000,000	7,599,909	5,583,706	5,472,156
-				
Total	241,417,141	126,448,939	103,452,989	112,820,623

Details of GPMs in foreign currency are as follows (TL equivalents):

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Turkish lira	241,417,141	56,580,939	33,584,989	42,952,623
US dollar	-	69,868,000	69,868,000	69,868,000
Total	241,417,141	126,448,939	103,452,989	112,820,623

(*) The Company and the Turkish Ziraat Bank (hereinafter the "Bank") signed an agreement in December 2010. According to this agreement, in the event the customer that has purchased the tractor which the Company sells through Tümosan's tractor vendors (Vendor) using credit via the Bank fails to repay the credit, the Bank has the right to request from the Company the difference between the income obtained from the forced sale of the tractor and the 75% of the insurable value determined by the Association of the Insurance and Reinsurance Companies of Turkey for the related tractor. However, the Company reflects the difference that the Bank will demand from it to the Vendor that has sold the tractor. Therefore, the liability is ultimately transferred to the Vendor although the guarantee mentioned above is a guarantee given to the Bank by the Company.

(Currency: Turkish Lira (TL))

16. Provision for employee benefits

a) Short-term employee benefits

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Provision for unused vacations	333,770	256,338	109,313	69,991
	333,770	256,338	109,313	69,991

b) Long-term employee benefits

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Provision for severance payments	1,303,786	1,170,137	555,386	421,205
	1,303,786	1,170,137	555,386	421,205

Pursuant to the existing Turkish Labour Law, the Company is obligated to make a certain amount of severance payment to the personnel, who has served at least for one year, that leaves work due to retirement or resignation or that is dismissed from work for reasons other than misconduct or that is obliged to leave work because of compulsory military service. The amount payable consists of one month's salary, which is limited to a maximum of TL 2,732 as of 31 December 2011, TL 2,623 as of 31 December 2010, TL 2,427 as of December 2009 and TL 2,260 as of 31 December 2008, for each year of service.

Based on the information gained from past experience, the Company has discounted the benefits gained by employees entitled to severance payments by using the government bond rates valid at the balance sheet date and reflected the discounted net values to the financial statements. Provision for severance payments is allocated by calculating the present value of the possible liability to be paid in case of the employees' retirement. Accordingly, the actuarial assumptions used to calculate the liability as of 31 December 2011, 2010, 2009 and 31 December 2008 are as follows:

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Discount rate	10.00%	10.00%	11.00%	12.00%
Estimated limit/wage increase	5.10%	5.10%	4.80%	5.40%
Net discount rate	4.66%	4.66%	5.92%	6.26%

The movement of the provision for severance payment is as follows:

	2011	2010	2009
1 January	**1,170,137**	555,386	421,205
Service cost	**422,620**	329,081	225,871
Interest expense	**117,014**	55,539	46,333
Actuarial (income)/expense	**(309,026)**	328,741	5,730
Paid	**(96,959)**	(98,610)	(143,753)
31 **December**	**1,303,786**	1,170,137	555,386

(Currency: Turkish Lira (TL))

17. Other assets and liabilities

a) Other current assets

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Deferred VAT	17,945,143	9,321,913	3,299,168	2,005,904
Advances given for orders	1,781,406	1,747,824	912,585	826,697
Prepaid expenses	117,817	-	-	202,362
Other	229,920	150,005	275,784	394,960
	20,074,286	11,219,742	4,487,537	3,429,923

b) Other fixed assets

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Other fixed assets (*)	68,242	120,909	127,991	327,471
	68,242	120,909	127,991	327,471

(*) Other fixed assets consist of prepayments which the Company made with regard to insurance policies.

c) Other liabilities

Other short-term liabilities

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Advances received for orders	2,052,127	1,592,770	1,944,122	2,406,302
Taxes and funds payable (Note 14)	715,593	110,874	459,272	893,318
Payables to employees	457,958	354,775	227,703	393,116
Social security withholdings payable	237,548	183,854	100,440	35,330
Other VAT	20,436	45,025	11,528	2,196
Other	9,783	149,577	182,300	382,003
	3,493,445	2,436,875	2,925,365	4,112,265

Other long-term liabilities

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Liabilities related to tax amnesty (Note 14)	717,690	-	-	-
	717,690	-	-	-

(Currency: Turkish Lira (TL))

18. Equity

a) Capital

The Company's shareholders and their shares in the capital as of December 31, 2011, 2010, 2009 and December 31, 2008 are as follows:

	December 31, 2011		December 31, 2010		December 31, 2009		December 31, 2008	
	Rate (%)	TL	Rate (%)	TL	Rate (%)	TL	Rate (%)	TL
Ereğli Textile Tourism Industry and Trade Inc.	78.18%	43,742,725	78.18%	43,742,725	78.18	43,000,000		
Muzaffer Albayrak	6.27%	3,509,600	6.27%	3,509,600	3.11	1,710,000	14.25	1,710,000
Ahmet Albayrak (son of Ahmet)	3.11%	1,739,535	3.11%	1,739,535	3.11	1,710,000	14.25	1,710,000
Bayram Albayrak	3.11%	1,739,535	3.11%	1,739,535	3.11	1,710,000	14.25	1,710,000
Nuri Albayrak	3.11%	1,739,535	3.11%	1,739,535	3.11	1,710,000	14.25	1,710,000
Kazım Albayrak	3.11%	1,739,535	3.11%	1,739,535	3.11	1,710,000	14.25	1,710,000
Mustafa Albayrak	3.11%	1,739,535	3.11%	1,739,535	3.11	1,710,000	14.25	1,710,000
Ahmet Albayrak (son of Kazım)		"			3.16	1,740,000	14.50	1,740,000
Capital	100	55,950,000	100	55,950,000	100	55,000,000	100	12,000,000
Paid-in capital		55,950,000		55,950,000		55,000,000		12,000,000

As of December 31, 2011, the Company's capital is fully paid up and consists of 55,950,000 shares with nominal value of TL 55,950,000 and TL 1 per share (December 31, 2010 - Capital: TL 55,950,000 and 55,950,000 shares with TL 1 per share; December 31, 2009 - Capital: TL 55,000,000 and 55,000,000 shares with TL 1 per share and December 31, 2008 - Capital: TL 12,000,000 and 12,000,000 shares with TL 1 per share).

In accordance with the Communiqué (Serial: XI, No: 29), which entered into force on January 1, 2008, and CMB announcements explaining this Communiqué, "Paid-in Capital", "Reserves on Retained Earnings" and "Share Premiums" are required to be presented at the amounts in statutory records.

(Currency: Turkish Lira (TL))

18. Equity (continued)

The differences in valuations during the implementation of the said Communiqué:

- should be related with the "Capital Adjustment Differences" to be coming after the "Paid-in Capital" item if the differences arise from the "Paid-in Capital" and are not yet added to the capital;
- should be related with the "Accumulated Profits/Losses" if the differences arise from "Reserves on Retained Earnings" and "Share Premiums" and are not yet subject to profit distribution or capital increase. Other equity items are presented with their amounts valuated within the framework of CMB's Financial Reporting Standards.

b) Reserves on retained earnings

Pursuant to the Turkish Commercial Code, the first order legal reserves are required to be set aside as 5% of the statutory net profit until reaching up to 20% of the company's paid-in capital. Pursuant to the Turkish Commercial Code, legal reserves can only be used for transactions aimed at offsetting losses or ensuring the entity's ability to continue as a going concern, unless they exceed 50% of the paid-in capital. Furthermore, in order to benefit from real estate and participating interests sales gains exemption, 75% of such gains must be held in a passive fund account (special reserves) and not withdrawn for 5 years.

The details of the reserves on retained earnings mentioned above are as follows:

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Legal reserves on retained earnings	85,576	85,576	85,576	85,576
	85,576	85,576	85,576	85,576

c) Special funds

It expresses the cash transferred to the Company by the Company's shareholders within the scope of the Capital Repatriation Law No. 5811. This cash brought via bank was transferred to the Special Funds account on December 31, 2009 and then transferred to the capital account on June 6, 2010.

d) Accumulated profits/(losses)

The equity items, other than paid-in capital, in the Company's statutory financial statements prepared in accordance with the Tax Procedure Law are as follows:

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Legal reserves	85,576	85,576	85,576	85,576
Accumulated (losses/profits	(5,478,457)	(28,226,302)	(22,135,145)	352,242
Net income/(loss) for the period	56,387,332	22,747,845	(6,091,157)	(22,487,387)
	50,994,451	(5,392,881)	(28,140,726)	(22,049,569)

(Currency: Turkish Lira (TL))

19. Sales and cost of sales
a) Statement of sales and cost of sales

Sales:	2011	2010	2009
Domestic sales	**406,770,910**	179,259,508	57,936,569
Foreign sales	**4,707,155**	3,014,133	1,972,404
Sales returns and allowances	**(60,551)**	(1,160,710)	(877,145)
Total sales, net	**411,417,514**	181,112,931	59,031,828

Cost of sales:	2011	2010	2009
Expenses for raw materials and supplies	**281,679,443**	132,226,937	43,694,127
General production expenses	**10,407.272**	6,196,261	2,236,586
Personnel expenses	**6,796,786**	3,704,189	2,247,208
Depreciation and amortization charges	**3,186,051**	1,980,403	2,315,798
Changes in work-in-process inventories	**951,587**	(21,439)	270,288
Changes in finished goods inventories	**16,097,933**	(1,196,368)	(2,700,299)
	319,119,072	142,889,983	48,063,708
Cost of trade goods sold	**1,664,750**	2,080,377	1,473,592
Cost of service sold	-	1,408,223	99,820
	1,664,750	3,488,600	1,573,412
Total cost of sales (-)	**320,783,822**	146,378,583	49,637,120
Gross profit	**90,633,692**	34,J34,348	9,394,708

b) Distribution of sales by product groups (net)

	2011	2010	2009
Tractor sales	**407,910,086**	178,172,606	56,754,567
Engine sales	**1,759,629**	1,609,529	1,044,177
Spare part sales	**1,747,799**	1,330,796	1,233,084
Total sales	**411,417,514**	181,112,931	59,031,828

20. Operating expenses

	2011	2010	2009
Research and development expenses	**1,574,455**	779,383	950,409
Marketing, sales and distribution expenses	**15,894,098**	8,872,279	3,596,298
General administrative expenses	**4,076,615**	2,566,651	2,406,462
	21,545,168	12,218,313	6,953,169

(Currency: Turkish Lira (TL))

20. Operating expenses (continued)
a) Research and development expenses

	2011	2010	2009
Personnel expenses	**868,273**	139,751	210,429
Outsourced benefits and services	**548,931**	144,598	5,384
Project and study expenses	**26,100**	188,847	642,539
Raw materials and supplies	**2,392**	154,698	-
Other	**128,759**	151,489	92,057
	1,574,455	779,383	950,409

b) Marketing, sales and distribution expenses

	2011	2010	2009
Provision for warranty expenses	**7,400,138**	4,785,264	1,351,347
Sales transportation expenses	**3,282,344**	1,786,783	681,785
Promotion expenses	**1,609,336**	98,451	11,930
Personnel expenses	**1,383,120**	1,002,292	435,649
Advertising and announcement expenses	**736,835**	98,617	33,341
Fair and exhibition expenses	**459,269**	503,326	339,914
Premium and commission expenses	**181,460**	32,145	191,638
Accommodation expenses	**171,109**	123,995	87,626
Fuel expenses	**100,268**	103,983	79,324
Vehicle rental expenses	**95,218**	149,281	211,900
Mobile service meal and accommodation expenses	**27,266**	19,636	55,376
Other	**447,735**	168,506	116,468
	15,894,098	8,872,279	3,596,298

c) General administrative expenses

	2011	2010	2009
Personnel expenses	**1,425,079**	1,059,958	1,161,832
Depreciation and amortization expenses	**461,889**	350,925	224,585
Data processing materials expenses	**351,929**	54,513	-
Rental expenses	**241,773**	184,575	256,665
Financial and legal consulting expenses	**213,035**	252,202	197,268
Subscription expenses	**108,932**	84,557	84,655
Domestic travel and accommodation expenses	**90,910**	44,298	50,727
Telephone expenses	**81,311**	73,468	54,109
Fuel expenses	**55,122**	43,283	34,715
Letter of guarantee commissions	**51,703**	26,214	18,969
Vehicle rental expenses	**43,233**	37,842	75,610
Stationery expenses	**34,172**	35,558	21,062
Other	**917,527**	319,259	226,265
	4,076,615	2,566,652	2,406,462

(Currency: Turkish Lira (TL))

21. Expenses by nature

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

a) Depreciation and amortisation expenses

	2011	2010	2009
Cost of sales	**3,186,051**	1,980,403	2,315,798
General administrative expenses	**461,889**	350,925	224,585
	3,647,940	2,331,328	2,540,383

b) Employee benefits

	2011	2010	2009
Wages and salaries	**8,361,304**	4,933,105	3,316,917
Social security costs	**1,395,449**	874,476	594,449
Expenses for employee benefits	**716,505**	98,609	143,752
	10,473,258	5,906,190	4,055,118

22. Other operating income/expenses

a) Other operating expenses

	2011	2010	2009
Losses from fixed asset sales	**906,992**	-	-
Donations and grants	**589,799**	-	175,546
Provision for doubtful receivables	**201,095**	46,663	60,671
Tax penalty charges	**214,739**	158,447	208,306
Other	**675,653**	43,459	149,451
	2,588,278	248,569	593,974

b) Other operating income

	2011	2010	2009
Revenues from sales of scraps and raw materials	**1,240,066**	1,283,002	276,246
Rental income	**289,908**	274,852	278,886
Other	**741,206**	370,060	252,014
	2,271,180	1,927,914	807,146

(Currency: Turkish Lira (TL))

23. Financial income

	2011	2010	2009
Income from exchange differences	**5,991,831**	**2,638,325**	**3,262,597**
Interest income	**3,381,241**	**257**	**10,507**
	9,373,072	**2,638,582**	**3,273,104**

24. Financial expenses

	2011	2010	2009
Losses from exchange differences (-)	**10,439,792**	**3,095,463**	**3,928,916**
Interest expenses (-)	**1,240,686**	**3,061,969**	**1,022,855**
Factoring commission expenses (-)	**80,158**	**34,410**	**681,661**
	11,760,636	**6,191,842**	**5,633,432**

25. Tax assets and liabilities

In Turkey, the corporate income tax rate is 20% Corporate income tax rate is applied to the net corporation profit calculated by adding non-deductable expenses to the corporation's commercial earnings and deducting exemptions and discounts in tax laws.

Transfer pricing is regulated by Article 13 entitled "Disguised Profit Distribution Through Transfer Pricing" of the Corporate Income Tax Law, and detailed explanations on the subject are given in "General Communiqué on Disguised Profit Distribution Through Transfer Pricing".

Pursuant to the said arrangements, if goods or services are purchased or sold with related parties at prices that do not comply with the arm’s length principle, the related profit is considered to have been distributed in a disguised manner through transfer pricing, and such profit distributions are not accepted as tax deductible for corporate income tax purposes.

According to the Corporate Income Tax Law, financial losses shown on the statement may be deducted from the corporate tax base for a period not exceeding 5 years. Statements and related accounting records can be reviewed by the tax office within five years, including transfer pricing from transactions with related parties, and tax calculations can be revised.

The Company calculates deferred tax assets and liabilities taking into account the effects of temporary differences arising as a result of different assessments of the balance sheet items between the financial statements prepared in accordance with the CMB Financial Reporting Standards and the statutory financial statements. Such temporary differences usually result from the recognition of income and expenses in different reporting periods according to CMB Financial Reporting Standards and Tax Laws.

(Currency: Turkish Lira (TL))

25. Tax assets and liabilities (continued)

Deferred tax assets and liabilities

As of December 31, 2011, 2010, 2009 and December 31, 2008, the breakdown of the deferred tax liability calculated over temporary differences subject to deferred tax by using the prevailing tax rates is summarised below:

	Taxable temporary differences				Deferred tax assets/(liabilities)				Deferred tax income (expense)		
	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2011	December 31, 2010	December 31, 2009
Tangible and intangible fixed assets	3,583,239	7,651,940	7,162,173	8,010,222	(716,648)	(1,530,388)	(1,432,435)	(1,602,044)	813,740	(97,953)	169,609
Provision for severance payments	(1,303,786)	(1,170,137)	(555,386)	(421,205)	260,757	234,027	111,077	84,241	26,730	122,950	26,836
Provision for vacation	(333,770)	(256,338)	(109,313)	(69,991)	66,754	51,268	21,863	13,998	15,486	29,405	7,865
Provision for inventories	(929,973)	(803,842)	(1,097,505)	(1,632,807)	185,995	160,768	219,501	326,561	25,227	(58,733)	(107,060)
Effects of other adjustments for inventories	(1,025,736)	(16,635)	(766,727)	(5,089,743)	205,147	3,327	153,345	1,017,949	201,820	(150,018)	(864,604)
Provision for doubtful receivables	(2,566,603)	(2,365,508)	(3,259,999)	(3,199,328)	513,321	473,102	652,000	639,866	40,219	(178,898)	12,134
Effects of rediscounting	(233,349)	(271,065)	17,943	58,419	46,670	54,213	(3,589)	(11,684)	(7,543)	57,802	8,095
Provision for warranty expenses	(5,161,229)	(2,276,057)	(782,820)	(1,487,358)	1,032,246	455,211	156,564	297,472	577,035	298,647	(140,908)
Interest accruals	3,149,995	(1,076,721)	(466,040)	(1,772,569)	(629,999)	215,344	93,208	354,514	(845,343)	122,136	(261,306)
Financial losses carried forward	-	(361,794)	(23,714,401)	(18,984,404)	-	72,359	4,742,880	3,796,881	(72,359)	(4,670,521)	945,999
Tangible fixed assets valuation fund	41,443,301	-	-	-	(2,072,165)	-	-	-	-	-	-
Other	41,461	(51,420)	756,154	538,809	(8,293)	10,284	(151,230)	(107,763)	(18,577)	161,514	(43,467)
					(1,116,215)	199,515	4,563,184	4,809,991	756,435	(4,363,669)	(246,807)

(Currency: Turkish Lira (TL))

25. Tax assets and liabilities (continued)

For the years ended December 31, 2011, 2010 and 2009, the reconciliation between the tax expense determined by applying the statutory tax rate to pre-tax profit and the total provision for tax in the accompanying statement of comprehensive income is as follows:

	December 31, 2011	December 31, 2010	December 31, 2009
Profit before tax	**66,383,862**	20,642,119	294,383
Current corporate tax rate - 20%	**(13,276,772)**	(4,128,424)	(58,877)
Non-decuctible expenses	**(248,251)**	120,952)	(272,233)
Effect of other permanent differences	(**1,091,934**	(114,293)	84,303
Tax income/(expense)	**(12,433,089)**)	(4,363,669)	(246,807)

The breakown of the total amounts of the Company's deductible financial losses and unused tax advantages and the related maturity is as follows:

	December 31, 2011	December 31, 2010	December 31, 2009
2012	-	-	613,982
2013	-	-	18,370,422
2014	-	361,794	4,729,997
		361,794	23,714,401

26. Earnings per share (TL)

Earnings per share is calculated by dividing the net income for the current year by the weighted average number of shares outstanding during the year.

In Turkey, companies are entitled to increase their capital through the distribution of bonus shares to be covered from the revaluation surplus fund or accumulated profits. In the calculation of earnings per share, such increases are accepted as bonus issue. Dividend distributions added to capital are also considered in the same way. Therefore, when calculating the average number of shares, it is considered that such shares are in issue during the year. Thus, the weighted average number of the shares used to calculate the earnings per share has been determined taking into account retrospective effects.

	December 31, 2011	December 31, 2010	December 31, 2009
The weighted average number of shares	**105,000,000**	105,000,000	105,000,000
outstanding during the year (*) (each 1 TL)	**53,950,773**	16,278,450	47,576
Period net income Earnings per share (TL)	**0.5138**	0.1550	0.0005

(*) At the Ordinary General Meeting of Shareholders dated May 16, 2012, the Company increased its capital from TL 55,950,000 to TL 105,000,000 through bonus issue.

(Currency: Turkish Lira (TL))

27. Related party disclosures

The Company conducts various transactions with related parties during its operations. The details of outstanding balances with related parties are as follows:

(a) Receivables/payables concerning related parties:

	December 31, 2011					
	Receivables				Payables	
	Short term		Long term		Short term	
Balances with related parties	Trade	non-trade	Trade	non-trade	Trade	non-trade
Other companies managed by the main shareholder	-					
Albil Central Services and Trade Inc. (2)	87,310	-	-	-	-	-
Albayrak Tourism Travel Construction Trade Inc. (2) (a)	-	-	-	60,975,839	-	4,978
Other						
Receivables from shareholders (1)	-	898,933	-	-	-	-
	87,310	898,933		60,975,839		4,978

(a) As of December 31, 2011, the Company accrued an interest of TL 3,129,398 (excluding VAT) on receivables of TL 57,846,441 presented as non-trade receivables from related parties and recognised under interest income in the statement off comprehensive income.

	December 31, 2010					
	Receivables				Payables	
	Short term		Long term		Short term	
Balances with related parties	Trade	non-trade	Trade	non-trade	Trade	non-trade
Other companies managed by the main shareholder						
Albil Central Services and Trade Inc. (2)	52,500	-	-	-	-	-
Bayfa Tourism Industry and Trade Ltd. -	44,000	-	-	-	-	-
Albayrak Tourism Trade Construction Imp. Exp. Ltd. - (1)	-	-	-	-	-	4,241
Other						
Receivables from shareholders (1)	-	4,949,241	-	-	-	-
	96,500	4,949,241	-		-	4,241

	December 31, 2009					
	Receivables				Payables	
	Short term		Long term		Short term	
Balances with related parties	Trade	non-trade	Trade	non-trade	Trade	non-trade
Other companies managed by the main shareholder						
Güneş Albayrak Tourism Travel Industry and Trade Inc. (2)	-	-	-	-	-	2,248.050
Albayrak Real-Estate Investment Trust Inc. (2)	51,220	-	-	-	-	
Albayrak Tourism Travel Construction Trade Inc. (2)	-	-	-	-	-	6,476,690
Albayrak Tourism Trade Construction Imp. Exp. Ltd. - (2)	-	-	-	-	-	650,523
Sistem Construction Tourism Industry and Trade Ltd. - (2)	-	-	-	-	-	85,996
Other						
Receivable from shareholders (l)	-	1,039,088	-	-	-	-
	51,220	1,039,088	-	-	-	9,461,259

(Currency: Turkish Lira (TL))

27. Related party disclosures (continued)

December 31, 2008						
	Receivables				Payables	
	Short term		Long term		Short term	
Balances with related parties	Trade	non-trade	Trade	non-trade	Trade	non-trade
Other companies managed by the main shareholder						
Güneş Albayrak Tourism Travel Industry and Trade Inc. (2)						2,260,462
Albayrak Real-Estate Investment Trust Inc. (2)	6,874	-	-	-	-	31,604
Albayrak Tourism Travel Construction Trade Inc. (2)	-	-	-	-	-	37,927,209
Albayrak Tourism Trade Construction Imp. Exp. Ltd. - (2)	-	-	-	-	-	538,593
Albayrak International (2)	-	-	-	-	-	25,270
Ereğli Textile Tourism Industry and Trade Inc. (2)						1,745,259
	6,874	-	-	.		42,528,397

(1) Shareholder
(2) Companies controlled by the ultimate shareholder (Albayrak Group)

As of December 31, 2011, 2010, 2009 and 2008, there is no guarantee obtained from, or given to, related parties.

(b) Transactions made with related parties during the year:

Service and other purchases

	2011	2010	2009
Net Publishing Industry and Trade Inc. (c)	394,710	35,700	12,500
Yeşil Adamlar Waste Management Inc. (d)	179,720	19,500	-
Güneş Albayrak Tourism Travel Industry and Trade Inc. (d)	20,580	73,900	65,081
Albayrak Tourism Trade Construction Imp. Exp. Ltd. (d)	11,246	109,218	287,573
Ereğli Textile Tourism Industry and Trade Inc. (d)	708	50	5,250
Albil Central Services and Trade Inc. (a)	-	366,929	189,017
Albayrak Real-Estate Investment Trust Inc. (b)	-	41,614	256,665
Albayrak Tourism Travel Construction Trade Inc. (d)	-	29,015	227,887
	606,964	675,926	1,043,973

(a) The Company receives data processing service from this company.
(b) The Company pays rent to this company. These rental fees consist of the rental expenses of the main office in the Istanbul World Trade Centre.
(c) The company receives service from this company by paying advertising fees to it.
(d) Other purchases

Sales and other income

	2011	2010	2009
Albayrak Tourism Travel Construction Trade Inc.	3,689,697	293,503	255,857
Ereğli Textile Tourism Industry and Trade Inc.	121,852	134,474	24,426
Güneş Albayrak Tourism Travel Industry and Trade Inc.	20,443	13,460	6,397
Bayha Tourism Industry and Trade Ltd. -	-	-	24,537
	3,831,992	441,437	311,217

Benefits provided to the top management

As of December 31, 2011, the total amount of benefits and advantages provided to the top management is TL 769,513 (December 31, 2010 - TL 263,716, 2009 - TL 215,385, December 31, 2008 - TL 202,216). The Company does not pay any premiums or bonuses to its managers. The sum of the aforementioned benefits and advantages consists of the salaries paid to the Company's top management.

(Currency: Turkish Lira (TL))

28. Financial risk management and policies

The Company's major financial instruments consist of bank loans, finance lease liabilities, factoring liabilities, cash and short-term deposits. The main purpose of financial instruments is to finance the activities of the Company. The Company also has financial instruments such as trade receivables and payables which arise as a result of its activities.

The main risks which the Company's financial instruments generate are interest rate risk, foreign currency risk, credit risk and liquidity risk. The management's policies regarding the management of these risks are summarized below. The Company also takes into account the market-value risk of all its financial instruments.

Capital management

The company aims to increase its profitability in capital management by using the debt and equity balance in the most efficient way on the one hand and trying to maintain the continuity of its activities on the other hand. The Company's capital structure consists of payables, cash and cash equivalents and equity items, which comprise issued capital, capital reserves and profit reserves, as disclosed in Note 17.

The Company's top management assesses the capital cost of the Company and the risk inherent in each capital class. Based on the assessments of the top management and of the Board of Management, the Company intends to keep the capital structure stable by acquiring new debt or repaying existing debt.

The Company monitors the capital using the debt/equity ratio. This ratio is calculated by dividing net debt by total equity. Net debt is calculated by deducting cash and cash equivalents from total debt (which comprises financial payables, trade and other payables and other short- and long-term liabilities as shown in the balance sheet).

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Total debt	136,598,431	56,029,608	48,860,651	100,065,733
Less: Cash and cash equivalents	288,474	4,072,812	248,208	66,379
Net financial liability	136,309,957	51,956,796	48,612,443	99,999,354
Total equity	142,016,130	48,694,221	32,415,771	(11,581,805)
Debt/equity balance	5,706,173	(3,262,575)	(16,196,672)	(111,581,159)
Net financial liability/equity ratio	96%	107%	150%	(863)%

28. Financial risk management and policies (continued)

Interest rate risk

The Company carries an interest rate risk arising from the effect of changes in the interest rates of the interest bearing assets and liabilities. The Company manages this risk by taking natural measures comprising of balancing its assets and liabilities that are sensitive to interest rates.
As of 31 December 2010, 2009 and December 31, 2008, the effect of interest expense on profit before tax is respectively TL 85,208 , TL 38,272 and TL 74,660 if, in the case all other variables remain constant, the interest rate of the Company's floating-rate loans denominated in US dollar increases/decreases by 100 basis points.
The statement of interest position is as follows:

Floating-rate financial instruments	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Financial liabilities				
Financial payables	-	5,926,334	18,820,466	27,590,382

Foreign currency risk

The Company is exposed principally to currency risk in respect of the euro and US dollar and this currency risk arises in general from trade receivables, trade payables and financial payables in the euro and US dollar. In order to minimize this risk, the Company monitors its financial position, cash inflows/outflows with detailed cash-flow statements.
As of December 31, 2011, 2010, 2009 and 2008, the Company's net foreign-exchange position is as follows:

On a total basis	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
A. Assets in foreign currency	**292,128**	3,776	105,384	190,439
B. Liabilities in foreign currency	**(37,460,924)**	(23,451,040)	(24,198,976)	(32,019,351)
Net foreign-exchange position (A + B)	**(37,168,796)**	(23,447,264)	(24,093,592)	(31,828,912)

(Currency: Turkish Lira (TL))

28. Financial risk management and policies (continued)

As of December 31, 2011, 2010, 2009 and December 31, 2008, the details of the Company's foreign currency position are as follows:

					December 31, 2011
	US dollar	TL equivalent	Euro	TL equivalent	Total TL equivalent
Cash and cash equivalents Trade receivables	2 141,189	4 266,692	10,016	24,477	24,481 266,692
Current assets	141,191	266,696	10,016	24,477	291,173
Total assets	141,191	266,696	10,016	24,477	291,173
Short-term financial payables and factoring payables Trade payables	6,379,971	12,051,127	6,800,522	16,619,116	12,051,127 16,619,116
Short-term liabilities	6,379,971	12,051,127	6,800,522	16,619,116	28,670,243
Long-term financial payables	4,653,863	8,790,681	-	-	8,790,681
Long-term liabilities	4,653,863	8,790,681	-	-	8,790,681
Total liabilities	11,033,834	20,841,808	6,800,522	16,619,116	37,460,924
Net foreign-currency position	(10,892,643)	(20,575,112)	(6,790,506)	(16,594,639)	(37,169,751)

(Currency: Turkish Lira (TL))

28. Financial risk management and policies (continued)

December 31, 2010	US dollar	TL equivalent	Euro	TL equivalen	Total TL equivalent
Cash and cash equivalents	65	100	804	1,647	1,747
Trade receivables	1,312	2,029			2,029
Current assets	1,377	2,129	804	1,647	3,776
Total assets	1,377	2,129	804	1,647	3,776
Short-term financial payables	8,817,399	13,631,699			13,631,699
Trade payables	27,816	43,003	1,878,876	3,850,004	3,893,007
Short-term liabilities	8,845,215	13,674,702	1,878,876	3,850,004	17,524,706
Long-term financial payables	3,833,334	5,926,334	-	-	5,926,334
Long-term liabilities	3,833,334	5,926,334	-	-	5,926,334
Total liabilities	12,678,549	19,601,036	1,878,876	3,850,004	23,451,040
Net foreign-currency position	(12,677,172)	(19,598,907)	(1,878,072)	(3,848,357)	(23,447,264)

(Currency: Turkish Lira (TL))

28. Financial risk management and policies (continued)

December 31, 2009	US dollar	TL equivalent	Euro	TL equivalent	Total TL equivalent
Cash and cash equivalents	36,204	54,513			54,513
Trade receivables	25,177	37,909	6,000	12,962	50,871
Current assets	61,381	92,422	6,000	12,962	105,384
Total assets	61,381	92,422	6,000	12,962	105,384
Short-term financial payables	15,046,249	22,655,137			22,655,137
Trade payables	33,936	51,097	690,825	1,492,742	1,543,839
Short-term liabilities	15,080,185	22,706,234	690,825	1,492,742	24,198,976
Long-term financial payables	-	-	-	-	-
Long-term liabilities	-	-	-	-	-
Total liabilities	15,080,185	22,706,234	690,825	1,492,742	24,198,976
Net foreign-currency position	(15,018,804)	(22,613,812)	(684,825)	(1,479,780)	(24,093,592)

(Currency: Turkish Lira (TL))

28. Financial risk management and policies (continued)

	US dollar	TL equivalent	Euro	TL equivalent	[CHF]	TL equivalent	December 31, 2008 Total TL equivalent
Cash and cash equivalents Trade receivables	399 46,501	604 70,323	300 45,506	643 97,419	15,000	21,450	1,247 189,192
Current assets	46,900	70,927	45,806	98,062	15,000	21,450	190,439
Total assets	46,900	70,927	45,806	98,062	15,000	21,450	190,439
Short-term financial payables Trade payables	11,778,113 1,605	17,812,041 2,427	775,953	1,661,161	-	-	17,812,041 1,663,588
Short-term liabilities	11,779,718	17,814,468	775,953	1,661,161	-	-	19,475,629
Long-term financial payables	8,294,467	12,543,722	-	-	-	-	12,543,722
Long-term liabilities	8,294,467	12,543,722	-	-	-	-	12,543,722
Total liabilities	20,074,185	30,358,190	775,953	1,661,161	-	-	32,019,351
Net foreign-currency position	(20,027,285)	(30,287,263)	(730,147)	(1,563,099)	15,000	21,450	(31,828,912)

(Currency: Turkish Lira (TL))

28. Financial risk management and policies (continued)

It is presented in the profit/loss section of the foreign currency sensitivity statement as of December 31, 2011, 2010 and 2009 how the statement of comprehensive income will be affected if the TL gains/loses 10% against the following foreign currencies. When analyzing, it is assumed that all other variables, especially the interest rates, remain constant.

The Company's exchange rate sensitivity analysis statement as of December 31, 2011, 2010 and 2009 is as follows:

	December 31, 2011	
	Profit/(loss)	
	Appreciation of the foreign currency	Depreciation of the Foreign Currency
If the US dollar appreciates/depreciates 10% against the Turkish lira		
1- Income/(loss) arising from US dollar net asset/(liability)	(2,057,511)	2,057,511
2- Hedged amount from US dollar risk (-)		
Net effect of the US dollar	(2,057,511)	2,057,511
If the euro appreciates/depreciates 10% against the Turkish lira		
3- Income/(loss) arising from euro net asset/(liability)	(1,659,464)	1,659,464
4- 4- Hedged amount from euro risk (-)		
Net effect of the euro	(1,659,464)	1,659,464
Total net effect	(3,716,975)	3,716,975

December 31, 2010		
Profit/(loss)		
	Appreciation of the foreign currency	Depreciation of the Foreign Currency
If the US dollar appreciates/depreciates 10% against the Turkish lira		
1- Income/(loss) arising from US dollar net asset/(liability)	(1,959,891)	1,959,891
2- Hedged amount from US dollar risk (-)		
Net effect of the US dollar	(1,959,891)	1,959,891
If the euro appreciates/depreciates 10% against the Turkish lira		
3- Income/(loss) arising from euro net asset/(liability)	(384,836)	384,836
4- 4- Hedged amount from euro risk (-)		
Net effect of the euro	(384,836)	384,836
Total net effect	(2,344,727)	2,344,727

(Currency: Turkish Lira (TL))

28. Financial risk management and policies (continued)

		December 31, 2009	
		Profit/(loss)	
		Appreciation of the foreign currency	Depreciation of the foreign currency
	If the US dollar appreciates/depreciates 10% against the Turkish lira		
1-	Income/(loss) arising from US dollar net asset/(liability)	(2,261,381)	2,261,381
2-	Hedged amount from Us dollar risk (-)		
	Net effect of the US dollar	(2,261,381)	2,261,381
	If the euro appreciates/depreciates 10% against the Turkish lira		
3-	Income/(loss) arising from euro net asset/(liability)	(147,978)	147,978
4-	Hedged amount from euro risk (-)		
	Net effect of the euro	(147,978)	147,978
	Total net effect	(2,409,359)	2,409,359

December 31, 2008			
Profit/(loss)			
		Appreciation of the foreign currency	Depreciation of the foreign currency
	If the US dollar appreciates/depreciates 10% against the Turkish lira		
1-	Income/(loss) arising from US dollar net asset/(liability)	(3,028,726)	3,028,726
2-	Hedged amount from Us dollar risk (-)		
	Net effect of the US dollar	(3,028,726)	3,028,726
	If the euro appreciates/depreciates 10% against the Turkish lira		
3-	Income/(loss) arising from euro net asset/(liability)	(156,310)	156,310
4-	Hedged amount from euro risk (-)		
	Net effect of the euro	(156,310)	156,310
	Total net effect	(3,185,036)	3,185,036

Credit risk

Credit risk is defined as the risk that the Company could incur a loss as a result of one of the parties of the financial instrument not fulfilling its contractual obligation. The Company seeks to mitigate credit risk by performing transactions only with creditworthy parties and, where possible, by obtaining sufficient guarantees. The credit risks to which the company is exposed and the credit ratings of its customers are monitored continuously. The credit risk is controlled through the limits set for the customers and reviewed and approved by the Company's management.
Trade receivables include a large number of customers. Credit evaluations are made continuously based on the balances of the customers' trade receivables.

(Currency: Turkish Lira (TL))

28. Financial risk management and policies (continued)

As of December 31, 2011			Receivabl es			
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party	Other current assets	Deposits in banks
The maximum exposure to credit risk at the reporting date (A+B+C+D+E) (1)	87,310	34,052,080	61,874,772	-	-	286,71'
- The portion of maximum risk secured by guarantee, etc. (2)	-	35,684,850	-	-	-	
A. Net book value of financial assets that are neither past due nor impaired	87,310	33,792,500	61,874,772			286,71'
B. Book value of financial assets that would otherwise idered past due or impaired whose terms have been renegotiated	“	“	“	"		
C. Net book value of assets that are past due but not impaired	-	259,580	-	-	-	
- The portion secured by guarantee, etc.		-	-	-		
D. Net book value of impaired assets	-	-		-	-	
- Past due (gross book value)	-	2,566,603	-		-	
- Impairment (-)	-	(2,566,603)		-	-	
- The portion of net value secured by guarantee, etc.	-	-	-		-	
- Not past due (gross book value)	-	-		-	-	
- Impairment (-)	-	-	-	-	-	
- The portion of net value secured by guarantee, etc.	-	-	-	-	-	
E. Off-balance sheet items with credit risk				-	-	

(1) In determining the amount, the guarantees received, factors that increase the credit reliability are not considered.
(2) Guarantees consist of collateral bonds, guarantee cheques and mortgages received from the customers.

As of December 31, 2010			Receivables			
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party	Other current assets	Deposits in banks
The maximum exposure to credit risk at the reporting date (A+B+C+D+E) (1)	96,500	14,223,180	4,949,241	-	-	4,069.202
- The portion of maximum risk secured by guarantee, etc. (2)	-	12,764,850	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	96,500	14,015,912	4,949,241		-	4,069,202
B. Book value of financial assets that would otherwise be considered past due or impaired whose terms have been renegotiated	-	-	-		-	-
C. Net book value of assets that are past due but not impaired	-	207,268	-	-	-	-
- The portion secured by guarantee, etc.	-	-	-	-	-	-
D. Net book value of impaired assets	-	-		-	-	-
- Past due (gross book value)	-	2,365,508	-	-	-	-
- Impairment (-)	-	(2,365,508)	-	-	-	-
- The portion of net value secured by guarantee, etc.	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The portion of net value secured by guarantee, etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	

(1) In determining the amount, the guarantees received, factors that increase the credit reliability are not considered.
(2) Guarantees consist of collateral bonds, guarantee cheques and mortgages received from the customers.

(Currency: Turkish Lira (TL))

28. Financial risk management and policies (continued)

As of December 31, 2009	Receivables					
	Trade receivables		Other receivables			
	Related party	Other party	Relate d party	Other party	Other current assets	Assets in banks deposits
The maximum exposure to credit risk at the reporting date (A+B+C+D+E) (1)	52,220	5,668,037	1,039,088	-	210,214	49,058
- The portion of maximum risk secured by guarantee, etc. (2)	-	12,556,850	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	52,220	3,069,917	1,039,088	-	-	49,055
B. Book value of financial assets that would otherwise be considered past due or impaired whose terms have been renegotiated					-	-
C. Net book value of assets that are past due but not impaired	-	2,598,120	-	-	-	-
- The portion secured by guarantee, etc.						
D. Net book value of impaired assets		-	-	-		-
	-	-		-	-	
- Past due (gross book value)		3,259,999				-
- Impairment (-)	-	(3,259,999)	-	-	-	-
- The portion of net value secured by guarantee, etc.	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The portion of net value secured by guarantee, etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(1) In determining the amount, the guarantees received, factors that increase the credit reliability are not considered.
(2) Guarantees consist of collateral bonds, guarantee cheques and mortgages received from the customers.

As of December 31, 2008	Receivables					
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party	Other current assets	Deposits in banks
The maximum exposure to credit risk at the reporting date (A+B+C+D+E) (1)	6,874	11,634,056	-	-	-	49,058
- The portion of maximum risk secured by guarantee, etc. (2)	-	11,710,218	-	-	-	-
A. A. Net book value of financial assets that are neither past due nor impaired	6,874	8,792,824	-	-	-	
B. Book value of financial assets that would otherwise be considered past due or impaired whose terms have been renegotiated	-	-	-	-	-	49,055
C. Net book value of assets that are past due but not impaired	-	2,841,232	-	-	.	-
- The portion secured by guarantee, etc.						
D. Net book value of impaired assets					-	
-	-	-	-	-	-	-
- Past due (gross book value)		3,199,328				-
- Impairment (-)	-	(3,199,328)	-	-	-	
- The portion of net value secured by guarantee, etc.	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The portion of net value secured by guarantee, etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(1) In determining the amount, the guarantees received, the factors that increase the credit reliability are not considered.
(2) Guarantees consist of collateral bonds, guarantee cheques and mortgages received from the customers.
The maturity structure of trade receivables that are past due but not impaired is as follows:

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
1-30 days overdue	57,628	96,900	2,093,948	1,539,307
1-3 month overdue	201,952	1,203	443,619	1,205,658
3-6 months overdue	-	150	2,891	-
6 months-5 years overdue	'	109,015	57,662	96,267
	259,580	207,268	2,598,120	2,841,232

(Currency: Turkish Lira (TL))

28. Financial risk management and policies (continued)

Liquidity risk

Liquidity risk is the risk that the Company is not able to obtain its net funding requirements. Liquidity risk is managed through cash inflows and outflows that are balanced within credit limits that are predetermined with credit institutions.
The breakdown of financial liabilities according to their maturities is shown taking into account the period from balance sheet date to maturity date.
The following statement presents the position of the Company's financial liabilities as of December 31, 2011, 2010, 2009 and 2008 according to the maturities of undiscounted contractual payments.

December 31, 2011	Book value	Less than 3 months	3 to 12 months	1 to 5 years	Having no fixed term	Total
Financial payables	36,323,049	15,670,565	11,389,845	10,457,184		37,517,594
Trade payables	85,860,314	87,135,644	-	-	-	87,135,644
Payables to related parties	4,978	4,978	-	-	-	4,978
Other short-term liabilities	3,493,445	3,493,445	-	-	-	3,493,445
Other long-term liabilities	717,690			717,690		717,690
Total	126,399,476	106,304,632	11,389,845	11,174,874	-	128,869,351

December 31, 2010	Book value	Less than 3 months	3 to 12 months	1 to 5 years	Having no fixed term	Total
Financial payables	19,661,724	1,174,653	12,560,737	6,247,118		19,982,508
Trade payables	28,558,014	28,989,909	-	-	-	28,989,909
Payables to related parties	4,241	4,241	-	-	-	4,241
Other short-term liabilities	2,436,875	2,436,875	“		“	2,436,875
Total	50,660,854	32,605,678	12,560,737	6,247,118	-	51,413,533

December 31, 2009	Book value	Less than 3 months	3 to 12 months	1 to 5 years	Having no fixed term	Total
Financial payables	23,076,890	16,468,472	7,214,964	.		23,683,436
Trade payables	10,334,815	10,603,946	-	-	-	10,603,946
Payables to related parties	9,461,259	9,461,259	-	-	-	9,461,259
Other short-term liabilities	2,925,365	2,925,365		“		2,925,365
Total	45,798,329	39,459,041	7,214,964	-	-	46,674,006

December 31, 2008	Book value	Less than 3 months	3 to 12 months	1 to 5 years	Having no fixed term	Total
Financial payables	37,436,649	11,075,569	10,754,967	17,429,106	_	39,259,642
Trade payables	12,395,065	12,621,610	-	-	-	12,621,610
Payables to related parties	42,528,397	42,528,397	-	-	-	42,528,397
Other short-term liabilities	4,112,265	4,112,265	“		"	4,112,265
Total	96,472,376	70,337,841	10,754,967	17,429,106	-	98,521,914

29. Financial instruments (Fair value disclosures and disclosures related to hedge accounting)

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 in an arm's-length transaction, other than a forced sale or liquidation.
The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is used in interpreting market data to estimate fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.
The following methods and assumptions were used to estimate the fair value of financial instruments for which fair value could be determined:

Financial assets

It is accepted that the fair value of the foreign-currency-based balances translated with the year-end exchange rates approximates their carrying amounts. Cash and cash equivalents are shown at their fair values. Trade receivables and receivable from related parties are recorded at their discounted values and it is assumed that their fair values approximate their carrying amounts.

Financial liabilities

Trade payables, payables to related parties, financial payables and other monetary liabilities are estimated to approximate their fair values at their discounted carrying amounts and it is accepted that the fair values of the foreign-exchange-based balances translated with the year-end exchange rates approximate their carrying amounts.

Fair value hierarchy table

The Company uses the following hierarchy to determine and disclose the fair value: Level 1: Identical assets or liabilities traded in active markets,

Level 2: Direct or indirect observation of inputs that may have a material effect on the fair value reflected in financial statements,

Level 3: Determination of inputs that may have a material effect on the fair value reflected in financial statements without observable market data.

As of 31 December 2011, 2010, 2009 and 2008, the Company does not have any financial assets or liabilities that are presented at their fair value in the financial statements.