**ANADOLU ISUZU OTOMOTİV
SANAYİ VE TİCARET ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010**

**(ORIGINALLY ISSUED IN TURKISH)**

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.1.6)**

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.**

**CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE PERIOD ENDED 31 DECEMBER 2010**

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**CONSOLIDATED BALANCE SHEETS**
**AT 31 DECEMBER 2010 AND 31 DECEMBER 2009**
*(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)*

| | Notes | Audited 31 December 2010 | Audited 31 December 2009 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | **244.549.815** | **199.247.897** |
| Cash and cash equivalents | **4** | 13.737.183 | 15.607.492 |
| Trade receivables | | | |
| -Due from related parties | **25** | 2.742.807 | 1.129.977 |
| -Other trade receivables | **7** | 84.416.791 | 57.078.392 |
| Other receivables | **8** | 3.134.401 | 348.579 |
| Inventories | **9** | 135.310.450 | 118.425.255 |
| Other current assets | **15** | 5.208.183 | 6.658.202 |
| **Non-current assets** | | **85.478.604** | **80.067.882** |
| Trade receivables | **7** | 124.815 | - |
| Other receivables | **8** | 1.367 | 99.314 |
| Financial assets | **5** | 3.898 | 3.898 |
| Property, plant and equipment | **10** | 64.847.596 | 65.443.962 |
| Intangible assets | **11** | 10.864.354 | 7.514.242 |
| Goodwill | **11** | 2.340.995 | 2.340.995 |
| Deferred tax assets | **23** | 7.287.106 | 4.654.107 |
| Other non-current assets | **15** | 8.473 | 11.364 |
| **Total assets** | | **330.028.419** | **279.315.779** |

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

These consolidated financial statements as of and for the period ended 31 December 2010 have been approved for issue by the Board of Directors ("BOD") on 11 March 2011 and signed on its behalf of BOD by General Manager Ömer Lütfü ABLAY and by Accounting Manager Bekir TÖMEK.

**CONSOLIDATED BALANCE SHEETS**
**AT 31 DECEMBER 2010 AND 31 DECEMBER 2009**
*(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)*

| | Notes | Audited 31 December 2010 | Audited 31 December 2009 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current liabilities** | | **160.874.027** | **103.877.197** |
| Financial liabilities | **6** | 76.812.537 | 49.884.470 |
| Trade payables | | | |
| -Due to related parties | **25** | 54.025.574 | 18.584.220 |
| -Other trade payables | **7** | 20.777.957 | 28.043.348 |
| Other payables | **8** | 3.221.748 | 2.772.784 |
| Current income tax liabilities | **23** | 45.469 | 37.210 |
| Provisions | **13** | 5.108.489 | 3.578.180 |
| Other current liabilities | **15** | 882.253 | 976.985 |
| **Non-current liabilities** | | **7.361.552** | **9.086.178** |
| Provision for employment benefits | **14** | 6.363.428 | 7.766.028 |
| Other non-current liabilities | **15** | 998.124 | 1.320.150 |
| **EQUITY** | **16** | **161.792.840** | **166.352.404** |
| **Shareholders' equity** | | **161.777.428** | **166.338.185** |
| Paid-in capital | | 25.419.707 | 25.419.707 |
| Adjustment to share capital | | 86.901.880 | 86.901.880 |
| Restricted reserves | | 13.661.519 | 13.584.210 |
| Prior years' income | | 40.352.286 | 59.554.789 |
| Loss for the period | | (4.557.964) | (19.122.401) |
| **Minority interest** | **16** | **15.412** | **14.219** |
| **TOTAL LIABILITIES AND EQUITY** | | **330.028.419** | **279.315.779** |

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

**CONSOLIDATED STATEMENTS OF INCOME**
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**
*(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)*

| | Notes | Audited<br>01.01.2010-<br>31.12.2010 | Audited<br>01.01.2009-<br>31.12.2009 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue | **17** | 339.927.545 | 256.420.367 |
| Cost of sales (-) | **17** | (296.308.299) | (233.749.369) |
| **GROSS PROFIT** | | **43.619.246** | **22.670.998** |
| Marketing, selling and distribution expenses (-) | **18** | (26.876.359) | (24.554.015) |
| General administrative expenses (-) | **18** | (17.770.105) | (20.235.045) |
| Research and development expenses (-) | **18** | (842.030) | (2.769.450) |
| Other income | **20** | 4.085.332 | 4.844.089 |
| Other expenses (-) | **20** | (822.962) | (181.425) |
| **OPERATING PROFIT/(LOSS)** | | **1.393.122** | **(20.224.848)** |
| Financial income | **21** | 5.324.913 | 8.926.788 |
| Financial expenses (-) | **22** | (13.746.993) | (13.190.381) |
| **LOSS BEFORE TAX FROM CONTINUING OPERATIONS** | | **(7.028.958)** | **(24.488.441)** |
| **Income tax income from continuing operations** | | **2.472.187** | **5.367.218** |
| - Taxes on income (-) | **23** | (160.812) | (154.822) |
| - Deferred tax income | **23** | 2.632.999 | 5.522.040 |
| **LOSS FROM CONTINUING OPERATIONS** | | **4.556.771** | **19.121.223** |
| **LOSS FOR THE YEAR** | | **(4.556.771)** | **(19.121.223)** |
| **Attributable to:** | **16** | **(4.556.771)** | **(19.121.223)** |
| Minority interest | | 1.193 | 1.178 |
| Equity holders of the parent | | (4.557.964) | (19.122.401) |
| **Loss per hundred shares** | **24** | **(0,1793)** | **(0,7523)** |

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 31 DECEMBER 2009**
*(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)*

| | Notes | Audited 01.01.2010- 31.12.2010 | Audited 01.01.2009- 31.12.2009 |
|---|---|---|---|
| **LOSS PROFIT FOR THE PERIOD** | | **(4.556.771)** | **(19.121.223)** |
| **Other comprehensive income** | | **-** | **-** |
| Fair value differences on financial assets | | - | - |
| Revaluation differences on non-current assets | | - | - |
| Cumulative differences on hedging | | - | - |
| Cumulative translation differences | | - | - |
| Actuarial gains and losses on benefit plan | | - | - |
| Tax gains and losses related to other comprehensive income | | | |
| **OTHER COMPREHENSIVE INCOME (AFTER TAX)** | | - | - |
| **Total comprehensive income attributable to:** | | **(4.556.771)** | **(19.121.223)** |
| Minority interest | | 1.193 | 1.178 |
| Equity holders of the parent | | (4.557.964) | (19.122.401) |

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

**CONSOLIDATED CASH FLOW STATEMENTS**
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 31 DECEMBER 2009**
*(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)*

| **CONSOLIDATED CASH FLOW STATEMENTS**<br>**Operating activities:** | **Notes** | **Audited**<br>**31 December**<br>**2010** | **Audited**<br>**31 December**<br>**2009** |
|---|---|---|---|
| **Net loss** | **16** | **(4.556.771)** | **(19.122.401)** |
| **Adjustments to reconcile net cash generated:** | | | |
| Depreciation | **10** | 7.344.019 | 11.585.200 |
| Amortisation | **11** | 1.691.127 | 891.857 |
| Provision for employee benefits | **14** | 1.792.223 | 3.479.686 |
| Income on taxes | **23** | (2.472.187) | (5.367.218) |
| Interest income | **21** | (513.371) | (1.116.151) |
| Interest expenses | **22** | 5.100.586 | 5.731.218 |
| Foreign exchange differences on borrowings | | 91.300 | 423.063 |
| Other non-cash generating expenses | | (1.511.192) | (3.407.266) |
| (Gain)/Loss on sales of property, plant and equipment | **20** | (206.150) | 29.547 |
| **Net operating income /(loss) before changes in assets and liabilities:** | | **6.759.584** | **(6.872.465)** |
| **Changes in assets and liabilities:** | | | |
| Net (increase)/decrease in trade receivables | | (28.082.700) | 15.761.791 |
| Net (increase)/decrease in inventories | **9** | (16.885.195) | 21.053.423 |
| Net (increase)/decrease in other current assets | **8-15** | (1.279.590) | 17.524.874 |
| Net decrease/(increase) in other non-current assets | **15** | 8.940.448 | (11.364) |
| Net (increase)/decrease in trade payables | **7** | 28.115.011 | (67.765.594) |
| Net (decrease)/increase in other liabilities | | (962.585) | 2.736.416 |
| Taxes paid | | (139.075) | (140.492) |
| Emploment benefits paid | | (3.194.823) | (2.908.971) |
| **Cash flows used in operating activities:** | | **(6.728.925)** | **(20.622.382)** |
| **Investing activities:** | | | |
| Purchase of property, plant and equipment | **10** | (8.036.586) | (9.753.371) |
| Purchase of intangible assets | **11** | (9.351.557) | (4.125.780) |
| **Cash flows used in investing activities:** | | **(17.388.143)** | **(13.879.151)** |
| **Financing activities:** | | | |
| Dividend payments | **16** | (2.793) | (2.237) |
| Interests received | | 521.506 | 1.152.860 |
| Interests paid | | (5.106.457) | (5.831.424) |
| Proceeds from borrowings | | 82.908.050 | 85.295.200 |
| Repayments of borrowings | | (56.065.412) | (77.757.000) |
| **Net cash generated from financing activities:** | | **22.254.894** | **2.857.399** |
| **Net decrease in cash and cash equivalents** | | **(1.862.174)** | **(31.644.134)** |
| **Cash and cash equivalents at the beginning of period** | **4** | 15.596.708 | 47.240.842 |
| **Cash and cash equivalents at the end of period** | **4** | **13.734.534** | **15.596.708** |

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

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.**



**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010 AND 31 DECEMBER 2009**

| Audited | Notes | Paid in capital | Adjustment to capital | Total paid in share capital | Restricted reserves | Special reserves | Retained earings | Loss for the period | Shareholders' equity attributable to equity holders of the Group | Minority interest | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **As of 1 January 2009** | **16** | **25.419.707** | **86.901.880** | **112.321.587** | **13.521.006** | **-** | **60.088.634** | **(468.404)** | **185.462.823** | **13.041** | **185.475.864** |
| Transfers | **16** | - | - | - | - | - | (468.404) | 468.404 | - | - | - |
| Dividends paid | **16** | - | - | - | 63.204 | - | (65.441) | - | **(2.237)** | - | **(2.237)** |
| Total comprehensive income | **16** | - | - | - | - | - | - | (19.122.401) | **(19.122.401)** | 1.178 | **(19.121.223)** |
| **As of 31 December 2009** | **16** | **25.419.707** | **86.901.880** | **112.321.587** | **13.584.210** | **-** | **59.554.789** | **(19.122.401)** | **166.338.185** | **14.219** | **166.352.404** |

| **Audited** | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **As of 1 January 2010** | **16** | **25.419.707** | **86.901.880** | **112.321.587** | **13.584.210** | **-** | **59.554.789** | **(19.122.401)** | **166.338.185** | **14.219** | **166.352.404** |
| Transfers | **16** | - | - | - | - | - | (19.122.401) | 19.122.401 | - | - | - |
| Dividends paid | **16** | - | - | - | 77.309 | - | (80.102) | - | **(2.793)** | - | **(2.793)** |
| Total comprehensive income | **16** | - | - | - | - | - | - | (4.557.964) | **(4.557.964)** | 1.193 | **(4.556.771)** |
| **As of 31 December 2010** | **16** | **25.419.707** | **86.901.880** | **112.321.587** | **13.661.519** | **-** | **40.352.286** | **(4.557.964)** | **161.777.428** | **15.412** | **161.792.840** |

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

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

## NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Anadolu Isuzu Otomotiv Sanayi ve Ticaret Anonim Şirketi ("the Company") was established in 1980. Activities of the Company are comprised mainly of manufacturing, assembling, marketing, importing and exporting of commercial vehicles, including sale of relevant automotive spare parts of the commercial vehicles. The Company is registered to Capital Markets Board of Turkey and 15% of the Company's shares have been traded on Istanbul Stock Exchange since 1997.

The Company carries out its operations as a partnership formed by Isuzu Motors Ltd., Itochu Corporation and Anadolu Group Companies. The Company runs its manufacturing operations in a factory established in Gebze/Kocaeli. The average number of employees as of 31 December 2010 is 492 (31 December 2009: 701).

The Company's official address registered in the Trade Registry is Ankara Asfaltı Soğanlık Köy Karşısı Kartal, Istanbul.

As of 31 December 2010 and 31 December 2009, details regarding the Company's subsidiaries, which are subject to consolidation, are as follows:

| **Subsidiaries** | **Nature of business** | **Capital** | **Ownership interest held by the Company (%)** |
|---|---|---|---|
| Ant Sınai ve Ticari Ürünleri Pazarlama A.Ş. | Trade of spare parts | 716.000 | 99,44 |
| Anadolu Isuzu Dış Ticaret ve San. A.Ş. | Trade | 100.000 | 97,00 |

Hereafter, the Company and the subsidiaries will be referred as ("the Group") in the consolidated financial statements and notes to the consolidated financial statements.

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

### 2.1 Basis of presentation

### 2.1.1 Financial reporting standards

The Group maintains its books of account and prepares its statutory consolidated financial statements in accordance with the regulations of the Capital Markets Board of Turkey (CMB), Turkish Commercial Code, Tax Procedural Law and Uniform Chart of Accountants published by Ministry of Finance.

The Capital Markets Board ("CMB") regulated the principles and procedures of preparation, presentation and announcement of consolidated financial statements prepared by the entities with the Communiqué No: XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). The Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI-25, "The Accounting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by the Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB, which do not contradict with the aforementioned standards shall be applied.

The Group's consolidated financial statements are presented with its functional currency that is the currency of the primary economic environment in which the Group operates. The Group's financial position and operation results are indicated in the Group's functional currency, TRY.

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

**2.1.1 Financial reporting standards (Continued)**

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these consolidated financial statements, the condensed consolidated financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, CMB Financial Reporting Standards which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats required by the CMB that announced in newsletters dated 17 April 2008 and 9 January 2009 including the compulsory disclosures.

**2.1.2 Consolidation principles**

***(a) Subsidiaries***

Subsidiaries are the companies, whose shares are held by the Company directly or indirectly through shares of other companies. As a result, the Company, with or without over 50% of voting right, has the power and authority to direct and control the management and policies of the Subsidiary companies whether through the ownership of voting securities, by contract or otherwise.

Balance sheet and income statements of the Subsidiaries are consolidated according to "the full consolidation method". The book value of the Company's investments in Subsidiaries and the Subsidiaries' capitals were netted accordingly. Transactions and balances between the Company and Subsidiaries are eliminated during consolidation.

***(b) Financial assets at fair value through profit or loss***

Available-for-sale financial assets in which the Group, have ownership interests below 20%, or over which the Group does not exercise a significant influence or which are immaterial and do not have quoted market prices in active markets and whose fair values cannot be reliably measured, are carried at cost, less any provision for diminution in value.

***(c) Minority interest***

The minority shares in the net assets and operating results of Subsidiaries are separately classified in the consolidated balance sheets and income statements as "minority interest". If losses related to minority interest are over benefits from shares of a subsidiary and if there is no bounding liability to the minority, in general, these losses related with the minority result against to benefits of the minority.

**2.1.3 Offsetting**

The financial assets and liabilities in the consolidated financial statements are shown at their net value when a legal granted permission, an intention of stating the consolidated financial statements with their net values and the financial asset and liabilities are arisen concurrently.

**2.1.4 Comparatives and adjustment of prior periods' financial statements**

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements. In this respect, the idle capacity expenses were classified under cost of sales in the current period and provisions no longer required priorly classified under other operating income have been classified to general and administrative expenses.

Sales rebates, classified under marketing, selling and distribution expenses in the prior period, have been classified to revenue as sales discounts. Therefore, revenues for the period ended 1 January - 31 December 2009 were reduced by TRY2.362.056 and TRY832.622 respectively.

Marketing contribution income amounting to TRY1.460.125 classified under other operating income in the prior period, have been netted with sales, marketing and distribution expenses for the periods ended 1 January - 31 December 2009.

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

### 2.1.5 Amendments in International Financial Reporting Standards

*Standards, amendments and interpretations which are effective from 1 January 2010, have material effect over the consolidated financial statements and were adopted by the Group:*

- IAS 1 (Amendment), "Presentation of Financial Statements"

*Standards, amendments and interpretations which are effective from 1 January 2010, do not have material effect over the consolidated financial statements of the Group:*

- IAS 36 (Amendment), "Impairment of Assets"
- IAS 27 (Amendment), "Consolidated and Separate Financial Statements"
- IFRS 3 (Amendment), "Business Combinations"
- IFRS 2 (Amendment), "Share based Payment"
- IFRS 5 (Amendment), "Non-current Assets Held for Sale and Discontinued Operations"
- IFRIC 9, "Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and Measurement"
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation"
- IFRIC 17, "Distributions of Non-cash Assets to Owners"
- IFRIC 18, "Transfers of Assets from Customers"

*Standards, amendments and interpretations not yet effective as of 31 December 2010*

- IFRS 9, "Financial Instruments: Classification and Measurement"
- IFRIC 14 (Amendment), "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
- IAS 24 (Amendment), "Related Party Disclosures"
- IAS 32 (Amendment), "Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements"
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

Related amendments and interpretations do not have material effect over the consolidated financial statements.

### 2.1.6 Convenience translation into English of consolidated financial statements

The accounting principles described in Note 2.2 to the consolidated financial statements (defined as CMB Financial Reporting Standards) differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January and 31 December 2005. Accordingly, the consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

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

## 2.2 Summary of Significant Accounting Policies

### 2.2.1 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash on hand, deposits at banks and highly liquid short-term investments, with maturity periods of less than three months, which has insignificant risk of change in fair value.

### 2.2.2 Trade receivables and valuation allowance

Trade receivables as a result of providing goods or services by the Group directly to a debtor are carried at amortised cost. Short-term receivables with no stated interest rate are measured at the original invoice amount since the effect of imputing interest is significant.

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the impairment amount decreases due to an event occurring after the write-down, the release of the provision is credited to other income in the current period.

The Company collects most of the receivables from domestic vehicles sales through the "Direct Debit System" (DDS). Within this system which is also named as Direct Collection System; the contracted banks warrant the collection of the receivables within the limits granted to the dealers. Trade receivables are transferred by the contracted banks to the Company's bank accounts at the due dates.

### 2.2.3 Inventories

Inventories are valued at the lower of cost or net realisable value. The inventories of the Group mainly composed of trucks, small trucks, midi buses, pickups and spare parts which belong to those vehicles. The cost of inventories is determined on the moving monthly average basis. Cost elements included in inventories are materials, labor and an appropriate amount of factory overheads and exclude the cost of borrowing. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. Idle time expenses arising from the ceases in production other than planned in the factory's annual production plan are not associated with inventories and are recognised as cost of finished goods.

### 2.2.4 Property, plant and equipment

For assets acquired after 2005, the tangible basis assets are reflected to the consolidated financial statements by deducting their accumulated depreciation from their cost. For assets that were acquired before 1 January 2005, the tangible fixed assets are presented on the consolidated financial statement based on their cost basis, which is adjusted according to the inflationary effects as of 31 December 2004. Depreciation is calculated using the straight-line method based on their economic lives. The following rates, determined in accordance with the economic lives of the fixed assets, are used in calculation of depreciation:

| **Type** | **Depreciation rates (%)** |
|---|---:|
| Buildings | 2-5 |
| Machinery and equipment | 10-20 |
| Fixtures and Furniture | 10-20 |
| Motor Vehicles | 10-20 |
| Land Improvements | 5-6 |

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

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's net selling price or value in use.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in other operating income and losses.

Repair and maintenance expenses are charged to the statement of income as they are incurred. Repair and maintenance expenditures are capitalised if they result in an enlargement or substantial improvement of the respective asset.

### 2.2.5 Intangible assets

Intangible assets acquired before 01 January 2005 are carried at indexed historical cost for inflation effects as at 31 December 2004; however, purchases after 01 January 2005 are carried at their historical cost less accumulated amortization and impairment. Intangible assets are depreciated on a straight-line basis over their expected useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets are comprised of software programme rights, brand and patent rights and development expenses.

Amortization is calculated using the straight-line method based on their economic lives unless they exceed five years.

### 2.2.6 Goodwill and related amortisation

In consolidated financial statements, if goodwill and negative goodwill which are resulted from the difference of purchase price and fair value of net assets of the acquired share of the affiliate are realised from the purchases before 31 March 2004, they are amortised by using the capitalised and normal amortisation method over its useful life until end of 31 December 2004. Within the framework of IFRS 3 - "Business Combinations" amortisation is not applied for goodwill which is resulted from acquisitions after 31 March 2004. The calculated goodwill is evaluated and if impairment is required, a provision for impairment is accounted for. Also, for the acquisitions after 31 March 2004, if negative goodwill exists, the amount is reviewed and credited to income statement in the period negative goodwill occurred. Within the framework of IFRS 3, after 31 March 2004, in the beginning of first upcoming annual accounting period (1 January 2005), the Group has halted the amortisation of goodwill which was resulted from the transactions before 31 March 2004. Impairment of goodwill is not cancellable. The Group performs impairment testing during the year-ends.

### 2.2.7 Impairment of assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such an indication exists, the recoverable amount of the asset is presumed. The recoverable amount is presumed in each year-end for unusable intangible assets. An impairment loss is recognised for the amount by which the carrying amount of the asset or a cash generating unit related to the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Impairment losses are recognised in the statement of income.

Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

### 2.2.8 Loans and borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of the borrowings. When it comes to the assets which take long time to get ready to usage and sales, borrowing costs related to production or construction are integrated to the cost of the asset.

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

### 2.2.9 Taxes on income

Taxes include current period income taxes and deferred taxes. Current year tax liability consists of tax liability on the taxable income calculated according to currently enacted tax rates and to the effective tax legislation as of balance sheet date.

Deferred income tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax bases of assets and liabilities comprise of the amounts that will affect the future period tax charges based on the tax legislation. Currently enacted tax rates, which are expected to be effective during the periods when the deferred tax assets will be utilised or deferred tax liabilities will be settled, are used to determine deferred income tax.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

### 2.2.10 Provision for employee benefits

Provision for employee benefits represent the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees, completion of one year of service of the employees, employees' being calling up for military service or the death of employees calculated in accordance with the Turkish Labor Law.

### 2.2.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the provision amount decreases, in the case of an event occurring after the provision is accounted for, the related amount is classified as other income in the current period.

### 2.2.12 Research and development expenses

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognised as expense as incurred. Development costs previously recognised as expense are not recognised as an asset in a subsequent period.

### 2.2.13 Warranty provision expenses

Warranty expenses are recognised on an accrual basis for amounts estimated based on prior periods' realisation.

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

### 2.2.14 Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by/or affiliated with them, and associated companies are considered and referred to as related parties. The transactions with related parties for operating activities are made with prices which are convenient with market prices.

### 2.2.15 Foreign currency transactions

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the exchange rates prevailing at the balance sheet dates. Foreign currency exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the statement of income.

### 2.2.16 Fair value of financial instruments

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

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

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

***Monetary assets***

The fair values of balances denominated in foreign currencies, which are translated using year-end exchange rates, are considered to approximate their carrying value. The fair values of certain financial assets carried at cost, including cash and amounts due from banks and deposits with banks are considered to approximate their respective carrying values due to their short-term nature. The carrying values of trade receivables along with the related allowances for impairment are estimated to be their fair values due to their short-term nature. Trade receivables are proposed to reflect fair value when the book value is accounted with doubtful allowance for trade receivables.

***Monetary liabilities***

The fair values of monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. Long-term borrowings, which are mainly denominated in foreign currencies, are translated at year-end exchange rates and their fair values approximate their carrying values as floating interest is applied on these loans generally.

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

### 2.2.17 Losses per share

Losses per share disclosed in the statement of income are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and the revaluation surplus. For the purpose of losses per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

### 2.2.18 Revenue recognition

***Commercial vehicle and spare part sales***

The Group recognizes income according to the accrual basis, when the Group reasonably determines the income and economic benefit is probable. Group's revenues are comprised of sales of commercial vehicles and the spare parts of those commercial vehicles. Revenue is reduced for customer returns and sales discounts.

Revenue from the sale of goods is recognized when all the following conditions are gratified:

- The significant risks and the ownership of the goods are transferred to the buyer,
- The Group refrains the managerial control over the goods and the effective control over the goods sold,
- The revenue can be measured reasonably,
- It is probable that the the economic benefits related to transaction will flow to the entity,
- The costs incurred or will be incurred in conjunction with the transaction can be measured reliably.

***Service sales***

When the revenue from services can be measured reliably, the revenue is recorded in accordance with its completion level. If the revenue cannot be measured reliably, revenues are recognized as much as the recoverable amount of expenses that are associated with these revenues.

***Interest income***

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

***Dividend income***

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

***Rent income***

Rent income from investment properties is recognized on a straight-line basis over the term of the respective lease.

When there is significant amount of cost of financing included in the sales, the fair value is determined by discounting all probable future cash flows with the yield rate, which is embedded in the cost of financing. The differences between the fair value and the nominal value are recorded as interest income according to the accrual basis.

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

### 2.2.19 Reporting of cash flows

In the statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

The cash flows raised from operating activities indicate cash flows due to the Group's operations.

The cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment.

Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid assets with less than three months to maturity.

### 2.2.20 Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and treated as contingent assets or liabilities.

### 2.2.21 Government grants

Government grants are not recognized until there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. Government grants are recognized as income over the periods necessary to match them with the related costs, which they are intended to compensate, on a systematic basis.

Government grants and assistance received for R&D purposes of the Group are explained in Note 12.

### 2.2.22 Derivative financial instruments

Derivative financial instruments are initially recognised in the consolidated balance sheet at cost and subsequently are re-measured at their fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and currency swap instruments. Group enters into forward contracts time to time in order to minimise its exposures due to having foreign currency denominated liabilities.

Derivative financial instruments which are mainly consist of foreign exchange forward contracts are initially recognised at cost and the transactions costs which are related to derivative financial instruments are included to their initial costs and subsequently are re-measured at their fair value. All derivative financial instruments are classified as financial assets which are measured at fair value and associated with income statement. Fair values of the derivative financial instruments are calculated through fair values determined in the market or using the discounted cash flow method. Fair values of forward contracts which are traded in over the counter markets, are calculated by using the market interest rate of the original currency until the exercise date of forward contract and the foreign currency exchange rate is determined by comparing the original forward rate with current forward rate at end of period. Derivative financial instruments are accounted for asset or liability if the fair value is positive or negative respectively.

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

### 2.2.22 Derivative financial instruments (Continued)

These derivative financial instruments, even though providing effective economic hedges under the Company risk management position, do not qualify for hedge accounting under the requirements of IAS 39, "Financial Instruments: Recognition and Measurement", and therefore are accounted for as derivatives held-for-trading in the consolidated financial statement.

Held-for-trading derivative financial instruments are initially recognised in the consolidated financial statements at cost and are subsequently re-measured at their fair value. Changes in the fair values of held-for-trading derivative financial instruments are included in the statements of comprehensive income

### 2.2.23 Accounting policies, changes in accounting estimates and errors

Accounting estimates are made based on reliable information and using appropriate estimation methods. However, if new or additional information becomes available or the circumstances, which the initial estimates based on, change, then the estimates are reviewed and revised, if necessary. If the change in the accounting estimates is only related to a sole period, then only that period's financial statements are adjusted. On the other hand, if the amendments are related to the current as well as the forthcoming periods, then both current and forthcoming periods' financial statements are adjusted. In instances where the accounting estimates affect both current and forthcoming periods, then description and monetary value of the estimate is disclosed in the notes to the financial statements. However; if the affect of the accounting estimate to the financial statement is not determinable, then it is not disclosed in the notes to the financial statements.

### 2.2.24 Subsequent events

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when the balance sheet is authorised for issue.

In the case that events requiring an adjustment to the consolidated financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the consolidated financial statements.

## NOTE 3- SEGMENT REPORTING

The field of activity of the Group established in Turkey is the manufacture, assembly, import and sale of motor vehicles and spare parts. The field of activity of the Group, the nature and economic properties of products, production processes, classification according to customer risks and methods used in the distribution of products are similar. Moreover, the Group is structured on an activity basis rather than being managed under separate divisions including different activities. Thus, the operations of the Group are considered as a single activity division, and the outputs of the Group's activities, determination of the resources to be allocated to these activities, and review of the performance of these activities are evaluated accordingly.

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

## NOTE 4 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the period ends are as follows:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Cash | 31.409 | 38.527 |
| Banks - Demand deposits | 1.957.258 | 4.208.886 |
| Banks - Time deposits (up to 3 months) | 11.748.516 | 10.870.072 |
| Other | - | 490.007 |
| **Total** | **13.737.183** | **15.607.492** |

There are no blocked deposits as of 31 December 2010 and 31 December 2009.

Cash and cash equivalents presented in the consolidated cash flow statements as of 31 December 2010 and 31 December 2009 is as follows:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Cash and banks | 13.737.183 | 15.607.492 |
| Less: Interest Accruals | (2.649) | (10.784) |
| **Total (Except Interest Accruals)** | **13.734.534** | **15.596.708** |

The details of time deposits are as follows:

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| | Amount in TRY | Annual Interest Rate (%) | Amount in TRY | Annual Interest Rate (%) |
| TRY | 6.837.429 | 6,00-9,00 | 1.529.347 | 2,00-6,00 |
| USD | 4.019.623 | 0,25-2,25 | 2.965.489 | 0,25-2,25 |
| EUR | 891.464 | 0,25-3,25 | 6.375.236 | 0,25-3,00 |
| **Total** | **11.748.516** | | **10.870.072** | |

The Group does not have any time deposits with maturities longer than one month, and the time deposits are composed of fixed interest rates.

As of 31 December 2010, time and demand deposits amounting to TRY12.531.537 are at Alternatifbank A.Ş., a related party of the Group (31 December 2009: TRY14.413.742).

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

## NOTE 5 - FINANCIAL ASSETS

The Group's financial assets are composed of shares classified as available-for-sale financial assets and details are as follows:

| Company | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| | Share Amount | Share Ratio% | Share Amount | Share Ratio % |
| Efestur AŞ. | 1.621 | 2,50 | 1.621 | 2,50 |
| Anadolu Otomotiv Dış Ticaret A.Ş. | 2.277 | 2,00 | 2.277 | 2,00 |
| **Total available-for-sale financial assets** | **3.898** | | **3.898** | |

The Group's equity securities are all unlisted and are carried at their cost values.

## NOTE 6 - FINANCIAL LIABILITIES

The details of bank loans as of 31 December 2010 and 31 December 2009 are as follows:

| | Effective Interest Rate % | | Original Currency | | Amount in TRY | |
|---|---|---|---|---|---|---|
| | 31 December 2010 | 31 December 2009 | 31 December 2010 | 31 December 2009 | 31 December 2010 | 31 December 2009 |
| **Short-term Bank Loans** | | | | | | |
| USD | - | 3,82 | - | 625.000 | - | 947.380 |
| TRY | 8,30 | 9,63 | 76.000.000 | 48.125.000 | 76.812.537 | 48.937.090 |
| **Total** | | | | | **76.812.537** | **49.884.470** |

As of balance sheet dates, bank loans with variable interest rates are as follows:

| Period | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Up to 1 month | 31.002.587 | 11.907.434 |
| **Total** | **31.002.587** | **11.907.434** |

Bank loans have been borrowed for short-term working capital needs of the Group and the Group does not have any long-term financial liabilities.

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

## NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Trade receivables at period ends are as follows:

| **Short-term trade receivables** | **31 December 2010** | **31 December 2009** |
|---|---|---|
| Trade Receivables, net | 81.392.025 | 56.081.026 |
| Cheques Recevied | 3.024.766 | 997.366 |
| Doubtful Receivables | 333.324 | 333.324 |
| Less: Provision for doubtful receivables | (333.324) | (333.324) |
| **Total** | **84.416.791** | **57.078.392** |

Movements of provision for doubtful receivables are as follows:

| | **31 December 2010** | **31 December 2009** |
|---|---|---|
| **1 January** | **333.324** | **333.324** |
| Provisions during the period | - | - |
| Collections during the period | - | - |
| **31 December** | **333.324** | **333.324** |

| **Long-term trade receivables** | **31 December 2010** | **31 December 2009** |
|---|---|---|
| Export-registered VAT receivables | 124.815 | - |
| **Total** | **124.815** | **-** |

Trade payables as of period ends are as follows:

| **Trade Payables** | **31 December 2010** | **31 December 2009** |
|---|---|---|
| Trade payables, net | 20.777.957 | 28.043.348 |
| **Total** | **20.777.957** | **28.043.348** |

## NOTE 8 - OTHER RECEIVABLES AND PAYABLES

| **Other Short-term Receivables** | **31 December 2010** | **31 December 2009** |
|---|---|---|
| Receivables from government authorities (*) | 2.985.776 | 203.068 |
| Receivables from personnel | 147.749 | 143.317 |
| Deposits and guarantees given | 876 | 2.194 |
| **Total** | **3.134.401** | **348.579** |

| **Other Long-term Receivables** | **31 December 2010** | **31 December 2009** |
|---|---|---|
| Deposits and guarantees given | 1.367 | 99.314 |
| **Total** | **1.367** | **99.314** |

(*) TRY2.894.032 of receivables from government authorities is attributable to VAT return application arising from 2010 transactions of the Group at 31 December 2010.

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

## NOTE 8 - OTHER RECEIVABLES AND PAYABLES (Continued)

### Other Payables

| **Other Short-term Liabilities** | **31 December 2010** | **31 December 2009** |
|---|---|---|
| Due to shareholders | 11.761 | 12.040 |
| Due to personnel | 280.524 | 341.816 |
| Order advances received | 128.906 | 306.153 |
| Taxes and funds payable | 1.387.367 | 1.405.961 |
| Social security premiums payable | 603.398 | 704.931 |
| Taxes to be deducted | 808.777 | 215 |
| Other miscellaneous payables | 1.015 | 1.668 |
| **Total** | **3.221.748** | **2.772.784** |

## NOTE 9- INVENTORIES

Inventory balances as of period ends are as follows:

| | **31 December 2010** | **31 December 2009** |
|---|---|---|
| Raw materials | 36.149.020 | 31.007.237 |
| Semi-finished goods | 2.856.318 | 1.739.454 |
| Finished goods | 45.126.735 | 51.281.937 |
| Trade goods | 10.318.088 | 15.452.667 |
| Other inventories | 322.942 | 266.964 |
| Advances given for import and domestic purchases | 41.010.539 | 19.165.319 |
| | **135.783.642** | **118.913.578** |
| Less: Provisions for impairment of finished goods | (473.192) | (488.323) |
| **Total Inventories** | **135.310.450** | **118.425.255** |

| **Movements of Provision for Impairment on Inventories** | **31 December 2010** | **31 December 2009** |
|---|---|---|
| Opening balance | 488.323 | - |
| Less: Provision released due to the net realizable value | (15.131) | - |
| Current period charge | - | 488.323 |
| **Ending balance** | **473.192** | **488.323** |

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

## NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

| | Land | Land improvements | Buildings | Machinery and equipment | Motor vehicles | Furniture and fixtures | Other tangible assets | Constructions in progress and advances given | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| **As of 1 January 2010** | **2.427.379** | **7.574.732** | **62.519.247** | **132.784.709** | **4.910.498** | **2.807.615** | **836.669** | **2.196** | **213.863.045** |
| Additions | - | 11.750 | 2.100 | 7.169.204 | 726.362 | 33.968 | - | 93.202 | **8.036.586** |
| Disposals | - | - | - | (144.941) | (1.897.071) | - | (11.873) | (57.552) | **(2.111.437)** |
| **As of 31 December 2010** | **2.427.379** | **7.586.482** | **62.521.347** | **139.808.972** | **3.739.789** | **2.841.583** | **824.796** | **37.846** | **219.788.194** |
| **Accumulated depreciation** | | | | | | | | | |
| **As of 1 January 2010** | **-** | **(6.357.251)** | **(28.129.481)** | **(108.617.332)** | **(1.907.877)** | **(2.570.473)** | **(836.669)** | **-** | **(148.419.083)** |
| Current period depreciation | - | (113.108) | (2.158.950) | (4.121.359) | (850.485) | (100.117) | - | - | **(7.344.019)** |
| Disposals | - | - | - | 144.738 | 665.893 | - | 11.873 | - | **822.504** |
| **As of 31 December 2010** | **-** | **(6.470.359)** | **(30.288.431)** | **(112.593.953)** | **(2.092.469)** | **(2.670.590)** | **(824.796)** | **-** | **(154.940.598)** |
| **Net Book Value** | | | | | | | | | |
| **Net Book Value as of 1 January 2010** | **2.427.379** | **1.217.481** | **34.389.766** | **24.167.377** | **3.002.621** | **237.142** | **-** | **2.196** | **65.443.962** |
| **Net Book Value as of 31 December 2010** | **2.427.379** | **1.116.123** | **32.232.916** | **27.215.019** | **1.647.320** | **170.993** | **-** | **37.846** | **64.847.596** |

Due to the significant ambiguities in the construction structure of the region in which the land and buildings are located, the fair value of the land and buildings of the Group in the "Property, plant and equipment" and from which the Group receives rental income, and whose net book value is TRY4,709,097 (31 December 2009: TRY4,965,979), cannot be determined in a reliable way as of the balance sheet date.

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

**NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

| Cost | Land | Land improvements | Buildings | Machinery and equipment | Motor vehicles | Furniture and fixtures | Other tangible assets | Constructions in progress and advances given | Total |
|---|---|---|---|---|---|---|---|---|---|
| **As of 1 January 2009** | **2.427.379** | **7.574.732** | **62.519.247** | **125.466.654** | **3.674.271** | **2.801.912** | **836.669** | **1.316.571** | **206.617.435** |
| Additions | - | - | - | 7.812.245 | 1.906.253 | 8.493 | - | 26.380 | **9.753.371** |
| Transfers | - | - | - | (609.418) | (688.932) | (2.790) | - | - | **(1.301.140)** |
| Disposals | - | - | - | 115.228 | 18.906 | - | - | (1.340.755) | **(1.206.621)** |
| **As of 31 December 2009** | **2.427.379** | **7.574.732** | **62.519.247** | **132.784.709** | **4.910.498** | **2.807.615** | **836.669** | **2.196** | **213.863.045** |
| **Accumulated depreciation** | | | | | | | | | |
| **As of 1 January 2009** | | **(6.244.730)** | **(25.699.202)** | **(101.037.589)** | **(1.313.754)** | **(2.473.890)** | **(836.669)** | **-** | **(137.605.834)** |
| Current period depreciation | | (112.521) | (2.430.279) | (8.168.024) | (774.823) | (99.553) | - | - | **(11.585.200)** |
| Disposals | | - | - | 588.281 | 180.700 | 2.970 | - | - | **771.951** |
| **As of 31 December 2009** | | **(6.357.251)** | **(28.129.481)** | **(108.617.332)** | **(1.907.877)** | **(2.570.473)** | **(836.669)** | **-** | **(148.419.083)** |
| **Net Book Value** | | | | | | | | | |
| **Net Book Value as of 1 January 2009** | **2.427.379** | **1.330.002** | **36.820.045** | **24.429.065** | **2.360.517** | **328.022** | **-** | **1.316.571** | **69.011.601** |
| **Net Book Value as of 31 December 2009** | **2.427.379** | **1.217.481** | **34.389.766** | **24.167.377** | **3.002.621** | **237.142** | **-** | **2.196** | **65.443.962** |

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

## NOTE - 11 INTANGIBLE ASSETS

**31 December 2010**

| **Cost** | **Rights** | **Development costs** | **Other intangible assets** | **Constructions in progress and advances given** | **Total** |
|---|---|---|---|---|---|
| **As of 1 January 2010** | **62.631** | **6.820.167** | **1.800.718** | **857.652** | **9.541.168** |
| Additions | 11.400 | 4.310.318 | 37.005 | 4.992.834 | **9.351.557** |
| Disposals | - | - | - | (4.310.318) | **(4.310.318)** |
| **As of 31 December 2010** | **74.031** | **11.130.485** | **1.837.723** | **1.540.168** | **14.582.407** |

| **Accumulated amortisation** | | | | | |
|---|---|---|---|---|---|
| **As of 1 January 2010** | **(7.390)** | **(617.819)** | **(1.401.717)** | **-** | **(2.026.926)** |
| Current period amortisation | (4.795) | (1.435.873) | (250.459) | | **(1.691.127)** |
| Disposals | - | - | - | - | **-** |
| **As of 31 December 2010** | **(12.185)** | **(2.053.692)** | **(1.652.176)** | **-** | **(3.718.053)** |

| **Net Book Value** | | | | | |
|---|---|---|---|---|---|
| **Net Book Value as of 1 January 2010** | **55.241** | **6.202.348** | **399.001** | **857.652** | **7.514.242** |
| **Net Book Value as of 31 December 2010** | **61.846** | **9.076.793** | **185.547** | **1.540.168** | **10.864.354** |

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

**NOTE 11 - INTANGIBLE ASSETS (Continued)**

**31 December 2009**

| Cost | Rights | Development costs | Other intangible assets | Constructions in progress and advances given | Total |
|---|---|---|---|---|---|
| **As of 1 January 2009** | **41.955** | **2.520.752** | **1.646.061** | | **4.208.768** |
| Additions | 19.156 | - | 85.653 | 4.020.971 | **4.125.780** |
| Transfers | 1.520 | 4.299.415 | 69.004 | (3.163.319) | **1.206.620** |
| Disposals | - | - | - | - | **-** |
| **As of 31 December 2009** | **62.631** | **6.820.167** | **1.800.718** | **857.652** | **9.541.168** |
| **Accumulated amortisation** | | | | | |
| **As of 1 January 2009** | **(3.690)** | **(42.558)** | **(1.088.821)** | **-** | **(1.135.069)** |
| Current period amortisation | (3.700) | (575.261) | (312.896) | | **(891.857)** |
| Disposals | - | - | - | - | **-** |
| **As of 31 December 2009** | **(7.390)** | **(617.819)** | **(1.401.717)** | **-** | **(2.026.926)** |
| **Net Book Value** | | | | | |
| **Net Book Value as of 1 January 2009** | **38.265** | **2.478.194** | **557.240** | **-** | **3.073.699** |
| **Net Book Value as of 31 December 2009** | **55.241** | **6.202.348** | **399.001** | **857.652** | **7.514.242** |

**GOODWILL**

**31 December 2010**

| | Net Book Value |
|---|---|
| **As of 1 January 2010** | **2.340.995** |
| Additions | - |
| Provision for impairment | - |
| **As of 31 December 2010** | **2.340.995** |

**31 December 2009**

| | Net Book Value |
|---|---|
| **As of 1 January 2009** | **2.340.995** |
| Additions | - |
| Provision for impairment | - |
| **As of 31 December 2009** | **2.340.995** |

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

## NOTE 12 - GOVERNMENT GRANTS

Regarding the projects conducted by the Group, it has been considered appropriate that the Group benefits from the R&D deduction in Revenue Administration Letter No. 10378, dated 17 February 2006.

The cash support provided by the Scientific and Technological Research Council Of Turkey (TÜBİTAK) for R&D activities in 2010 is TRY648,039. In 2009, total cash support received was TRY2,514,750, TRY1,981,341 from TÜBİTAK and TRY533,409 from Support Price Stabilisation Fund ("DFİF").

The Group has been entitled for R&D deduction of TRY4,473,341 due to R&D expenditures in 2010. As of 31 December 2010, the total R&D deduction balance was TRY11,118,219, including the amount subjected to revaluation deferring from the previous years. As per the amendment to Article 35 of Law No. 5746 on Support of R&D Activities, enacted on 1 April 2008, the deduction rate applied for R&D expenditures was increased from 40% to 100% (R&D deduction amount deferred as of 31 December 2009 was TRY6,231,400).

In order to benefit from the incentives and exemptions provided according to Law No. 5746, the Group made an R&D centre application and the Group was granted an R&D centre certificate, effective as of 3 June 2009 at the end of the review performed by the Ministry of Industry and Trade.

## NOTE 13 - PROVISIONS, CONTINGENT ASSTES AND LIABILITIES

| **Provisions for expenses and liabilities (Short-term)** | **31 December 2010** | **31 December 2009** |
|---|---:|---:|
| Warranty provisions | 3.597.831 | 3.139.510 |
| Provision for lawsuits | 1.003.243 | 130.000 |
| Provision for performance premium | 294.178 | 304.416 |
| Provision for collective bargaining salary difference | 213.237 | - |
| Other | - | 4.254 |
| **Total** | **5.108.489** | **3.578.180** |

Movements of provisions during the period are as follows:

| | **Warranty provisions** | **Provision for lawsuits** | **Provision for performance premium** | **Provision for collective bargaining salary difference (*)** | **Other** | **Total** |
|---|---:|---:|---:|---:|---:|---:|
| **As of 1 January 2010** | 3.139.510 | 130.000 | 304.416 | - | 4.254 | **3.578.180** |
| Additions during the period | 4.309.595 | 909.243 | 1.997.054 | 213.237 | | **7.429.129** |
| Paid during the period | (3.851.274) | (36.000) | (2.007.292) | - | (4.254) | **(5.898.820)** |
| **As of 31 December 2010** | **3.597.831** | **1.003.243** | **294.178** | **213.237** | **-** | **5.108.489** |

The Group's collective employment agreement process with its blue-collar employees is still ongoing, and according to the data available wage differences that will apply to the period 1 September 2010 - 31 December 2010 was recognised as provision.

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

**NOTE 13 - PROVISIONS, CONTINGENT ASSTES AND LIABILITIES (Continued)**

**Lawsuits against the Group;**

Total amount of initiated law suits against the Group, which has not been resulted until the balance sheet date as of 31 December 2010, is TRY1.003.243 (As of 31 December 2009 amount of provisions concerning these lawsuits is TRY130.000).

**Mortgages and Guarantees on Assets;**

The Group does not have any mortgages or guarantees on its assets.

According to information received from Kartal Title Deed Registry Office on 27 January 2011, in line with Article 7 of Law No. 2942 there exist administrative expropriate annotation on behalf of Türkiye Elektrik Dağıtım A.Ş. (TEDAŞ), car park annotation and right of passage on the land owned by the Group in Soğanlık, Kartal, with block No. 4485, parcel No. 289, annotation for lawsuits on parcel No. 184, and annotation for the lease allocated to the General Directorate of Istanbul Electric Tramway and Tunnel Establishments (İETT) for 15 years in 1968 on parcel No. 192.

**Total Insurance Coverage on Assets;**

Total insurance coverage on assets as of 31 December 2010 is TRY307.975.143 (31 December 2009: TRY298.012.270).

**The total amounts of commitments not included in liabilities are as follows:**

| **Type** | **31 December 2010** | **31 December 2009** |
|---|---|---|
| Guarantee letters given | 8.226.557 | 7.911.119 |
| **Total** | **8.226.557** | **7.911.119** |

The Group's guarantee/pledge/mortgage ("GPM") positions as of 31 December 2010 and 31 December 2009 are as follows:

| | **31 December 2010** | **31 December 2009** |
|---|---|---|
| **A. Total amount of GPM given on behalf of the Group** | **8.226.557** | **7.911.119** |
| i. Letters of guarantee | 8.226.557 | 7.911.119 |
| ii. Mortgages | - | - |
| **B. Total amount of GPM given on behalf of Subsidiaries subject to full consolidation** | - | - |
| **C. Total amount of GPM given on behalf of third parties in** | - | - |
| **order to sustain operating activities** | - | - |
| **D. Total amount of other GPM given** | - | - |
| i. Total amount of GPM given on behalf of main shareholder | - | - |
| ii. Total amount of GPM given on behalf of other affiliated companies which cannot be classified under section B and C | - | - |
| iii. Total amount of GPM given on behalf of the third person that cannot be classified under section C | - | - |
| **Total** | **8.226.557** | **7.911.119** |

The ratio of total amount of other GPM given on behalf of the Group to the Group's shareholders' equity as of 31 December 2010 is 0%. (31.12.2009: 0%)

*(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)*

**NOTE 13 - PROVISIONS, CONTINGENT ASSTES AND LIABILITIES (Continued)**

The Group is exposed to foreign currency exchange risk as the Group has foreign currency denominated earnings and liabilities. The Group conducts financial derivative instruments in order to hedge its foreign currency exposure due to fluctuation in foreign currencies.

**NOTE 14 - PROVISION FOR EMPLOYMET BENEFITS**

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| **Provision for employee benefits** | **6.363.428** | **7.766.028** |

Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month’s salary limited to a maximum of TRY2.517,01 for each year of service as of 31 December 2010 (31 December 2009: TRY2,365.16).

The liability is not funded in the consolidated financial statements, as there is no funding requirement for provision for employee benefits in Turkey.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Company calculates the reserve for employee benefits every six months, the maximum amount of TRY2,517.01 which is effective from 1 July 2010 (1 July 2009: TRY2.365,16) has been taken into consideration in the calculations.

According to IAS 19, for the liability of termination indemnities related to the future periods, a convenient discount rate and inflation expectation must be determined to obtain a real discount as a result of offsetting them. This discount rate should be used in the calculation of bringing termination indemnities payable in the future to present value as of balance date.

In addition, termination indemnities are not paid to employees who leave their jobs voluntarily. With respect to this, estimated value of termination indemnity amounts that will stay in the Group should also be taken into consideration.

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Discount rate (%) | 4,66 | 5,92 |
| Turnover rate to estimate the probability of retirement (%) | 2,79 | 1,97 |

The provision calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees is recognised to the financial statements.

Movements in the provision for employee benefits during the period are as follows:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| **1 January** | **7.766.028** | **7.195.313** |
| Interest cost | 362.070 | 425.963 |
| Actuarial loss | 965.584 | 2.609.967 |
| Paid during the period | (3.194.823) | (2.908.971) |
| Current period service cost | 464.569 | 443.756 |
| **31 December** | **6.363.428** | **7.766.028** |

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

## NOTE 15 - OTHER ASSETS AND LIABILITIES

**Other current assets**

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Carried Forward Value Added Tax ("VAT") | 4.970.691 | 5.259.941 |
| Prepaid expenses | 82.819 | 166.834 |
| Income accruals (*) | 80.384 | 1.123.607 |
| Other | 74.289 | 107.820 |
| **Total** | **5.208.183** | **6.658.202** |

**(*)** Income accruals are comprised of calculation of current period derivative financial instrument contracts and insurance income which are not matured as of balance sheet date.

| Other non-current assets: | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Prepaid expenses | 8.473 | 11.364 |
| **Total** | **8.473** | **11.364** |

| Other current liabilities (Net) | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Deferred income (*) | 882.253 | 976.985 |
| **Total** | **882.253** | **976.985** |

Lease money collected in relation to future periods in the scope of lease agreements for real estate of the Group located in Kartal totals TRY249,695. Moreover, of the financial support received for R&D activities, the amount to be transferred to the income statement in 2011 corresponds to TRY632,558.

| Other non-current liabilities | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Deferred income (*) | 998.124 | 1.320.150 |
| **Total** | **998.124** | **1.320.150** |

Lease money collected in relation to periods subsequent to 2011 in the scope of lease agreements for real estate of the Group located in Kartal totals TRY106,348. Moreover, of the financial support received for R&D activities, the amount to be transferred to the income statement in periods subsequent to 2011 corresponds to TRY891,776.

## NOTE 16 - EQUITY

**Minority Interest**

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Minority shares | 15.412 | 14.219 |
| **Total** | **15.412** | **14.219** |

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

**NOTE 16 - EQUITY (Continued)**

| | 1 January 2010<br>31 December 2010 | 1 January 2009<br>31 December 2009 |
|---|---|---|
| Minority shares profit / loss | 1.193 | 1.178 |
| **Total** | **1.193** | **1.178** |

**Capital / Elimination Adjustments**

Paid-in capital shown on the consolidated balance sheet is the paid-in capital of the Group. Paid-in capital of Subsidiaries in consolidated balance sheet and subsidiary accounts are mutually eliminated.

As of 31 December 2010, the share capital of the Company is TRY25,419,707. This share capital is divided into 2,541,970,654 shares in total, including 1,366,404,402 A Group registered shares, 755,995,500 B Group registered shares, 419,570,752 C Group bearer's shares, each with nominal value of 1 (one) Kr. The distribution of this share capital on the basis of share group is as follows:

**31 December 2010**

| NAME | GROUP A | GROUP B | GROUP C | SHARE AMOUNT | SHARE % |
|---|---|---|---|---|---|
| YAZICILAR HOLDİNG A.Ş. | 9.073.187 | - | 4.478 | 9.077.665 | **35,71** |
| ÖZİLHAN SINAİ YATIRIM A.Ş. | 4.269.734 | - | 2.108 | 4.271.842 | **16,81** |
| ANADOLU ENDÜSTRİ HOLDİNG A.Ş. | 223.748 | - | 38.835 | 262.583 | **1,03** |
| ISUZU MOTORS LTD. | - | 4.319.991 | - | 4.319.991 | **16,99** |
| ITOCHU CORPORATION | - | 3.239.964 | - | 3.239.964 | **12,75** |
| BEARER SHARES PUBLICLY OWNED | - | - | 3.811.860 | 3.811.860 | **15,00** |
| OTHER BEARER SHARES | 97.375 | - | 338.427 | 435.802 | **1,71** |
| **TOTAL** | **13.664.044** | **7.559.955** | **4.195.708** | **25.419.707** | **100,00** |

**31 December 2009**

| NAME | GROUP A | GROUP B | GROUP C | SHARE AMOUNT | SHARE % |
|---|---|---|---|---|---|
| YAZICILAR HOLDİNG A.Ş. | 9.073.187 | - | 4.478 | 9.077.665 | **35,71** |
| ÖZİLHAN SINAİ YATIRIM A.Ş. | 4.269.734 | - | 2.108 | 4.271.842 | **16,81** |
| ANADOLU ENDÜSTRİ HOLDİNG A.Ş. | 223.748 | - | 38.835 | 262.583 | **1,03** |
| ISUZU MOTORS LTD. | - | 4.319.991 | - | 4.319.991 | **16,99** |
| ITOCHU CORPORATION | - | 3.239.964 | - | 3.239.964 | **12,75** |
| BEARER SHARES PUBLICLY OWNED | - | - | 3.811.860 | 3.811.860 | **15,00** |
| OTHER BEARER SHARES | 97.375 | - | 338.427 | 435.802 | **1,71** |
| **TOTAL** | **13.664.044** | **7.559.955** | **4.195.708** | **25.419.707** | **100,00** |

The amount TRY25,419,707, corresponding to the share capital of the company, is fully paid up as free from any misleading transactions. The Company is not included in registered capital system.

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

**NOTE 16 - EQUITY (Continued)**

**Privileges Granted to the Share Groups**

The Company is directed by the eleven members of the Board of Directors elected among shareholders by General Assembly in accordance with the regulations of Turkish Commercial Code.

Four members of the Board of Directors are elected from the candidates nominated by the shareholders of Group B and the remaining members of the Board of Directors are elected from the candidates nominated by the shareholders of the Group A by the General Assembly.

**31 December 2010**

| | |
|---|---|
| Paid-in share capital | 25.419.707 |
| Adjustment to share capital | 86.901.880 |
| Restricted reserves | 13.661.519 |
| Retained earnings | 40.352.286 |
| Net loss for the year | (4.557.964) |
| **Shareholders' equity attributable to equity holders of the Group** | **161.777.428** |
| **Minority shares** | **15.412** |
| **Total shareholders' equity** | **161.792.840** |

**31 December 2009**

| | |
|---|---|
| Paid-in share capital | 25.419.707 |
| Adjustment to share capital | 86.901.880 |
| Restricted reserves | 13.584.210 |
| Retained earnings | 59.554.789 |
| Net loss for the year | (19.122.401) |
| **Shareholders' equity attributable to equity holders of the Group** | **166.338.185** |
| **Minority shares** | **14.219** |
| **Total shareholders' equity** | **166.352.404** |

**Restricted reserves**

Restricted reserves are comprised of legal reserves and other reserves.

| | **31 December 2010** | **31 December 2009** |
|---|---|---|
| Legal reserves | 12.212.128 | 12.134.819 |
| Profit reserves from sale of affiliates | 1.449.390 | 1.449.390 |
| Profit on cancelled shares certificates | 1 | 1 |
| **Total** | **13.661.519** | **13.584.210** |

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"), The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital, Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital. As of 31 December 2010, the Group's total restricted reserves are TRY13.661.519 (31 December 2009: TRY13.584.210).

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

**NOTE 16 - EQUITY (Continued)**

**Retained earnings**

Retained earnings is comprised of extraordinary reserves, miscellaneous inflation differences and other prior years' income.

The Company's prior years' income details as of period ends are as follows:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Extraordinary reserves | 31.092.606 | 31.641.112 |
| Inflation difference of extraordinary reserves | 3.300.229 | 3.300.229 |
| Inflation difference of legal reserves | 25.081.046 | 25.081.046 |
| Inflation difference of cancelled shares certificates | 806 | 806 |
| Accumulated losses | (19.122.401) | (468.404) |
| **Total** | **40.352.286** | **59.554.789** |

Quoted companies make profit distributions as follows:

Based on the CMB Decree 7/242, dated 25 February 2005, if the amount of profit distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the total amount of distributable profit should be distributed. If it exceeds the statutory net distributable profit, the total amount of the statutory net distributable profit should be distributed. However, no profit distribution would be made if any financial statements prepared in accordance with the CMB or any statutory accounts carrying net loss for the period. In accordance with the CMB's decision dated 27 January 2010; it is decided not to bring any obligation for any minimum profit distribution about dividend distribution which will be made for publicly owned companies.

Inflation adjustment difference in Equity can be utilised in issuing bonus shares and in offsetting accumulated losses; the carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses. However, equity inflation adjustment differences will be liable to corporate tax if it is used in cash profit distribution.

As the Group has loss, as shown in the financial statements prepared according to the standards of the CMB, there is no profit that distributable as dividends. In the financial statements prepared according to the standards of the CMB, the Group's retained profits amounted to TRY40.352.286. After subtracting the current period's loss from the retained profits, the remaining balance is TRY35.794.322. Management of the Group has not taken any decision regarding distribution of retained earnings. In the case of the distribution of the respective amount, an allowance of 10% over the distributed profit will be made as second legal reserve.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amount. The valuation differences shall be classified as follows:

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";

- the difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, shall be classified under "Retained Earnings". Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

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

## NOTE 17 - SALES AND COST OF SALES

| **Sales** | **1 January 2010**<br>**31 December 2010** | **1 January 2009**<br>**31 December 2009** |
|---|---|---|
| Domestic sales | 319.777.120 | 219.393.105 |
| Foreign sales | 43.188.220 | 58.966.968 |
| Other sales | 2.279.663 | 2.304.661 |
| Less: Discounts | (25.317.458) | (24.244.367) |
| **Income from sales (Net)** | **339.927.545** | **256.420.367** |
| **Cost of sales** | **(296.308.299)** | **(233.749.369)** |
| **Gross operating profit/loss** | **43.619.246** | **22.670.998** |

Cost of sales are summarised as follows;

| | **1 January 2010**<br>**31 December 2010** | **1 January 2009**<br>**31 December 2009** |
|---|---|---|
| Direct raw material costs | 174.108.048 | 100.412.982 |
| Direct labor costs | 10.216.545 | 7.027.505 |
| Depreciation and amortisation expenses | 5.989.808 | 3.848.793 |
| Manufacturing overhead costs | 4.372.066 | 3.206.721 |
| Idle capacity expenses | 4.457.312 | 13.102.763 |
| **Total cost of production** | **199.143.779** | **127.598.764** |
| Change in semi-finished goods inventory | (1.272.720) | 1.043.327 |
| Change in finished goods inventory | 9.906.701 | 39.085.456 |
| Cost of trade goods sold | 88.132.500 | 65.553.414 |
| Other cost of sales | 398.039 | 468.408 |
| **Total cost of sales** | **296.308.299** | **233.749.369** |

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

## NOTE 18 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTIONS EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

| **a) Research and development expenses** | **1 January 2010 31 December 2010** | **1 January 2009 31 December 2009** |
|---|---|---|
| Personnel expenses | (213.840) | (1.175.042) |
| Project costs | (19.415) | (362.373) |
| Depreciation and amortisation expenses | (154.713) | (901.101) |
| Other | (454.062) | (330.934) |
| | **(842.030)** | **(2.769.450)** |
| **b) Marketing, selling and distribution expenses** | | |
| Domestic sales expenses | (4.379.660) | (3.269.592) |
| Export expenses | (3.580.255) | (4.299.952) |
| Personnel expenses | (4.921.088) | (5.143.886) |
| Advertising expenses | (2.991.128) | (3.277.809) |
| Warranty expenses | (4.308.353) | (3.782.540) |
| Depreciation expenses | (825.625) | (753.673) |
| Other | (5.870.250) | (4.026.563) |
| | **(26.876.359)** | **(24.554.015)** |
| **c) General and administrative expenses** | | |
| Personnel expenses | (8.421.146) | (10.507.164) |
| Service and work expenses | (5.430.744) | (5.254.429) |
| Depreciation expenses | (550.442) | (1.268.641) |
| Insurance expenses | (951.388) | (1.101.698) |
| Other | (2.416.385) | (2.103.113) |
| | **(17.770.105)** | **(20.235.045)** |

## NOTE 19 - EXPENSES BY NATURE

| | **1 January 2010 31 December 2010** | **1 January 2009 31 December 2009** |
|---|---|---|
| Direct material costs | 174.108.048 | 100.412.982 |
| Cost of trade goods sold | 88.530.539 | 66.021.823 |
| Change in goods inventory | 8.633.981 | 40.128.782 |
| Other operational expenses | 30.401.640 | 27.809.003 |
| Personnel expenses | 23.772.619 | 23.853.597 |
| Idle capacity expenses | 4.457.312 | 13.102.763 |
| Depreciation and amortisation expenses | 7.520.588 | 6.772.208 |
| Other production expenses | 4.372.066 | 3.206.721 |
| **Total expenses** | **341.796.793** | **281.307.879** |

Expenses by nature include cost of goods sold, marketing, selling and distribution expenses, general administration expenses and research and development expenses.

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

**NOTE 20 - OTHER OPERATING INCOME/EXPENSES**

| Other operating income: | 1 January 2010 31 December 2010 | 1 January 2009 31 December 2009 |
|---|---|---|
| Commission income | - | 265.481 |
| Rent income | 1.658.262 | 1.598.005 |
| Service income | 914.002 | 706.106 |
| Export SPSF | 75.790 | 31.626 |
| Tubitak R&D incentive | 632.555 | 824.876 |
| R&D SPSF | - | 324.952 |
| Stock count differences | 48.729 | 178.706 |
| Running Royalty | 23.832 | 57.458 |
| Insurance claim recoveries | 67.482 | 142.907 |
| Collected Special Consumption Tax | - | 251.164 |
| Income from the sale of property, plant and equipment | 206.150 | - |
| Other | 458.530 | 462.808 |
| **Total** | **4.085.332** | **4.844.089** |

| Other operating expenses: | | |
|---|---|---|
| Donations | (11.224) | (100) |
| Loss on sale of property, plant and equipment | - | (29.547) |
| Other | (811.738) | (151.778) |
| **Total** | **(822.962)** | **(181.425)** |

**NOTE 21 - FINANCIAL INCOME**

| | 1 January 2010 31 December 2010 | 1 January 2009 31 December 2009 |
|---|---|---|
| Interest income | 513.371 | 1.116.151 |
| Credit finance income | 818.759 | 694.580 |
| Foreign exchange gains | 3.791.809 | 7.071.159 |
| Gain on sale of marketable securities | - | 137 |
| Rediscount income | 200.974 | 44.761 |
| **Total** | **5.324.913** | **8.926.788** |

**NOTE 22 - FINANCIAL EXPENSES**

| | 1 January 2010 31 December 2010 | 1 January 2009 31 December 2009 |
|---|---|---|
| Interest expenses | (5.100.586) | (5.731.218) |
| Foreign exchange losses | (7.630.625) | (7.111.743) |
| Rediscount expenses | (827.528) | (161.034) |
| Other financial expenses | (188.254) | (186.386) |
| **Total** | **(13.746.993)** | **(13.190.381)** |

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

## NOTE 23 - TAX ASSETS AND LIABILITIES

The Group's tax (expense) / income is comprised of current period corporate tax expense and deferred tax income/(expense).

| **Account name** | **1 January 2010 31 December 2010** | **1 January 2009 31 December 2009** |
|---|---|---|
| Corporate tax provision | (160.812) | (154.822) |
| Deferred tax income | 2.632.999 | 5.522.040 |
| **Total tax income** | **2.472.187** | **5.367.218** |

| | **31 December 2010** | **31 December 2009** |
|---|---|---|
| Current period corporate tax provision | 160.812 | 154.822 |
| Prepaid taxes | (115.343) | (117.612) |
| **Taxes Payable** | **45.469** | **37.210** |

i) Provision for Current Period Tax

The Group is subject to Corporate Tax in Turkey. Necessary provisions in supplementary financial statements have been made for estimated tax liabilities regarding Group's operations in the current period.

The corporate tax to be accrued over the taxable profit is calculated by adding non-deductible expenses to the accounting profit ; deducting investment and research and development allowances , income not subject to taxation and the dividends received, from companies located in Turkey, from the accounting profit.

Effective Corporate Tax Rates:

The corporate tax rate was determined as 20% by the Corporate Tax Law No.5520 after publishing at Official Gazette on 21 September 2006 including the earnings in the fiscal year 2006.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

According to Corporate Tax Law's 24th article, the corporate tax is imposed by the taxpayer's tax returns. There is not an exact mutual agreement procedure with Tax Authorities in Turkey. Annual corporate tax returns are submitted to the relating tax offices until the 25th of April in the following year. Tax authorities have the right to audit tax declarations and accounting records for 5 years, and may issue re-assessment based on their findings.

ii) Deferred Tax:

The deferred tax asset and tax liability are based on the temporary differences, which arise between the financial statements prepared according to CMB's accounting standards and statutory tax financial statements. These differences are usually due to the recognition of revenue and expenses in different reporting periods for the CMB standards and tax purposes.

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

## NOTE 23 - TAX ASSETS AND LIABILITIES (Continued)

Temporary differences are result of recognizing certain income and expense items differently for accounting and tax purposes. Temporary differences are calculated off of the tangible fixed assets (except land and buildings), intangible fixed assets, stocks, the revaluation of prepaid expenses, discount of receivables, provision for termination indemnities, and previous years' loss. Every accounting year, the Group reviews the deferred tax asset and in circumstances, where the deferred tax assets cannot be used against the future taxable income, the Group writes-off the recorded deferred tax asset. Corporate tax rate is used in the calculation of deferred taxes.

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| | Cumulative Temporary Differences | Deferred Tax Assets/(Liabilities) | Cumulative Temporary Differences | Deferred Tax (Assets/(Liabilities |
| Inventories | 1.107.166 | 221.433 | 136.489 | 27.298 |
| Property, plant and equipment | (23.391.041) | (4.678.207) | (19.295.802) | (3.859.160) |
| Provision for employment benefits | 6.363.428 | 1.272.686 | 7.766.028 | 1.553.206 |
| Carry forward tax losses (*) | 36.091.879 | 7.218.376 | 26.018.842 | 5.203.768 |
| 2008-2009-2010 R&D deductions | 11.118.219 | 2.223.644 | 6.231.400 | 1.246.280 |
| Other(Net) | 5.145.880 | 1.029.176 | 2.413.577 | 482.715 |
| **Total Deferred Tax Assets, net** | **36.435.531** | **7.287.106** | **23.270.534** | **4.654.107** |

(*) Group expects to use TRY8.000.000, TRY12.000.000 and TRY 16.091.879 of its carry forward tax losses amounting to TRY36.091.879, in 2011, 2012 and 2013, respectively.

| **Movements of deferred tax:** | **1 January 2010 31 December 2010** | **1 January 2009 31 December 2009** |
|---|---|---|
| Opening | 4.654.107 | (867.933) |
| Deferred tax income | 2.632.999 | 5.522.040 |
| **31 December 2010** | **7.287.106** | **4.654.107** |

Reconciliations of tax provision with the current period loss are as follows:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| **Loss from continuing operations** | **(7.028.958)** | **(24.488.441)** |
| Corporate tax rate 20% | 1.405.792 | 4.897.688 |
| Taxation effect: | | |
| - R&D deductions | 977.364 | 507.322 |
| - Non-deductible expenses for tax purposes | (12.319) | (13.772) |
| - Other | 101.351 | (24.021) |
| **Income tax provision on income statement** | **2.472.187** | **5.367.218** |

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

## NOTE 24 - LOSS PER SHARE

| | **1 January 2010 31 December 2010** | **1 January 2009 31 December 2009** |
|---|---|---|
| Net income for the period (TRY) | (4.557.964) | (19.122.401) |
| Weighted average number of shares with nominal value of Kr 1 each | 2.541.970.654 | 2.541.970.654 |
| **Losses per 100 share with nominal value of TRY 1 each** | **(0,1793)** | **(0,7523)** |

## NOTE 25 - RELATED PARTY DISCLOSURES

### a) Related party balances

**31 December 2010**

| | Receivables | | Payables | |
|---|---|---|---|---|
| **Related Parties** | **Trade** | **Other** | **Trade** | **Other** |
| Payables to shareholders | - | - | - | 11.761 |
| Anadolu Endüstri Holding A.Ş. | - | - | 222.883 | - |
| Efes Pazarlama Dağıtım ve Tic. A.Ş. | - | - | 38.820 | - |
| Itochu Corporation Tokyo | - | - | 37.875.913 | - |
| Isuzu Operation Thailand | 355.802 | - | 13.634.336 | - |
| Isuzu Motors Ltd. Tokyo | 2.022.255 | - | 2.004.062 | - |
| Çelik Motor Ticaret A.Ş. | 202.074 | - | - | - |
| Alternatifbank A.Ş. | 11.838 | - | - | - |
| Anadolu Motor Üretim ve Paz. A.Ş. | - | - | 173.517 | - |
| Efestur Turizm İşletmeleri A.Ş. | - | - | 10.168 | - |
| Anadolu Bilişim Hizmetleri A.Ş. | - | - | 50.759 | - |
| Alternatif Yatırım A.Ş. | 720 | - | - | - |
| Adel Kalemcilik Tic. ve San. A.Ş. | 1.575 | - | - | - |
| Anadolu Elektronik A.Ş. | 137.817 | - | - | - |
| AEH Sigorta Acenteliği A.Ş. | - | - | 13.592 | - |
| Alternatif Finansal Kiralama A.Ş. | 10.726 | - | - | - |
| Antek Teknoloji Ürünleri Paz. ve Tic. A.Ş. | - | - | 1.524 | - |
| **Total** | **2.742.807** | **-** | **54.025.574** | **11.761** |

Group's receivables from related parties are mainly due to trade goods, service sales and rent income. Group's payables to related parties are mainly due to raw material, service purchases and rent expenses.

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

**NOTE 25 - RELATED PARTY DISCLOSURES (Continued)**

| **31 December 2009** | **Receivables** | | **Payables** | |
|---|---|---|---|---|
| **Related Parties** | **Trade** | **Other** | **Trade** | **Other** |
| Payables to shareholders | - | - | - | 12.040 |
| Anadolu Endüstri Holding A.Ş. | 106.234 | - | - | - |
| Efes Pazarlama Dağıtım ve Tic. A.Ş. | - | - | 34.440 | - |
| Itochu Corporation Tokyo | - | - | 17.303.206 | - |
| Isuzu Operation Thailand | 479.828 | - | - | - |
| Çelik Motor Ticaret A.Ş. | 181.274 | - | - | - |
| Isuzu Motors Ltd. Tokyo | 183.619 | - | 861.799 | - |
| Alternatifbank A.Ş. | 11.175 | - | - | - |
| Anadolu Motor Üretim ve Paz. A.Ş. | - | - | 263.984 | - |
| Efestur Turizm İşletmeleri A.Ş. | - | - | 64.347 | - |
| Anadolu Bilişim Hizmetleri A.Ş. | - | - | 33.262 | - |
| Alternatif Yatırım A.Ş. | 678 | - | - | - |
| Adel Kalemcilik Tic. ve San. A.Ş. | 5.947 | - | - | - |
| Anadolu Elektronik A.Ş. | 151.310 | - | - | - |
| AEH Sigorta Acenteliği A.Ş. | - | - | 6.537 | - |
| Alternatif Finansal Kiralama A.Ş. | 9.912 | - | - | - |
| Oyex Handels GmBH | - | - | 16.645 | - |
| **Total** | **1.129.977** | **-** | **18.584.220** | **12.040** |

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

**NOTE 25 - RELATED PARTY DISCLOSURES (Continued)**

**b) Related party transactions:**

**31 December 2010**

| Sales to related parties | Goods and Service sales | Sales of Fixed assets | Rent income | Total revenues / Sales |
|---|---|---|---|---|
| Efes Pazarlama Dağıtım ve Tic. A.Ş. | 1.270 | - | 1.128.271 | **1.129.541** |
| Isuzu Operation Thailand | 1.116.396 | - | - | **1.116.396** |
| Çelik Motor Ticaret A.Ş. | 419.542 | - | 81.570 | **501.112** |
| Isuzu Motors Ltd. Tokyo | 1.628.894 | - | - | **1.628.894** |
| Alternatif Yatırım A.Ş. | 12 | - | 7.320 | **7.332** |
| Adel Kalemcilik Tic. ve San. A.Ş. | 26 | - | 16.020 | **16.046** |
| Anadolu Elektronik A.Ş. | 272.452 | - | 174.720 | **447.172** |
| Anadolu Motor Üretim ve Paz. A.Ş. | 134.425 | - | - | **134.425** |
| Alternatif Finansal Kiralama A.Ş. | - | - | 104.250 | **104.250** |
| Alternatifbank A.Ş. | 223 | - | 120.384 | **120.607** |
| Efes Breweries International B.V. | - | - | 1.495 | **1.495** |
| Ana Gıda İhtiyaç Maddeleri San. A.Ş. | - | 1.760 | - | **1.760** |
| Anadolu Araçlar Ticaret A.Ş. | 1.652 | - | - | **1.652** |
| Antek Teknoloji Ürünleri Paz. ve Tic. A.Ş. | 1.274 | - | - | **1.274** |
| Efestur Turizm İşletmeleri A.Ş. | 3.854 | - | - | **3.854** |
| **Total** | **3.580.020** | **1.760** | **1.634.030** | **5.215.810** |

**31 December 2009**

| Sales to related parties | Goods and Service sales | Sales of Fixed Assets | Rent income | Total revenue / Sales |
|---|---|---|---|---|
| Efes Pazarlama Dağıtım ve Tic. A.Ş. | - | - | 1.130.140 | **1.130.140** |
| Isuzu Operation Thailand | 1.189.927 | - | - | **1.189.927** |
| Çelik Motor Ticaret A.Ş. | 317.702 | - | 92.400 | **410.102** |
| Isuzu Motors Ltd. Tokyo | 1.763.031 | - | - | **1.763.031** |
| Alternatif Yatırım A.Ş. | - | - | 6.900 | **6.900** |
| Adel Kalemcilik Tic. ve San. A.Ş. | - | - | 15.120 | **15.120** |
| Anadolu Elektronik A.Ş. | 213.245 | - | 165.780 | **379.025** |
| Anadolu Motor Üretim ve Paz. A.Ş. | 109.690 | - | - | **109.690** |
| Alternatif Finansal Kiralama A.Ş. | 76 | - | 62.480 | **62.556** |
| Alternatifbank A.Ş. | - | - | 113.640 | **113.640** |
| Efestur Turizm İşletmeleri A.Ş. | 6.118 | - | - | **6.118** |
| Yazıcılar Holding A.Ş. | 7.500 | - | - | **7.500** |
| Anadolu Sağlık Merkezi | - | - | 24.000 | **24.000** |
| Efes Breweries International B.V. | - | - | 1.680 | **1.680** |
| **Total** | **3.607.289** | **-** | **1.612.140** | **5.219.429** |

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

## NOTE 25 - RELATED PARTY DISCLOSURES (Continued)

**31 December 2010**

| **Purchases from related parties** | **Goods and Service purchases** | **Fixed asset purchases** | **Rent expense** | **Total expense/ Purchases** |
|---|---|---|---|---|
| Anadolu Motor Üretim ve Paz. A.Ş. | 2.319.712 | 12.500 | - | **2.332.212** |
| Çelik Motor Ticaret A.Ş. | 84.293 | - | 144.937 | **229.230** |
| Anadolu Endüstri Holding A.Ş. | 2.309.969 | - | - | **2.309.969** |
| Itochu Corporation Tokyo | 104.907.897 | - | - | **104.907.897** |
| Mitsubishi Corporation Tokyo | 56.289.752 | - | - | **56.289.752** |
| Isuzu Motors Ltd. Tokyo | 2.304.633 | - | - | **2.304.633** |
| Isuzu Motors Ltd. Europe | 32.118 | - | - | **32.118** |
| Efes Pazarlama Dağıtım ve Tic. A.Ş. | 28.424 | - | - | **28.424** |
| Efestur Turizm İşletmeleri A.Ş. | 801.121 | - | - | **801.121** |
| Anadolu Bilişim Hizmetleri A.Ş. | 1.871.320 | 117.046 | - | **1.988.366** |
| Anadolu Sağlık Merkezi | 20.929 | - | - | **20.929** |
| Oyex Handels Gmbh | 74.992 | - | - | **74.992** |
| Antek Teknoloji Ürünleri Paz. ve Tic. A.Ş. | 2.392 | - | - | **2.392** |
| **Total** | **171.047.552** | **129.546** | **144.937** | **171.322.035** |

**31 December 2009**

| **Purchases from related parties** | **Goods and Service purchases** | **Fixed asset purchases** | **Rent expense** | **Total expense / Purchases** |
|---|---|---|---|---|
| Anadolu Motor Üretim ve Paz. A.Ş. | 1.086.773 | 11.000 | - | **1.097.773** |
| Çelik Motor Ticaret A.Ş. | 111.976 | - | 155.637 | **267.613** |
| Anadolu Endüstri Holding A.Ş. | 1.985.293 | - | - | **1.985.293** |
| Itochu Corporation Tokyo | 39.062.654 | - | - | **39.062.654** |
| Mitsubishi Corporation Tokyo | 42.693.585 | - | - | **42.693.585** |
| Isuzu Motors Ltd. Tokyo | 1.532.773 | - | - | **1.532.773** |
| Isuzu Motors Ltd. Europe | 37.900 | - | - | **37.900** |
| Efes Pazarlama Dağıtım ve Tic. A.Ş. | - | - | 7.708 | **7.708** |
| Efestur Turizm İşletmeleri A.Ş. | 921.595 | - | - | **921.595** |
| Anadolu Bilişim Hizmetleri A.Ş. | 2.046.491 | 56.292 | - | **2.102.783** |
| Anadolu Efes Biracılık Malt San. A.Ş. | 38.968 | - | - | **38.968** |
| Anadolu Sağlık Merkezi | 31.221 | - | - | **31.221** |
| Anadolu Elektronik A.Ş. | 8.684 | 706 | - | **9.390** |
| Ana Gıda İhtiyaç Maddeleri San. A.Ş. | 1.195 | - | - | **1.195** |
| Oyex Handels GmBH | 71.798 | - | - | **71.798** |
| **Total** | **89.630.906** | **67.998** | **163.345** | **89.862.249** |

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

## NOTE 25 - RELATED PARTY DISCLOSURES (Continued)

**c) Donations to Anadolu Eğitim ve Sosyal Yardım Vakfı:**

As per the Article No:19 in the Main Articles of Association of the Group, at least 2% - 5% of the Group's profit before tax following the distribution of 1st dividend shall be donated to Anadolu Eğitim ve Sosyal Yardım Vakfı as long as it is subject to tax exemption. However, the Group could not donate for period 2010 as the Group was in a loss position (31 December 2009: No donation was made due to loss in the period).

**d) Key management compensation:**

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Compensation of key management personnel | 1.786.711 | 1.625.750 |
| **Total** | **1.786.711** | **1.625.750** |

Key management compensation includes salaries, premiums, social security contributions.

## NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing its profit and market value through the optimization of the debt and equity balance.

The Group's equity comprised of cash and cash equivalents (Note 4) and respectively share capital, capital reserves, profit reserves and retained earnings items (Note 16).

Risks, associated with each capital class, and the capital cost are evaluated by the top management. It is aimed that the capital structure will be set in balance by means of new borrowings or repaying the existing debts as well as dividend payments and new share issuances based on the top management evaluations.

The Group monitors capital by using debt to total capital ratio. This ratio is calculated by dividing the net debt by total capital. The net debt is calculated by excluding the cash and cash equivalent amounts from the total debt amount (including credits, leasing and commercial debts as indicated in the balance sheet). Total capital is calculated by adding net debt to shareholders' equity as indicated in the balance sheet.

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Financial Liabilities | 137.878.885 | 80.904.546 |
| Total Shareholders' Equity | 161.792.840 | 166.352.404 |
| **Debt/Total equity** | **0,85** | **0,49** |

General strategy of the Group based on shareholders' equity is not different from previous periods.

The Group conducts hedging contracts (including derivative financial instruments) for the purpose of diversifying foreign currency fluctuation risks.

(b) Price risk

Equity instruments which are classified on Group's balance sheet as available-for-sale are subjected to price risk. In order to manage the price risk due to capital instruments, The Group has a limited number of financial assets which are available-for-sale.

(c) Market risk

The Group is subject to the financial risks related to the changes in the exchange rate (Please see (d) below) and interest rate (Please see (e) below) due to its operations and other (Please see (f) below). Also due to having financial instruments, the Group also bears the risk of other parties not meeting the requirements of agreements (Please see (g) below).

Market risks seen at the level of the Group are measured in accordance with sensitivity analyses.

The market risk of the Group incurred during the current year or the method of handling the encountered risks or the method of measuring those risks are not different from the previous year.

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

**NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

(d) Foreign exchange risk

Foreign currency transactions may result in foreign currency fluctuation risk. The Group maintains foreign currency time deposit accounts in banks as the Group has receivables and payables in foreign currencies. As a consequence, the Group is exposed to foreign currency exchange risk due to the changes in exchange rates used for converting assets and liabilities into TRY. Foreign exchange risk arises from future trade operations and the differences between assets and liabilities.

**Sensitivity analysis of foreign currency:**

**31 December 2010**

| | Profit/Loss | |
|---|---|---|
| | **Appreciation of foreign currency** | **Depreciation of foreign currency** |
| If US$ appreciated/(depreciated) against TRY by 10%; | | |
| 1- USD currency net asset/liability | (921.185) | 921.185 |
| 2- Hedged items (-) | - | - |
| **3- Net effect of USD (1+2)** | **(921.185)** | **921.185** |
| If EUR appreciated/(depreciated) against TRY by 10%; | | |
| 4- EUR currency net asset/liability | 214.835 | (214.835) |
| 5- Hedged items (-) | - | - |
| **6- Net effect of EUR(4+5)** | **214.835** | **(214.835)** |
| If JPY appreciated/(depreciated) against TRY by 10%; | | |
| 7- JPY currency net asset/liability | (3.636.647) | 3.636.647 |
| 8- Hedged items (-) | - | - |
| **9- Net effect of JPY (7+8)** | **(3.636.647)** | **3.636.647** |
| **TOTAL (3+6+9)** | **(4.342.997)** | **4.342.997** |

**Sensitivity analysis of foreign currency:**

**31 December 2009**

| | Profit/Loss | |
|---|---|---|
| | **Appreciation of foreign currency** | **Depreciation of foreign currency** |
| If US$ appreciated/(depreciated) against TRY by 10%;; | | |
| 1- USD currency net asset/liability | (224.354) | 224.354 |
| 2- Hedged items (-) | - | - |
| **3- Net effect of USD (1+2)** | **(224.354)** | **224.354** |
| If EUR appreciated/(depreciated) against TRY by 10%; | | |
| 4- EUR currency net asset/liability | 308.638 | (308.638) |
| 5- Hedged items (-) | - | - |
| **6- Net effect of EUR(4+5)** | **308.638** | **(308.638)** |
| If JPY appreciated/(depreciated) against TRY by 10%; | | |
| 7- JPY currency net asset/liability | (981.947) | 981.947 |
| 8- Hedged items (-) | - | - |
| **9- Net effect of JPY (7+8)** | **(981.947)** | **981.947** |
| **TOTAL (3+6+9)** | **(897.663)** | **897.663** |

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

## NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

### Foreign currency position table

| | 31 December 2010 | | | | | 31 December 2009 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | TRY Amount | USD | EUR | JPY | Other | TRY Amount | USD | EUR | JPY | Other |
| 1. Trade receivables | 4.007.915 | 257.579 | 795.402 | 104.570.853 | - | 2.785.988 | 347.809 | 982.521 | 8.572.689 | |
| 2a. Monetary financial assets | 6.469.673 | 2.602.947 | 572.994 | 67.152.326 | - | 13.415.527 | 1.973.607 | 3.223.514 | 213.477.461 | |
| 2b. Non-monetary financial assets | - | - | - | - | - | - | - | - | - | - |
| 3. Other | 127.690 | - | 62.315 | - | - | - | - | - | - | - |
| **4. Total current assets (1+2+3)** | **10.605.278** | **2.860.526** | **1.430.711** | **171.723.179** | **-** | **16.201.515** | **2.321.416** | **4.206.035** | **222.050.150** | **-** |
| 5. Trade receivables | - | - | - | - | - | - | - | - | - | - |
| 6a. Monetary financial assets | - | - | - | - | - | - | - | - | - | - |
| 6b. Non-monetary financial assets | - | - | - | - | - | - | - | - | - | - |
| 7. Other | 1.320 | 854 | - | - | - | 99.268 | 65.928 | - | - | - |
| **8. Total non-current assets (5+6+7)** | **1.320** | **854** | **-** | **-** | **-** | **99.268** | **65.928** | **-** | **-** | **-** |
| **9. Total assets(4+8)** | **10.606.598** | **2.861.380** | **1.430.711** | **171.723.179** | **-** | **16.300.783** | **2.387.344** | **4.206.035** | **222.050.150** | **-** |
| 10 Trade payables | 53.770.302 | 8.819.884 | 252.334 | 2.092.521.190 | - | 25.921.190 | 4.828.180 | 526.114 | 1.074.397.890 | - |
| 11. Financial liabilities | - | - | - | - | - | 947.380 | 629.196 | - | - | - |
| 12a. Other monetary liabilities | 27.308 | - | 13.327 | - | - | - | - | - | - | - |
| 12b. Other non-monetary liabilities | - | - | - | - | - | - | - | - | - | - |
| **13. Total current liabilities (10+11+12)** | **53.797.610** | **8.819.884** | **265.661** | **2.092.521.190** | **-** | **26.868.570** | **5.457.376** | **526.114** | **1.074.397.890** | **-** |
| 14. Trade payables | - | - | - | - | - | - | - | - | - | - |
| 15. Financial liabilities | - | - | - | - | - | - | - | - | - | - |
| 16a. Other monetary liabilities | - | - | - | - | - | - | - | - | - | - |
| 16b. Other non-monetary liabilities | - | - | - | - | - | - | - | - | - | - |
| **17. Total non-current liabilities (14+15+16)** | **-** | **-** | **-** | **-** | **-** | | **-** | **-** | **-** | **-** |
| **18. Total liabilities (13+17)** | **53.797.610** | **8.819.884** | **265.661** | **2.092.521.190** | **53.797.610** | **26.868.570** | **5.457.376** | **526.114** | **1.074.397.890** | **-** |
| **19. Off-balance sheet derivative instruments net position (19a-19b)** | **(238.956)** | **-** | **(116.615)** | **-** | **(238.956)** | **1.591.157** | **1.580.000** | **(2.251.238)** | **250.000.000** | **-** |
| 19a Total Amount of Hedged Assets | 5.317.845 | - | 1.209.260 | 150.000.000 | 5.317.845 | 44.027.274 | 1.580.000 | 8.978.400 | 1.365.000.000 | - |
| 19b. Total Amount of Hedged Liabilities | 5.556.800 | - | 1.325.875 | 150.000.000 | 5.556.800 | 42.436.117 | | 11.229.638 | 1.115.000.000 | - |
| **20. Net Foreign Exchange Asset / (Liability) Position (9-18+19)** | **(43.429.968)** | **(5.958.504)** | **1.048.435** | **(1.920.798.011)** | **(43.429.968)** | **(8.976.630)** | **(1.490.032)** | **1.428.683** | **(602.347.740)** | **-** |
| **21. Monetary Items Net Foreign Exchange Asset / (liability) Position (1+2a+5+6a-10-11-12a-14-15-16a)** | **(43.320.022)** | **(5.959.358)** | **1.102.735** | **(1.920.798.011)** | **(43.320.022)** | **(10.667.054)** | **(3.135.960)** | **3.679.921** | **(852.347.740)** | **-** |
| **22. Total Fair Value of Financial Instruments Used for the Foreign Exchange Hedge** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **23. The Amount of Hedged part of Foreign Exchange Assets** | **(238.956)** | | | | **(238.956)** | **(4.863.349)** | | | | |
| **23. The Amount of Hedged part of Foreign Exchange Liabilities** | **-** | | | | **-** | **4.075.500** | | | | |
| **23. Export** | **43.188.220** | | | | **43.188.220** | **58.966.968** | | | | |
| **24. Import** | **171.377.949** | | | | **171.377.949** | **86.181.391** | | | | |

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

**NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

(e) Interest rate risk

The Company is exposed to interest rate risk either through market value fluctuations of balance sheet items or the impact of rate changes on interest-sensitive assets and liabilities. The financial liabilities and assets with fixed and variable rates are respectively shown at Note 6 and Note 4.

**Interest rate position table**

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| **Financial assets with fixed rates** | | |
| Financial assets | 11.748.516 | 10.870.072 |
| Financial liabilities | (45.809.950) | (38.384.470) |
| **Financial liabilities with variable rates** | | |
| Financial assets | | - |
| Financial liabilities | (31.002.587) | (11.500.000) |

As of 31 December 2010 if the market interest rates had been increased/decreased by 100 basis points with all other variables held constant net loss before taxes for the year would have been higher/lower by TRY310.026 (31 December 2009: TRY115.000 higher/lower).

(f) Funding risk

The ability to fund the existing and prospective debt requirements is managed as necessary by obtaining adequate committed funding lines from high quality lenders.

(g) Credit risk management

The risk of a financial loss for the Group due to failing of one of the parties of the contract to meet its obligations is defined as credit risk. The Group's credit risk is basically related to its receivables. The balance shown in the balance sheet is formed by the net amount after deducting the doubtful receivables arisen from the Group management's forecasts based on its previous experience and current economical conditions (Note 7).

Most of trade receivables are comprised of receivables from customers who have given an adequate amount of guarantees. An effective control system was established to collect the receivables. Credit risk arising from transactions is followed and these risks are taken into account when assessing each debtor. Because there are so many customers, the Group's credit risk is dispersed and there is no important credit risk concentration. The receivables from foreign customers as of 31 December 2010 are TRY4.007.915 (31 December 2009: TRY2.785.988).

*(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)*

**NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

| **31 December 2010** | **Receivables** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Trade Receivables** | | **Other Receivables** | | | **Deposits in Banks** | **Note** |
| | **Related** | **Other** | **Related** | **Other** | **Note** | | |
| **Maximum credit risk exposed as of the date of reporting (A+B+C+D+E)** | **2.742.807** | **84.416.791** | - | **3.135.768** | **7-8-25** | **13.705.774** | |
| | | | | | | | |
| - The part of maximum risk secured by guarantee etc. | - | 84.416.791 | | - | | - | |
| | | | | | | | |
| **A. Net book value of financial assets which are undue or which is not impaired** | **2.742.807** | **84.416.791** | | **3.135.768** | **7-8-25** | **13.705.774** | **4** |
| **B. Book value of financial assets which conditions are renegotiated, and which otherwise would be counted as overdue or impaired.** | **-** | | **-** | **-** | **-** | **-** | |
| **C. Net book value of assets, overdue but not impaired** | **-** | **1.285.000** | **-** | **-** | | **-** | |
| - Secured by guarantee and etc. | - | 1.285.000 | - | - | | - | |
| **D. Net book value of assets decrease in value** | - | - | - | - | | - | |
| - Overdue (gross book value) | - | *(333.324)* | - | - | **7** | - | |
| - Impairment (-) | - | *333.324* | - | - | **7** | - | |
| - The part of net value secured by guarantee etc. | - | - | - | - | | - | |
| - Undue (gross book value) | - | - | - | - | | - | |
| - Impairment (-) | - | - | - | - | | - | |
| - The part of net value secured by guarantee etc. | - | - | - | - | | - | |
| **E. Elements containing credit risk off the balance sheet** | - | - | - | - | | - | |

| **31 December 2009** | **Receivables** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Trade Receivables** | | **Other Receivables** | | | **Deposits in Banks** | **Note** |
| | **Related** | **Other** | **Related** | **Other** | **Note** | | |
| **Maximum credit risk exposed as of the date of reporting (A+B+C+D+E)** | **1.129.977** | **57.078.392** | **-** | **447.893** | | **15.545.511** | |
| | | | | | | | |
| - The part of maximum risk secured by guarantee etc. | - | *57.078.392* | - | - | | - | |
| | | | | | | | |
| **A. Net book value of financial assets which are undue or which is not impaired** | **1.129.977** | **50.560.021** | **-** | **447.893** | **7-8-25** | **15.545.511** | **4** |
| **B. Book value of financial assets which conditions are renegotiated, and which otherwise would be counted as overdue or impaired.** | **-** | **-** | **-** | **-** | | **-** | |
| **C. Net book value of assets, overdue but not impaired** | **-** | **6.518.371** | **-** | **-** | | **-** | |
| - Secured by guarantee and etc | - | *6.518.371* | - | - | | - | |
| **D. Net book value of assets decrease in value** | - | - | - | - | | - | |
| - Overdue (gross book value) | - | *333.324* | - | - | **7** | - | |
| - Impairment (-) | - | *(333.324)* | - | - | **7** | - | |
| - The part of net value secured by guarantee etc. | - | - | - | - | | - | |
| - Undue (gross book value) | - | - | - | - | | - | |
| - Impairment (-) | - | - | - | - | | - | |
| - The part of net value secured by guarantee etc | - | - | - | - | | - | |
| **E. Elements containing credit risk off the balance sheet** | - | - | - | - | | - | |

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

**NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

For impairment of receivables, the aging report and managerial staff's evaluation on the collectability of receivable account balances has been taken into account.

(h) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

**Liquidity Risk Tables**

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and having the availability and flexibility of funding through an adequate amount of (committed) credit facilities.

The risk of meeting existing and probable future liabilities is managed only by means of having access to sufficient number of trustable creditors.

The table below indicates derivative and non-derivative financial liabilities of the Group in terms of TRY and maturity term.

**31 December 2010**

**Non-derivative financial instruments**

| Due to contractual dates: | Carrying value | Total contractual cash outflow | Up to 3 months | Between 3 and 12 months | Between 1 and 5 years | Over 5 years |
|---|---|---|---|---|---|---|
| Bank borrowing | 76.812.537 | 80.167.490 | 31.135.670 | 49.031.820 | - | - |
| Corporate bonds issued | - | - | - | - | - | - |
| Financial Lease Obligations | - | - | - | - | - | - |
| Trade Payables | 74.803.531 | 75.000.648 | 51.996.172 | 23.004.476 | - | - |
| Other Liabilities | 3.221.748 | 3.221.748 | 3.221.748 | - | - | - |
| **Non-derivative financial liabilities** | **154.837.816** | **158.389.886** | **86.353.590** | **72.036.296** | **-** | **-** |

**Derivative financial liabilities**

| Contractual dates: | Carrying value | Total contractual cash outflow | Up to 3 months | Between 3 and 12 months | Between 1 and 5 years | Over 5 years |
|---|---|---|---|---|---|---|
| Derivative cash inflow | 5.621.146 | 5.621.146 | 5.621.146 | - | - | - |
| Derivative cash outflow | (5.556.801) | (5.556.801) | (5.556.801) | - | - | - |
| **Derivative financial liabilities** | **64.345** | **64.345** | **64.345** | **-** | **-** | **-** |

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

**NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

**31 December 2009**

**Non-derivative financial instruments**

| Due to contractual dates | Carrying value | Total contractual cash outflow | Up to 3 months | Between 3 and 12 months | Between 1 and 5 years | Over 5 years |
|---|---|---|---|---|---|---|
| Bank borrowing | 49.884.470 | 53.073.581 | 12.818.852 | 40.254.729 | - | - |
| Corporate bonds issued | - | - | - | - | - | - |
| Financial Lease Obligations | - | - | - | - | - | - |
| Trade Payables | 46.627.568 | 46.668.167 | 37.866.047 | 8.802.120 | - | - |
| Other Liabilities | 2.772.784 | 2.772.784 | 2.772.784 | - | - | - |
| **Non-derivative financial liabilities** | **99.284.822** | **102.514.532** | **53.457.683** | **49.056.849** | **-** | **-** |

**Non-derivative financial instruments**

| Contractual dates | Carrying value | Total contractual cash outflow | Up to 3 months | Between 3 and 12 months | Between 1 and 5 years | Over 5 years |
|---|---|---|---|---|---|---|
| Derivative cash inflow | 44.027.274 | 44.027.274 | 43.049.154 | 978.120 | - | - |
| Derivative cash outflow | (42.924.367) | (42.924.367) | (41.976.970) | (947.397) | - | - |
| **Derivative finacial liabilities** | **1.102.907** | **1.102.907** | **1.072.184** | **30.723** | **-** | **-** |

**NOTE 27 - FINANCIAL INSTRUMENTS**

**(Fair value and hedging disclosures)**

The Group believes that registered values of financial instruments reflect their fair values.

Objectives of Financial Risk Management

Finding access to financial markets and managing financial risks arisen from operational activities of the Group fall under the responsibility of the Group's finance department. Aforementioned risks include market risk (foreign exchange risk, interest rate risk and price risk). Financial risk covers market risk (exchange rate risk, fair value of interest risk and price risk), credit risk, liquidity risk and cash flow risk.

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| | **Contractual Amount (TRY)** | **Current Value** | **Contractual Amount (TRY)** | **Current Value** |
| **Derivative foreign exchange financial instruments - Assets** | | | | |
| Forward foreign exchange sales transactions | 3.147.315 | (370.841) | 3.490.295 | 1.018.592 |
| Forward foreign exchange purchase transactions | 2.839.950 | 427.055 | 2.272.830 | 105.015 |
| | | **56.213** | | **1.123.607** |

**NOTE 27 - FINANCIAL INSTRUMENTS (Continued)**

In order to hedge these risks, the Group uses forward foreign currency transaction agreements as a financial instrument at times.

As of 31 December 2010, the Group has forward foreign exchange purchase agreements that have total value of TRY303.000 against EUR150.000 and JPY100.000.000 against EUR786.164 and has forward foreign exchange sales agreements that have total value of EUR799.424 against JPY100.000.000. Also, the Group has option contracts that enable to buy JPY50.000.000 for EUR389.712 and has option contracts to sell JPY50.000.000 for EUR409.836. With regard to these contracts, an income accrual of TRY56.213 is recognized in financial statements.

As of 31 December 2009, the Group has forward foreign exchange purchase contracts that have total value of JPY30.000.000 against TRY488.250, USD1.580.000 against EUR1.351.718, JPY2.320.000.000 against EUR18.242.004 and has forward foreign exchange sales contracts that have total value of JPY2.100.000.000 against EUR17.247.556. With regard to these contracts, an income accrual of TRY1.123.607 was recognized in financial statements.

**NOTE 28 - DISCLOSURE OF OTHER MATTERS**

Financial fluctuation that started in the international markets has affected Turkish financial markets as well as other markets. Financial situation, future activities and cash flows of the Group will recover depending on improvements in economic problems, just as the case with other companies.