(Convenience translation of financial statements and audit report originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Financial statements as of December 31, 2011 together with report of independent auditors

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Contents

Ernst & Young

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(Convenience translation of audit report originally issued in Turkish)

Independent auditor's report

To the Board of Directors of
Ford Otomotiv Sanayi A.Ş:

We have audited the accompanying financial statements of Ford Otomotiv Sanayi A.Ş. (the "Company") which comprise the balance sheet as at December 31, 2011 and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Independent auditor's responsibility

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

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

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

(Convenience translation of audit report originally issued in Turkish)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ford Otomotiv Sanayi A.Ş. as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards accepted by the Capital Markets Board.

Additional paragraph for convenience translation to English:

As described in Note 2 to the accompanying financial statements, accounting principles and standards applied in the accompanying financial statements (CMB financial accounting standards) are based on International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board except for the adoption of an earlier date for discontinuation of application of IAS 29 (Financial Reporting in Hyperinflationary Economies). As per CMB financial accounting standards application of inflation accounting was ceased effective as of January 1, 2005, whereas per IFRS it was ceased effective January 1, 2006.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Erdem Tecer, SMMM
Partner

February 21, 2012
İstanbul, Turkey.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.
Balance sheet as of December 31, 2011
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	December 31, 2011	December 31, 2010
Assets			
Current assets		**3,089,000,716**	2,229,357,158
Cash and cash equivalents	4	**808,849,078**	520,944,034
Trade receivables			
- Due from related parties	26	**877,374,203**	673,117,047
- Other trade receivables	7	**521,587,032**	511,313,401
Other receivables	8	**4,346,575**	6,401,917
Inventories	9	**724,972,219**	463,925,506
Other current assets	16	**151,871,609**	53,655,253
Non-current assets		**1,332,458,953**	1,105,722,882
Trade receivables	7	**474,645**	342,608
Financial assets	5	**3,458,740**	3,008,822
Property, plant and equipment	10	**1,108,089,000**	1,058,400,259
Intangible assets	11	**28,777,170**	42,299,562
Other non-current assets	16	**191,659,398**	1,671,631
Total assets		**4,421,459,669**	3,335,080,040

The financial statements were approved for issue by the Board of Directors on February 21, 2012 and signed on behalf of the Board of Directors by Oğuz Toprakoğlu, Assistant General Manager – Chief Financial Officer ("CFO") and Devrim Kılıçoğlu, Finance Director.

Ford Otomotiv Sanayi A.Ş.
Balance sheet as of December 31, 2011
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	December 31, 2011	December 31, 2010
Liabilities			
Current liabilities		**1,730,705,260**	1,128,434,076
Financial liabilities	6	**226,836,996**	231,135,070
Trade payables			
- Due to related parties	26	**340,785,262**	176,308,452
- Other trade payables	7	**900,664,471**	508,068,468
Other payables			
- Due to related parties	26	**16,468,196**	5,695,782
- Other payables	8	**150,137,511**	117,075,396
Current income tax payable	24	**56,963,729**	60,498,276
Provisions	13	**38,849,095**	29,652,632
Non-current liabilities		**792,535,926**	451,601,933
Financial liabilities	6	**650,052,940**	297,303,000
Provision for employee benefits	15	**55,081,174**	44,061,805
Deferred tax liabilities	24	**40,304,565**	71,166,606
Provisions for liabilities	13	**46,672,397**	39,070,522
Derivative financial instruments	28	**424,850**	-
Equity	17	**1,898,218,483**	1,755,044,031
Equity attributable to the equity holders of the Company	17	**1,898,218,483**	1,755,044,031
Share capital		**350,910,000**	350,910,000
Adjustment to share capital		**27,920,283**	27,920,283
Share premium		**8,252**	8,252
Value increase funds		**2,335,091**	1,907,669
Net loss on cash flow hedge		**(345,806)**	-
Restricted reserves		**390,964,519**	340,819,480
Retained earnings		**464,337,418**	528,870,084
Net income for the year		**662,088,726**	504,608,263
Total equity and liabilities		**4,421,459,669**	3,335,080,040

The accompanying notes form an integral part of these financial statements

Ford Otomotiv Sanayi A.Ş.
Statement of income for the year ended December 31, 2011
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	December 31, 2011	December 31, 2010
Continuing operations			
Sales	18	**10,445,022,950**	7,649,411,637
Cost of sales	18	**(9,243,511,780)**	(6,664,536,863)
Gross profit		**1,201,511,170**	984,874,774
Sales and marketing expenses	19	**(255,169,985)**	(226,030,795)
General administrative expenses	19	**(112,904,465)**	(98,543,070)
Research and development expenses	19	**(106,886,110)**	(84,729,979)
Other operating income	21	**49,151,689**	36,748,197
Other operating expenses	21	**(46,450,461)**	(2,102,985)
Operating profit		**729,251,838**	610,216,142
Financial income	22	**286,253,021**	115,027,870
Financial expenses	23	**(215,432,140)**	(106,249,773)
Income before tax from continuing operations		**800,072,719**	618,994,239
Income tax from continuing operations		**(137,983,993)**	(114,385,976)
- Taxes on income	24	**(168,782,079)**	(141,913,739)
- Deferred tax income	24	**30,798,086**	27,527,763
Net income for the year		**662,088,726**	504,608,263
Earnings per share with a nominal value of Kr 1	25	**1.89**	1.44

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

Ford Otomotiv Sanayi A.Ş.
Statement of comprehensive income for the year ended December 31, 2011
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	December 31, 2011	December 31, 2010
Net income for the year		**662,088,726**	504,608,263
Other comprehensive income			
Change in revaluation funds of financial assets	17	**427,422**	829,535
Accumulated (loss) / profit from cash flow hedge, net of deferred tax	17	**(345,806)**	-
Total comprehensive income		**662,170,342**	505,437,798

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

Ford Otomotiv Sanayi A.Ş.
Statement of changes in equity for the year ended December 31, 2011
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Share capital	Adjustmens to share capital	Share premium	Value increase funds	Net loss on cash flow hedge	Restricted reserves	Retained earnings	Net income	Total equity
Balance at January 1, 2010	350,910,000	27,920,283	8,252	1,078,134	-	302,570,290	633,722,367	333,434,307	1,649,643,633
Transfers	-	-	-	-	-	38,249,190	295,185,117	(333,434,307)	-
Dividends paid	-	-	-	-	-	-	(400,037,400)	-	(400,037,400)
Total comprehensive income	-	-	-	829,535	-	-	-	504,608,263	505,437,798
Balance at December 31, 2010	350,910,000	27,920,283	8,252	1,907,669	-	340,819,480	528,870,084	504,608,263	1,755,044,031
Balance at January 1, 2011	**350,910,000**	**27,920,283**	**8,252**	**1,907,669**	**-**	**340,819,480**	**528,870,084**	**504,608,263**	**1,755,044,031**
Transfers	-	-	-	-	-	50,145,039	454,463,224	(504,608,263)	-
Dividends paid	-	-	-	-	-	-	(518,995,890)	-	(518,995,890)
Total comprehensive income (net off deferred tax)	-	-	-	427,422	(345,806)	-	-	662,088,726	662,170,342
Balance at December 31, 2011	**350,910,000**	**27,920,283**	**8,252**	**2,335,091**	**(345,806)**	**390,964,519**	**464,337,418**	**662,088,726**	**1,898,218,483**

The accompanying notes form an integral part of these financial statements

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.
Statement of cash flows for the year ended December 31, 2011
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	December 31, 2011	December 31, 2010
Cash flows from operating activities:			
Net income for the year		**662,088,726**	504,608,263
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	10	**125,254,072**	156,060,023
Amortization	11	**20,625,057**	19,124,469
Provision for employee benefits	15	**15,483,426**	15,772,496
Warranty expense provision	13	**70,896,977**	86,890,422
Taxation	24	**137,983,993**	114,385,976
Interest income	22	**(48,068,840)**	(18,654,206)
Interest expense	23	**18,799,809**	7,112,253
Foreign exchange loss/ (income) incurred from borrowings		**106,350,031**	(15,395,034)
Provision (income)/ expenses		**(13,288,028)**	13,873,631
Loss on sale of fixed asset	21	**482,962**	494,281
Dividend income	21	**(87,874)**	(119,509)
Net operating profit before changes in operating assets and liabilities		**1,096,520,311**	884,153,065
(Increase) in accounts receivable		**(214,530,787)**	(344,726,864)
(Increase)/ decrease in inventories		**(259,521,882)**	(176,424,754)
(Increase) / decrease in other current assets		**(96,161,014)**	3,358,404
Increase in accounts payable		**557,072,813**	254,322,875
Increase/(decrease) in other current liabilities		**53,839,636**	32,707,080
Income tax paid		**(169,057,119)**	(111,926,457)
Warranty expenses paid	13	**(54,098,639)**	(76,205,765)
Employee benefits paid	15	**(4,464,057)**	(2,653,826)
Net cash generated from operating activities		**909,599,262**	462,603,758
Cash flows used in investing activities:			
Purchase of property, plant and equipment	10	**(180,269,122)**	(74,507,269)
Purchase of intangible assets	11	**(7,102,665)**	(11,365,206)
Proceeds from sale of property, plant and equipment		**4,843,347**	4,056,980
Decrease in other non-current assets		**(190,119,804)**	519,713
Interest received		**46,567,423**	18,654,206
Dividends received	21	**87,874**	119,509
Net cash used in investing activities		**(325,992,947)**	(62,522,067)
Cash flows from financing activities:			
Interest paid		**(16,691,431)**	(7,699,732)
Dividends paid	17	**(518,995,890)**	(400,037,400)
Proceeds from borrowings		**515,501,212**	430,033,728
Payments of borrowings		**(275,507,755)**	(273,380,799)
Interest paid		**(7,407)**	-
Net cash used in financing activities		**(295,701,271)**	(251,084,203)
Net increase in cash and cash equivalents		**287,905,044**	148,997,488
Beginning balance of cash and cash equivalents	4	**520,944,034**	371,946,546
End of the year balance of cash and cash equivalents	4	**808,849,078**	520,944,034

The accompanying notes form an integral part of these financial statements

1. Organization and nature of the operations

Ford Otomotiv Sanayi A.Ş. (the "Company") is incorporated and domiciled in Turkey and manufactures, assembles and sells motor vehicles, primarily commercial vehicles, imports and sells passenger cars and manufactures and imports and sells spare parts of those vehicles. The Company was established in 1959 and presently operates as a joint venture between Ford Motor Company and the Koç Group of Companies. The Company is listed on the Istanbul Stock Exchange, where 17.92% of its shares are currently quoted.

The Company presently has two plants located in Kocaeli and Eskişehir, has a spare part distribution warehouse in Kartal, Istanbul and a branch in Tübitak Marmara Research Centre, Gebze Campus Technological Free Zone ("TEKSEB") established in 2007 for the purpose of conducting research and development and engineering operations. The light commercial vehicle, "Transit Connect", and Transit vehicles (minibuses, pick-ups and vans) are manufactured in Kocaeli. Ford Cargo trucks and their engines are manufactured in Eskişehir.

In 2011, the Company had a total of 9,455 employees on average, composed of 2,016 white-collar and 7,439 blue-collar workers. The Company had a total of 9,581 employees composed of 2,167 white-collar and 7,414 blue-collar workers as of December 31, 2011. (December 31, 2010: The Company had a total of 7,988 employees on average, composed of 1,625 white-collar and 6,363 blue-collar workers. The Company had a total of 8,413 employees composed of 1,778 white-collar and 6,635 blue-collar workers as of period end.)

The registered office address of the Company is Akpınar Mahallesi, Hasan Basri Cad. No: 2 Sancaktepe, İstanbul.

2. Basis of presentation of financial statements

2.1 Basis of presentation

2.1.1 Financial reporting standards

The Capital Markets Board ("CMB") regulated the principles and procedures of preparation, presentation and announcement of 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 January 1, 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.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the financial reporting standards issued by the CMB ("CMB Financial Reporting Standards"). Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements commencing from January 1, 2005.

2. Financial reporting standards (continued)

As the differences between IAS/IFRS endorsed by the European Union and IAS/IFRS issued by the IASB have not been announced by TASB yet, these financial statements have been prepared within the framework of financial statement communiqué and announcements related with this communiqué in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. Financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcement dated April 17, 2008 and January 9, 2009, including the compulsory disclosures.

Except for the financial assets carried at fair value and derivative instruments, financial statements prepared on cost basis.

The Company financial statements as of December 31, 2011 and December 31, 2010, have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as accepted by the CMB, in accordance with the CMB's "Financial Reporting Standards" announced on April 9, 2008, which are based on IAS/IFRS.

Company's functional and presentation currency is accepted as TL.

2.1.2 Going concern

The financial statements of the Company are prepared on the basis of a going concern assumption.

2.1.3 Offsetting

Financial assets and liabilities are offset when there is a legal basis, intention to disclose net amount of related assets and liabilities or the obtaining of an asset follows the settling its of liability.

2.2 Changes in accounting policies

2.2.1 Comparatives and adjustment of prior periods' financial statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. The balance sheet of the Company at December 31, 2011 has been provided with the comparative financial information of December 31, 2010 and the statement of income, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the period between January 1, 2011 and December 31, 2011 have been provided with the comparative financial information, for the period between January 1, 2010 and December 31, 2010. The balance sheet as at December 31, 2010 has been reclassified in order to conform to the presentation of the current period financial statements. The reclassifications are as follows:

a) Warranty expenses amounting TL 68,723,154 which was presented in "Current Liabilities-Provisions" as of December 31, 2010 financial statements, has been split into "Current Liabilities-Provisions" amounting to TL 29,652,632 and in "Non-current Liabilities-Provisions" amounting to TL 39,070,522 (Note 13).

2. Basis of presentation of financial statements (continued)

2.2 Standards, amendments and interpretations to existing standards

a) Changes in accounting policy and disclosures

The accounting policies, which are basis of presentation of financial statements, are consistent with those of the previous financial year except for the new standards and interpretation summarized below. The following new and amended IFRS and IFRIC interpretations are adopted in the periods beginning on January 1, 2011:

The new standards, amendments and interpretations which are effective as at January 1, 2011 are as follows:

- **IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction— Prepayments of a Minimum Funding Requirement (Amended)**

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. The company does not expect to have an impact on the financial position or performance change.

- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**

This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability. This interpretation does not apply when the creditor is acting in the capacity of a shareholder, in common control transactions or when the issue of equity shares was part of the original terms of the liability. The Company does not expect that this amendment will have an impact on the financial position or performance.

- **IAS 32 Financial Instruments: Presentation - Classifications on Rights Issues (Amended)**

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The Company does not expect that this amendment will have an impact on the financial position or performance.

- **IAS 24 Related Party Disclosures (Revised)**

Amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. In addition, the revised standard introduces a partial exemption of general disclosure requirements for transactions with government-related entities. The Company does not expect that this amendment will have an impact on the financial position or performance.

2. Basis of presentation of financial statements (continued)

b) Improvements to IFRS

In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The Company does not expect that this amendment will have an impact on the financial position or performance. There are separate transitional provisions for each standard. The amendments that are effective as at January 1, 2011 are as follows:

- **IFRS 3 Business Combinations**

i) Transition requirements for contingent consideration from a business combination that occurred before the effective date of revised IFRS

This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

ii) Measurement of non-controlling interests

This improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets.

iii) Unreplaced or voluntarily replaced share-based payment awards

This improvement requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration paid and post combination expenses

- **IFRS 7 Financial Instruments: Disclosures**

This improvement gives clarifications of disclosures required by IFRS 7 and emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Among others, the improvement remove the disclosure requirement of the collateral held as security and other credit enhancements and estimate of their fair value for financial assets that are past due but not impaired and that are individually impaired; and instead include a disclosure requirement of financial effect of collateral held as security and other credit enhancements for all financial assets.

- **IAS 1 Presentation of Financial Statements**

This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

2. Basis of presentation of financial statements (continued)

- **IAS 27 Consolidated and Separate Financial Statements**

This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21 "The Effect of Changes in Foreign Exchange Rates", IAS "28 Investments in Associates" and IAS 31 "Interests in Joint Ventures" apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when IAS 27 is applied earlier.

- **IAS 34 Interim Financial Reporting**

This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements on i) the circumstances likely to affect fair values of financial instruments and their classification, ii) transfers of financial instruments between different levels of the fair value hierarchy, iii) changes in classification of financial assets, and iv) changes in contingent liabilities and assets.

- **IFRIC 13 Customer Loyalty Programmes**

This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

c) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows.

- **IAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income**

The amendments are effective for annual periods beginning on or after July 1, 2012, but earlier application is permitted. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have an impact on the financial position or performance.

- **IAS 12 Deferred Taxes: Recovery of Underlying Assets (Amendment)**

The amendments are mandatory for annual periods beginning on or after January 1, 2012, but earlier application is permitted. IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

2. Basis of presentation of financial statements (continued)

- **IAS 19 Employee Benefits (Amended)**

Amended standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among there numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

- **IAS 27 Separate Financial Statements (Amended)**

As a consequential amendment to IFRS 10, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. This standard has not yet been endorsed by the EU. The Company does not expect that this standard will have any impact on the financial position or performance of the Company.

- **IAS 28 Investments in Associates and Joint Ventures (Amended)**

As a consequential amendment to IFRS 11, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. This standard has not yet been endorsed by the EU. The Company does not expect that this standard will have any impact on the financial position or performance of the Company.

- **IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)**

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This standard has not yet been endorsed by the EU. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

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

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. This amendment has not yet been endorsed by the EU. The amendment is effective for annual periods beginning on or after July 1, 2011.Comparative disclosures are not required. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

2. Basis of presentation of financial statements (continued)

- **IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities(Amended)**

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. This standard has not yet been endorsed by the EU. The amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

- **IFRS 9 Financial Instruments – Classification and measurement**

As amended in December 2011, the new standard is effective for annual periods beginning on or after January 1, 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

- **IFRS 10 Consolidated Financial Statements**

Standard is effective for annual periods beginning on or after January 1, 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard has not yet been endorsed by the EU. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

- ***IFRS 11 Joint Arrangements***

Standard is effective for annual periods beginning on or after January 1, 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard has not yet been endorsed by the EU. The Company does not expect that this standard will have a significant impact on the financial position or performance of the Company.

2. Basis of presentation of financial statements (continued)

- ***IFRS 12 Disclosure of Interests in Other Entities***

Standard is effective for annual periods beginning on or after January 1, 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard has not yet been endorsed by the EU. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

- **IFRS 13 Fair Value Measurement**

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. This standard has not yet been endorsed by the EU. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

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

The Interpretation is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

2.3 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

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 (Note 4)

Trade receivables and allowance for trade receivables

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

2. Basis of presentation of financial statements (continued)

Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, other than the key accounts and related parties, are assessed with their prior year performances, their credit risk in the current market, their performance after the balance sheet date up to the issuing date of the financial statements and furthermore, the renegotiation conditions with these debtors are considered.

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 (Note 7 and 26).

Credit finance income/charges

Credit finance income/charges represent imputed finance income/charges on credit sales and purchases. Such income/charges are recognized as financial income or expenses over the period of credit sales and purchases, and included under financial income and expenses.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the moving monthly average basis. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads and exclude the cost of borrowing. Net realizable 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 recognized as cost of sales (Note 9).

Trade payables

Trade payables are recognized at initial cost and subsequently measured at amortized cost using effective interest rate method (Notes 7 and 26).

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets.

2. Basis of presentation of financial statements (continued)

The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Land improvements	30 years
Buildings	30 years
Machinery and equipment	5-25 years
Moulds and models	project life
Furniture and fixtures	5-12.5 years
Motor vehicles	9-15 years

Land is not depreciated as it is deemed to have an indefinite useful life.

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 capitalized if they result in an enlargement or substantial improvement of the respective asset (Note 10).

Intangible assets

Intangible assets comprise computer software, rights, leasehold improvements and development costs.

Intangible assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over a period not exceeding five years. Development costs, comprising of engineering design incurred for the production of new commercial vehicles, are capitalized as discussed in Note 2.3 Research and development expenses (Note 11).

Impairment of long-lived 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. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Impairment losses are recognized 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.

Financial investments

Investments intended to be held for an indefinite period of time, and which may be sold in response to a need for liquidity or changes in interest rates are classified as available-for-sale. These are included in non-current assets unless management has the express intention of holding the investments for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management makes the proper classification of such financial instruments at the date they are purchased and monitors this classification regularly.

2. Basis of presentation of financial statements (continued)

All financial assets are initially carried at cost including purchasing costs related with investments. The unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognized in other comprehensive income (Note 5).

Share premium

Share premium represents differences resulting from the sale of the Company's subsidiaries and associates' shares at a price exceeding the face values of those shares or differences between the face values and the fair value of shares issued for acquired companies.

Share capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared (Notes 17 and 21).

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 utilized or deferred tax liabilities will be settled, are used to determine deferred income tax.

Deferred tax liability is calculated on all taxable temporary differences whereas deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporarily differences can be utilized. Carrying values of deferred tax assets are decreased to the extent necessary, if future taxable profits are not expected to be available to utilize deferred tax assets partially or fully.

Deferred tax assets and deferred tax 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 (Note 24).

Revenue recognition

Revenue comprises the invoiced value for the sale of goods and services. Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer. For export sales significant risk and rewards are transferred to the buyer on FAS, "Final Assignment to Ship" terms. For domestic vehicle and spare parts sales, significant risk and rewards are transferred to the buyer when goods are delivered and received by the buyer or when the legal title is passed to the buyer. For export service sales, significant risk and rewards are transferred to the buyer when service are given and revenue is determined reasonably .Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company. Net sales represent the invoiced value of goods shipped less sales returns. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on accrual basis (Note 18).

2. Basis of presentation of financial statements (continued)

Foreign currency transactions and balances

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 TL at the Central Bank of Turkey (TCB) 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 recognized in the statement of income (Notes 22, 23 and 27).

Financial instruments and financial risk management

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. All trade receivables are due mainly from dealers and related parties. The Company has established effective control procedures over its dealers and the credit risk arising from transactions with such dealers is regularly monitored by management and the aggregate risk to any individual counterparty is limited. The Company covered its credit risk from domestic vehicle sales to dealers by setting credit limits for dealers through arranged banks and collects its trade receivables from banks at the due date through the use of Direct Debit System. The use of DDS for receivables from dealers is an effective way to decrease the credit risk.

Collaterals obtained from dealers for the receivables regarding domestic spare part sales is another method in the management of the credit risk (Note 7).

Export sales mainly consist of sales to Ford Motor Company and its subsidiaries. Collection terms and conditions are specified in the business agreements with Ford Motor Company. Receivables from Ford Motor Company are collected in 30 days. Starting from January 1, 2012 receivable due from export vehicle sales have been collected within 14 days maturity. The collection of receivables resulting from export sales to customers other than Ford Motor Company is secured with letter of credit, letter of guarantee or cash payment.

Price risk

The Company is exposed to equity securities price risk because of investments classified on the balance sheet as available-for-sale. The Company limits the available-for-sale financial assets in order to manage the price risk arising from investments in equity securities.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The risk of funding current and future debt requirements is managed by having an adequate number of quality loan providers constantly available. The Company management keeps cash, credit commitment and factoring capacity to maintain 30 days cash outflows to manage the liquidity risk. The Company maintains a credit commitment amounting to Euro 70 million and factoring agreement amounting to TL 140 million in case a requirement for use arises.

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

2. Basis of presentation of financial statements (continued)

Interest rate risk

Management uses short-term interest bearing financial assets to manage the maturities of interest bearing assets and liabilities. The Company makes limited use of interest rate swaps, to hedge its floating rate borrowings, if needed.

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.

Foreign exchange risk

The Company is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency assets and liabilities into local currency. This risk is monitored by management through Audit Committee and regular Board of Director's meetings.

Excess cash is invested mainly in hard currency to balance the net foreign currency assets and liabilities and in order to minimize the balance sheet foreign exchange exposure. In addition to this, distribution of the amount of the export orientated production and sales in the related months can increase the foreign assets (Note 27).

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the debt to total capital ratio. This ratio is calculated as total debt divided by total capital. Debt is calculated as total short and long term borrowings, whereas total equity is calculated as equity, as shown in the balance sheet. According to the decision of Company Board of Directors, debt to total capital ratio is expected to be between 0.25-0.60.

	December 31, 2011	December 31, 2010
Financial debt	**876,889,936**	528,438,070
Total equity	**1,898,218,483**	1,755,044,031
Debt/Total equity ratio	**0.46**	0.30

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.

2. Basis of presentation of financial statements (continued)

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value.

Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is 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.

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.

Derivative financial instruments and cash flow hedge accounting

The Company has entered into swap transactions in order to manage its interest rate risk Swap transactions are initially recognized at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Swap transactions that are designated as hedging instruments for cash flow hedges are accounted for in accordance with hedge accounting policies under International Financial Reporting Standards.

Fair value of financial instruments

The fair value of financial instruments except in case there is compulsory sales or at liquidation stage that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions (if any); reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period of the borrowings (Note 6). 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. The borrowing costs include other costs incurred due to borrowing and the interest.

2. Basis of presentation of financial statements (continued)

Provision for employee benefits

a) Defined benefit plan:

Provision for employee benefits represent the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees or reasons except for resignation and behaviors stated in labor law, calculated in accordance with the Turkish Labour Law (Note 15).

b) Defined contribution plan:

The Company has to compensate the Social Security Contribution of the employees. As long as this is compensated, there is no any other obligation for the Company. Social Security Contributions are classified as personnel expenses as of the accrual date (Note 15).

Provisions

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

Research and development expenses

Research expenditure is recognized as an expense as incurred. Costs, except for listed below are classified as development expenditures and recognized as expense as incurred.

- If the cost related to the products can be defined and only if the cost can be measured reliably,
- If the technological feasibility can be measured.
- If the good will be sold or will be used within the company.
- If there's a potential market or can be proved that it is used within the company.
- If necessary technological, financial and other resources can be provided to complete the project

Other research expenditures are recognized as expense as incurred.

Development costs previously recognized as expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over five years (Note 11).

Variable marketing provision

Variable marketing expenses for dealer stocks are accrued for based on the last approved variable marketing programme (Note 8).

Warranty provision expenses

Warranty expenses are recognized on an accrual basis for amounts estimated based on prior periods' realization. The Company has reclassified warranty reserves to be expected to be realized in one year as current (Note 13).

2. Basis of presentation of financial statements (continued)

2.3.24 Lease

Leasing - Ford as lessor

Operational Leasing

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Related parties

Parties are considered related to the company (will be used as reporting entity in this standard) if;

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

(b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

The Company stated Board Members, General Manager and Assistant General Managers as executive managers (Note 26).

Earnings per share

Earnings 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 earnings 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 (Note 25).

2. Basis of presentation of financial statements (continued)

Comparatives

Comparative figures that are material have been reclassified to conform to the changes to be consistent in presentation in the current period.

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 Company's operations.

The cash flows due to investing activities indicate the Company 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 (Note 4).

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 Company are not included in the financial statements and treated as contingent assets or liabilities (Note 13).

Significant accounting estimates and decisions

The preparation of financial statements require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

a) To calculate the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. Calculation details are given in Note 15: Employee benefit.
b) To determine the impairment of trade receivables factors such as debtor credibility, historical payment performance and debt restructuring is considered (Note: 7).
c) Discounted inventory price list is used to calculate inventory impairment. Where the sales price cannot be predicted, technical personnel's opinion and inventory waiting time is considered. If expected net realizable value is less than cost, the Company should allocate provisions for inventory impairment (Note: 9).
d) To calculate the legal case provisions, the possibilities of losing the case and the liabilities that will arise if the case is lost is evaluated by the Company's Legal Counselor and by the Management team taking into account expert opinions. The management determines the amount of the provisions based on the best forecasts.
e) To calculate the warranty provisions, the Company considers the historical warranty expenses incurred to estimate the possible warranty expense per vehicle. Provision calculations are realistically performed and based on vehicle quantity, warranty period and historical claims (Note 13).

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

2. Basis of presentation of financial statements (continued)

Accounting policies, changes in accounting estimates and errors

Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior period financial statements. The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. As of December 31, 2011 there's no significant change in accounting estimates and error.

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 authorized for issue. In the case that events requiring an adjustment to the financial statements occur subsequent to the balance sheet date, the Company makes the necessary corrections on the financial statements (Note 29).

3. Segment reporting

The Company, which is incorporated and domiciled in Turkey, has primary operation of manufacturing, assembling, importing and selling motor vehicles and spare parts. The Company's operating segments, nature and economic characteristics of products, nature of production processes, classification of customers in terms of risk for their products and services and methods used to distribute their products are similar. Furthermore, the Company structure has been organized to operate in one segment rather than separate business segments. Consequently, the business activities of the Company are considered to be in one operating segment and the operating results, resources to be allocated to the segment and assessment of performance are managed in this respect

4. Cash and cash equivalents

	December 31, 2011	December 31, 2010
Banks- foreign currency time deposits	**409,090,947**	174,602,985
Banks - TL time deposits	**330,490,311**	314,449,138
Banks - TL demand deposits	**68,352,296**	31,453,727
Banks - foreign currency demand deposits	**915,524**	438,184
	808,849,078	520,944,034

The maturity period of time deposits is up to three months. The weighted average interest rate for USD denominated time deposits is 5.50% (December 31, 2010: 3.10%). The weighted average interest rate for Euro denominated time deposits is 5.17% (December 31, 2010: 3.62%). The weighted average interest rate for the TL time deposits is 11.64% (December 31, 2010: 8.32%).

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

5. Financial assets

Available-for-sale financial assets:	December 31, 2011 Shareholding %	December 31, 2011 Amount	December 31, 2010 Shareholding %	December 31, 2010 Amount
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar) (*)	**0.59**	**3,458,740**	0.59	3,008,822
		3,458,740		3,008,822

(*) The Company's shareholding in Otokar was stated at market value at the stock quotes at the Istanbul Stock Exchange at December 31, 2011 and December 31, 2010 which is assumed to approximate its fair value.

6. Financial liabilities

	December 31, 2011 Effective interest rate %	December 31, 2011 TL Amount	December 31, 2010 Effective interest rate %	December 31, 2010 TL amount
Short term borrowings:				
- Euro	**2.29**	**67,400,004**	1.57	29,871,780
- TL (**)	**-**	**101,297(*)**	-	8,534,887(*)
		67,501,301		38,406,667

(*) Loans used for short term purposes with no interest paid.

Short-term portion of long-term borrowings:

	December 31, 2011 Effective interest rates %	December 31, 2011 TL amount	December 31, 2010 Effective interest rates %	December 31, 2010 TL amount
- Euro	**3.37**	**158,983,070**	2.63	192,509,525
- USD	**2.68**	**352,625**	3.54	218,878
		159,335,695		192,728,403
Total short term borrowings		**226,836,996**		231,135,070
Long term borrowings:				
- Euro	**3.53**	**619,830,540**	2.92	266,383,000
- USD	**2.68**	**30,222,400**	3.54	30,920,000
		650,052,940		297,303,000

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

6. Financial liabilities (continued)

The payment schedules of long-term bank borrowings as of December 31, 2011 and December 31, 2010 are as follows:

		December 31, 2011				**December 31, 2010**
Payment period	**USD denominated TL**	**Euro denominated TL**	**Total TL**	USD denominated TL	Euro denominated TL	Total TL
2012	-	-	-	-	98,330,188	98,330,188
2013	**30,222,400**	**222,416,737**	**252,639,137**	30,920,000	99,793,831	130,713,831
2014	-	**230,192,464**	**230,192,464**	-	44,840,695	44,840,695
2015	-	**131,329,646**	**131,329,646**	-	23,418,286	23,418,286
2016	-	**16,121,932**	**16,121,932**	-	-	-
2017	-	**5,648,502**	**5,648,502**	-	-	-
2018-2020	-	**14,121,259**	**14,121,259**	-	-	-
	30,222,400	**619,830,540**	**650,052,940**	30,920,000	266,383,000	297,303,000

The letters of bank guarantee given to financial institutions in connection with the long-term bank borrowings amount to TL 194,893,049 (December 31, 2010: TL 182,205,650) (Note 13).

As of December 31, 2011, borrowings with floating interest rates amount to TL 799,812,178 (December 31, 2010: TL 374,875,644),The exposure of the borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	December 31, 2011	December 31, 2010
Period		
Up to 6 months(Note 27)	**799,812,178**	374,875,644
	799,812,178	374,875,644

The carrying values of borrowings approximate to their fair values as the effect of the discounting are not significant due to the fact that the applicable financing costs are based on floating interest rates.

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

7. Trade receivables and payables

	December 31, 2011	December 31, 2010
Short term trade receivables:		
Trade receivables	**517,917,390**	492,605,273
Cheques and notes receivable	**7,392,169**	20,301,200
Doubtful receivables	**3,333,456**	3,244,537
Less: Unearned credit finance income	**(3,722,527)**	(1,593,072)
	524,920,488	514,557,938
Less: Provision for doubtful receivables	**(3,333,456)**	(3,244,537)
	521,587,032	511,313,401

The average due date of trade receivables is 1 month (December 31, 2010: 1 month) and amortized with 1.05% monthly effective interest rate (December 31, 2010: 0.7%).

Export sales are mainly made to Ford Motor Company (Note 26). The collection of receivables resulting from export sales other than Ford Motor Company is under guarantee with letter of credit, letter of guarantee or cash collection.

	December 31, 2011	December 31, 2010
Long term trade receivables:		
Deposits and guarantees given	**474,645**	342,608
	474,645	342,608

	December 31, 2011	December 31, 2010
Trade payables:		
Trade payables	**906,030,573**	510,151,746
Less: Unearned credit finance charges	**(5,366,102)**	(2,083,278)
	900,664,471	508,068,468

The average turnover days of the Company's trade payables is 60 days (December 31, 2010: 45 days) and amortized with 1.05% monthly effective interest rate (December 31, 2010: 0.7%).

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

7. Trade receivables and payables (continued)

The maximum exposure of the Company to credit risk as of December 31, 2011 and December 31, 2010 is as follows:

	Trade receivables		Other receivables		
December 31, 2011	Related party	Other	Related party	Other	Bank deposits
The maximum of credit risk exposed at the reporting date (Disclosures 26, 7, 8, 4)	**877,374,203**	**521,587,032**	-	**4,346,575**	**808,849,078**
- ***Credit risk covered by guarantees***	**100,000,000**	**450,426,632**	-	-	-
Net carrying value of not overdue and not impaired financial assets	**843,800,456**	**503,998,613**	-	**4,346,575**	**808,849,078**
The carrying amount of financial assets whose terms have been renegotiated otherwise be past due or impaired	-	**10,392,169**	-	-	-
Net carrying value of overdue but not impaired assets	**33,573,747**	**7,196,250**	-	-	-
- *Amount of risk covered by guarantees*	-	**632,956**	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- *Overdue (gross carrying value)*	-	**3,333,456**	-	-	-
- *Provision for impairment (-)*	-	**(3,333,456)**	-	-	-
- *Amount of risk covered by guarantees*	-	-	-	-	-

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

7. Trade receivables and payables (continued)

	Trade receivables		Other receivables		
December 31, 2010	Related party	Other	Related party	Other	Bank deposits
The maximum of credit risk exposed at the reporting date	673,117,047	511,313,401	-	6,401,917	520,944,034
- Credit risk covered by guarantees	60,000,000	368,213,956	-	-	-
Net carrying value of not overdue and not impaired financial assets	668,818,739	487,006,047	-	6,401,917	520,944,034
The carrying amount of financial assets whose terms have been renegotiated otherwise be past due or impaired	-	20,241,000	-	-	-
Net carrying value of overdue but not impaired assets	4,298,308	4,066,354	-	-	-
- Amount of risk covered by guarantees	-	2,610,645	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- Overdue (gross carrying value)	-	3,244,537	-	-	-
- Provision for impairment (-)	-	(3,244,537)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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

7. Trade receivables and payables (continued)

The aging schedule of receivables that are overdue but not impaired is as follows:

	Trade receivable	
December 31, 2011	**Related party**	**Related party**
1-30 days overdue	**4,130,763**	**1,339,011**
1-3 months overdue	**9,219,076**	**1,375,466**
3-12 months overdue	**14,867,704**	**4,419,742**
1-5 years overdue	**5,356,204**	**62,031**
	33,573,747	**7,196,250**
Risk covered by guarantees	**-**	**632,956**

Company's overdue receivables are related to the long term engineering service bills and spare parts exports to the Ford Motor Company.

	Trade receivable	
December 31, 2010	Related party	Related party
1-30 days overdue	363,204	1,803,871
1-3 months overdue	368,443	1,571,754
3-12 months overdue	2,722,602	560,814
1-5 years overdue	844,059	129,915
	4,298,308	4,066,354
Risk covered by guarantees	-	2,610,645

Movements of the Company's impaired receivables are as follows:

	2011	2010
January 1	**3,244,537**	3,228,090
Provisions during the year (Note 21)	**88,919**	16,447
December 31	**3,333,456**	3,244,537

8. Other receivables and payables

	December 31, 2011	December 31,2010
Other receivables:		
Receivables from personnel	**59,463**	43,978
Other miscellaneous receivables	**4,287,112**	6,357,939
	4,346,575	6,401,917

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

8. Other receivables and payables (continued)

	December 31, 2011	December 31, 2010
Other payables:		
Taxes and funds payable	**52,502,458**	33,354,481
Payables to personnel and expense provisions	**46,680,062**	30,503,702
Variable marketing provision	**23,118,895**	17,305,455
Expense accruals	**10,030,288**	23,989,741
Other	**17,805,808**	11,922,017
	150,137,511	117,075,396

Variable marketing provision is primarily composed of discount accruals as of balance sheet date that dealers earned but not invoiced and expense accruals related with vehicles at stocks at balance sheet date (Note 2.3).

9. Inventories

	December 31, 2011	December 31, 2010
Raw materials	**298,160,635**	208,533,233
Inventory in transit	**215,633,497**	173,559,089
Finished goods	**75,705,380**	19,053,230
Spare parts	**70,536,820**	49,498,277
Imported vehicles	**68,560,906**	18,431,527
	728,597,238	469,075,356
Less: Provision for impairment of finished goods and spare parts	**(3,625,019)**	(5,149,850)
	724,972,219	463,925,506

The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities.

The Company has accounted for the provision for impairment of inventories as cost of sales :

	December 31, 2011	December 31, 2010
January 1	**5,149,850**	1,662,067
Net change within the period	**(1,524,831)**	3,487,783
	3,625,019	5,149,850

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

10. Property, plant and equipment

	Land	Land improvements	Buildings	Machinery & equipments	Models & moulds	Fixtures furnitures	Vehicles	Construction in progress	Total
December 31, 2010									
Cost	11,874,536	90,395,899	368,744,219	1,429,434,949	618,140,429	76,052,780	10,151,498	24,863,118	2,629,657,428
Accumulated depreciation	-	(27,543,204)	(122,382,395)	(798,258,763)	(570,854,620)	(50,654,418)	(1,563,769)	-	(1,571,257,169)
Net book value	11,874,536	62,852,695	246,361,824	631,176,186	47,285,809	25,398,362	8,587,729	24,863,118	1,058,400,259
For the year ended June 30, 2011									
Opening net book value	11,874,536	62,852,695	246,361,824	631,176,186	47,285,809	25,398,362	8,587,729	24,863,118	1,058,400,259
Additions	-	5,416,993	404,840	34,964,630	11,123,709	11,849,203	3,607,925	112,901,822*	180,269,122
Transfers	-	4,626,292	4,033,576	1,434,531	739,482	28,459	-	(10,862,340)	-
Disposals	-	-	-	(13,152,389)	(909,413)	(1,858,937)	(4,914,543)	-	(20,835,282)
Depreciation charge	-	(2,958,810)	(11,526,446)	(78,435,264)	(27,006,552)	(4,287,086)	(1,039,914)	-	(125,254,072)
Disposals from accumulated depreciation	-	-	-	11,996,795	908,788	1,665,891	937,499	-	15,508,973
Closing net book value	11,874,536	69,937,170	239,273,794	587,984,489	32,141,823	32,795,892	7,178,696	126,902,600	1,108,089,000
December 31, 2011									
Cost	11,874,536	100,439,184	373,182,635	1,452,681,721	629,094,207	86,071,505	8,844,880	126,902,600	2,789,091,268
Accumulated depreciation	-	(30,502,014)	(133,908,841)	(864,697,232)	(596,952,384)	(53,275,613)	(1,666,184)	-	(1,681,002,268)
Net book value	11,874,536	69,937,170	239,273,794	587,984,489	32,141,823	32,795,892	7,178,696	126,902,600	1,108,089,000

(*) The portion of TL 55,139,144 (2010: TL 15,461,024) in the current year additions which are amounting total of TL 112,901,882 (2010: TL 24,281,932) is in nature of tangible fixed asset and related to the new light commercial vehicle factory investment and new generation transit projects. The remaining TL 57,762,678 (2010: TL 8,820,908) is related to engineering investment new light commercial vehicle and various Cargo projects.

Company compared the investment loans in foreign currency to the TL market loan interest and capitalized the borrowing cost amounting to TL 17,287,672 (Note 23).

There are no pledges or mortgages on tangible assets as of December 31, 2011 and 2010.

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

10. Property, plant and equipment

	Land	Land improvements	Buildings	Machinery & equipments	Models & moulds	Fixtures furnitures	Vehicles	Construction in progress	Total
December 31, 2009									
Cost	12,009,181	88,982,583	368,487,421	1,411,433,641	601,068,162	69,091,825	10,295,480	3,395,070	2,564,763,363
Accumulated depreciation	-	(24,674,943)	(110,876,453)	(722,659,783)	(513,151,867)	(47,511,182)	(1,384,861)	-	(1,420,259,089)
Net book value	12,009,181	64,307,640	257,610,968	688,773,858	87,916,295	21,580,643	8,910,619	3,395,070	1,144,504,274
For the year ended December 31, 2010									
Opening net book value	12,009,181	64,307,640	257,610,968	688,773,858	87,916,295	21,580,643	8,910,619	3,395,070	1,144,504,274
Additions	-	1,413,316	222,116	18,948,144	17,670,684	7,480,774	4,490,303	24,281,932	74,507,269
Transfers	-	-	34,682	1,036,539	1,643,011	99,652	-	(2,813,884)	-
Disposals	(134,645)	-	-	(1,983,375)	(2,241,428)	(619,471)	(4,634,285)	-	(9,613,204)
Depreciation charge	-	(2,868,261)	(11,505,942)	(77,244,202)	(59,944,181)	(3,495,690)	(1,001,747)	-	(156,060,023)
Disposals from accumulated depreciation	-	-	-	1,645,222	2,241,428	352,454	822,839	-	5,061,943
Closing net book value	11,874,536	62,852,695	246,361,824	631,176,186	47,285,809	25,398,362	8,587,729	24,863,118	1,058,400,259
December 31, 2010									
Cost	11,874,536	90,395,899	368,744,219	1,429,434,949	618,140,429	76,052,780	10,151,498	24,863,118	2,629,657,428
Accumulated depreciation	-	(27,543,204)	(122,382,395)	(798,258,763)	(570,854,620)	(50,654,418)	(1,563,769)	-	(1,571,257,169)
Net book value	11,874,536	62,852,695	246,361,824	631,176,186	47,285,809	25,398,362	8,587,729	24,863,118	1,058,400,259

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

10. Property, plant and equipment (continued)

The carrying amounts of fully depreciated property, plant and equipment still in use are as follows:

	December 31, 2011	December 31, 2010
Moulds and models	**346,300,236**	346,052,054
Machinery and equipment	**104,763,970**	92,285,713
Furniture and fixtures	**25,062,916**	26,443,208
Buildings	**5,529,499**	5,529,499
Land improvements	**237,300**	237,300
Vehicles	**149,976**	137,275
	482,043,897	470,685,049

The allocation of depreciation expense as of December 31, 2011 and 2010 is as follows:

	December 31, 2011	December 31, 2010
Cost of production (Note 18)	**118,215,871**	149,549,190
Research and development expenses (Note 19)	**2,287,156**	1,984,907
General administrative expenses (Notes 19)	**1,847,645**	1,751,075
Selling and marketing expenses (Note 19)	**1,690,302**	1,603,185
Construction in progress	**1,213,098**	1,171,666
Current year depreciation charge	**125,254,072**	156,060,023

11. Intangible assets

December 31, 2010	**Rights**	**Development costs**	**Other**	**Total**
Cost	21,677,670	428,871,269	3,229,041	453,777,980
Accumulated amortization	(17,929,947)	(392,276,771)	(1,271,700)	(411,478,418)
Net book value	3,747,723	36,594,498	1,957,341	42,299,562
For the year ended December 31, 2011				
Opening net book value	**3,747,723**	**36,594,498**	**1,957,341**	**42,299,562**
Additions	**3,598,430**	**3,376,163**	**128,072**	**7,102,665**
Amortization charge	**(728,765)**	**(19,391,787)**	**(504,505)**	**(20,625,057)**
Closing net book value	**6,617,388**	**20,578,874**	**1,580,908**	**28,777,170**
December 31, 2011				
Cost	**25,276,100**	**432,247,432**	**3,357,113**	**460,880,645**
Accumulated amortization	**(18,658,712)**	**(411,668,558)**	**(1,776,205)**	**(432,103,475)**
Net book value	**6,617,388**	**20,578,874**	**1,580,908**	**28,777,170**

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

11. Intangible assets (continued)

December 31, 2009	Rights	Development costs	Other	Total
Cost	19,066,880	421,719,418	1,626,476	442,412,774
Accumulated amortization	(16,950,114)	(374,340,280)	(1,063,555)	(392,353,949)
Net book value	2,116,766	47,379,138	562,921	50,058,825
For the period ended December 31, 2010				
Opening net book value	2,116,766	47,379,138	562,921	50,058,825
Additions	2,610,790	7,151,851	1,602,565	11,365,206
Amortization charge	(979,833)	(17,936,491)	(208,145)	(19,124,469)
Closing net book value	3,747,723	36,594,498	1,957,341	42,299,562
December 31, 2010				
Cost	21,677,670	428,871,269	3,229,041	453,777,980
Accumulated amortization	(17,929,947)	(392,276,771)	(1,271,700)	(411,478,418)
Net book value	3,747,723	36,594,498	1,957,341	42,299,562

Development expenses classified under intangible assets are mainly comprised of Transit and Cargo truck projects. Capitalized amount with TL 3,376,163 (2010: TL 7,151,851) in the current year is related to the engineering expenses for Cargo Project. As of December 31, 2011 engineering projects expenses amounting to TL 57,762,678 (2010: TL 8,820,908) are presented under tangible assets – construction in progress.

The allocation of amortization charges relating to December 31, 2011 and 2010 is as follows:

	December 31, 2011	December 31, 2010
Cost of production (Note 18)	**19,391,787**	17,936,491
Research and development expenses (Note 19)	**690,266**	281,853
General administrative expenses (Notes 19)	**543,004**	906,125
Current year amortization charge	**20,625,057**	19,124,469

12. Government Incentives and grants

The research and development support received from Tübitak as of December 31, 2011 amounting to TL 2,619,410 (December 31, 2010: TL 6,799,454) has been classified under other operating income (Note 21).

The Company received two investment incentives both greater than TL 250 million in last quarter of 2010, under the scope of the Council of Minister's decision with number of 2009/15199 and dated 14/07/2009. Based on this decision, the Company can deduct 30% of its fixed assets expenditures related with new investments, from the tax base, at the time investment is completed and the revenue is started to be earned. Accordingly, as of December 31, 2011, fixed asset expenditures amounting to TL 39,731,476 have been realized and tax advantages amounting to TL 11,919,443 had been created to be used in future periods.

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

13. Provision, contingent assets and liabilities

The Company provides 2-3 years of warranty for the vehicles sold by dealers for malfunctions described in the sales agreements. Warranty expense provision is estimated by considering vehicles under warranty as of the balance sheet date and warranty claims of vehicles sold in previous years on a model basis.

Provisions:

	December 31, 2011	December 31, 2010
Short term warranty expense provision	**38,849,095**	29,652,632
Long term warranty expense provision	**46,672,397**	39,070,522
	85,521,492	68,723,154

Movements in the warranty expense provision during the year are as follows:

	2011	2010
January 1	**68,723,154**	58,038,497
Paid during the year	**(54,098,639)**	(76,205,765)
Additions during the year (Note 19)	**70,896,977**	86,890,422
	85,521,492	68,723,154

Letters of guarantee and letters of credit	December 31, 2011	December 31, 2010
Letters of guarantee given to banks	**194,893,049**	182,205,650
Letters of guarantee given to customs	**24,545,155**	20,596,269
Other letter of guarantees given to other parties	**13,596,691**	13,367,372
	233,034,895	216,169,291

The allocation of collaterals, pledges and mortgages as of December 31, 2011 and 2010 is as follows:

Collaterals, pledges and mortgages given by company	December 31, 2011	December 31, 2010
Total amount of the collaterals/pledges/mortgages given for its own legal entity	**233,034,895**	216,169,291

Letters of guarantee given	**December 31, 2011**		December 31, 2010	
	Original currency	**TL**	Original currency	TL
Euro	**89,812,210**	**219,483,077**	98,982,053	202,824,125
TL	**13,527,262**	**13,527,262**	13,325,068	13,325,068
USD	**13,000**	**24,556**	13,000	20,098
		233,034,895		216,169,291

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

13. Provision, contingent assets and liabilities (continued)

Other than the collaterals, pledges and mortgages given for corporate itself, there's no collaterals, pledges and mortgages given for 3rd parties.

As of December 31, 2011, total amount of the collaterals, pledges and mortgages obtained by the Company is TL 266,770,273 (December 31, 2010 – TL 189,261,120).

Letters of guarantee taken

	December 31, 2011		December 31, 2010	
	Original currency	**TL**	Original currency	TL
TL	**260,663,503**	**260,663,503**	188,379,520	188,379,520
Euro	**2,364,519**	**5,778,412**	306,123	627,277
USD	**132,140**	**249,599**	164,504	254,323
GBP	**27,000**	**78,759**	-	-
		266,770,273		189,261,120

Tax matters

Fiscal Administration, imposed tax amount related to fuel consumption of export vehicles for the years between 2005 and 2009, amounting to TL 17,837,279 which also includes the Special Consumption Tax, tax penalty and related interest. As a result of consultations with their advisors, the Company filed an appeal lawsuit at the court. The Company won the lawsuit relating to one of them with an amounting of TL 11,982,710. For the remaining amount of TL 5,854,569, the Company made the payment and applied to the Council of State.

14. Commitments

Commitments related with bank loans used by the Company are as follows:

a) Regarding the credit agreements made by the Company in 2007 and 2010, the Company is required to ensure that its export proceeds up to an amount equal to, Euro 30,000,000 via İş Bankası A.Ş., Euro 20,000,000 via TC. Ziraat Bankası A.Ş, Euro 60,000,000 via Vakıflar Bankası T.A.O and Euro 89,000,000 via Akbank T.A.Ş. be received into deposit accounts for the year 2011 in these banks. The Company fulfilled these commitments as of December 31, 2011.

b) Regarding the credit agreements made by the Company in 2010 which is amounting to Euro 70,000,000 with Garanti Bankası A.Ş. the Company is required to ensure that its export proceeds up to an amount equal to Euro 150,000,000 via Garanti Bankası be received into deposit accounts for the year 2011 in this bank. The Company fulfilled this commitment as of December 31, 2011.

c) Regarding the other credit agreements is 4 month term made by the Company in 2011 December which is amounting to Euro 27,580,000 with Türkiye İhracat Kredi Bankası A.Ş. term is 4 month, the Company is required to ensure that its export proceeds up to an amount equal to Euro 28,000,000 via Türkiye İhracat Kredi Bankası A.Ş.

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

14. Commitments (continued)

Operational lease commitments

Future lease payments under non-cancellable operating lease of the Company is as follows:

Operational lease commitments	**December 31, 2011**	December 31, 2010
Up to 1 year	**1,952,712**	1,311,274
Between 1 year to 5 years	**3,417,246**	3,606,005
	5,369,958	4,917,279

15. Employee benefits

Long-term provisions:

	December 31, 2011	December 31, 2010
Provision for employee benefits	**55,081,174**	44,061,805
	55,081,174	44,061,805

Provision for employee benefits:

There are no agreements for pension commitments other than the legal requirement as explained below.

Under the Turkish Labour 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 TL 2,731.85 for each year of service as of December 31, 2011 (December 31, 2010 – TL 2,517.01).

The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

IFRS requires actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans, accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	December 31, 2011	December 31, 2010
Discount rate (%)	**4.66**	4.66
Turnover rate to estimate the probability of retirement (%)	**5**	5

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

15. Employee benefits (continued)

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 TL 2,731.85 which is effective from July 1, 2011 (July 1, 2010 - TL 2,517.01) has been taken into consideration in the calculations.

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

	2011	2010
January 1	**44,061,805**	30,943,135
Interest cost	**2,054,263**	1,441,950
Actuarial loss	**6,269,931**	8,834,728
Paid during the year	**(4,464,057)**	(2,653,826)
Current year service cost	**7,159,232**	5,495,818
December 31	**55,081,174**	44,061,805

16. Other current assets

	December 31, 2011	December 31, 2010
Other current assets:		
VAT to be deductible	**114,811,622**	42,175,402
Amounts to be billed to vendors	**11,575,054**	2,033,722
Prepaid taxes and witholding	**7,585,414**	3,052,712
Prepaid expenses	**3,093,981**	2,482,222
Premiums for research and development support earned	**-**	677,169
Other	**14,805,538**	3,234,026
	151,871,609	53,655,253

VAT deductable subject to refund, the ongoing process of refund, are due to the export VAT refund related to November and December.

	December 31, 2011	December 31, 2010
Other non-current assets:		
Advances given for investments (*)	**191,659,398**	1,671,631
	191,659,398	1,671,631

Investment advances given are related to company's new vehicle investments. TL 62,748,370 is given to domestic vendors as mould advances and TL 128,911,028 is given for the new light commercial vehicle factory investment in Kocaeli plant and assembly line investment advances procured from vendors abroad for the new age Transit projects.

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

17. Equity

The composition of the Company's paid-in capital at December 31, 2011, 2010 is as follows:

Shareholders	December 31, 2011	Shareholders percentage (%)	December 31, 2010	Shareholders percentage (%)
Koç Holding A.Ş.	**134,953,357**	**38.46**	134,953,357	38.46
Vehbi Koç Vakfı	**3,428,592**	**0.98**	3,428,592	0.98
Koç Holding Emekli Yardım Sandığı Vakfı	**3,259,202**	**0.93**	3,259,202	0.93
Temel Ticaret A.Ş.	**2,355,885**	**0.67**	2,355,885	0.67
Total Koç Group	**143,997,036**	**41.04**	143,997,036	41.04
Ford Motor Company	**143,997,036**	**41.04**	143,997,036	41.04
Other (Publicly held)	**62,915,928**	**17.92**	62,915,928	17.92
Total	**350,910,000**	**100.00**	350,910,000	100.00
Adjustments to share capital	**27,920,283**		27,920,283	
Inflation adjusted paid in capital	**378,830,283**		378,830,283	

Adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share.

There are 35,091,000,000 unit of shares (December 31, 2010 - 35,091,000,000 unit) with a nominal value of Kr 1 each.

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.

In accordance with Corporate Tax Law No, 5520, dated June 13, 2006, Exemption for Sale of Participation Shares and Property, 75% portion of corporations' profits arising from the sale of subsidiary shares which shares that have been carried at least for two years on the balance sheet and the profits from the sale of which are not withdrawn within five years are followed in special reserves. The Company has reserves amounting to TL 20,670,400 TL related to this exemption in its tax financial statements (December 31, 2010 - TL 20,670,400).

In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned amounts under "Restricted reserves", the amount of restricted reserves is TL 390,964,519 as of December 31, 2011 (December 31, 2010 – TL 340,819,480).

17. Equity (continued)

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from January 1, 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 utilized 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.

Adjustment to share capital has no use other than being transferred to paid-in share capital.

Companies quoted on the Istanbul Stock Exchange, are authorised by the CMB to distribute dividends regarding the clauses below:

In accordance with the Capital Market Board Communiqué IV, No: 27, article 5th, in the listed companies, the first dividend shall not be below 20% of the distributable profit after deducting the accumulated losses. Based on their decisions taken in the ordinary general boards, listed joint-stock companies have their right to distribute dividends in cash, in share certificates, in partial distribution within cash or share certificates while retaining a portion in the partnership.

Based on the CMB decision numbered 7/242 taken on February 25, 2005; distributable profit - calculated upon the regulations of CMB related with the dividend distribution- shall be fully distributed if the amount is adequate to be provided by the distributable profits with respect to the statutory books, otherwise, all of the net distributable amount in the statutory books shall be distributed. No profit distribution shall be made in the case of tax loss is met in either local books or the financial statements prepared in accordance with CMB regulations.

Based on the decision of CMB dated January 27, 2010, it is decided not to determine any minimum dividend payment distribution requirement for publicly held companies.

Inflation adjustments to issued capital and historical amount of extraordinary reserves can be used for in kind capital increase, dividend distribution in cash or the net loss deduction. In case inflation adjustment to issued capital is used as dividend distribution in cash, it is subject to corporation tax.

At General Shareholders Meeting dated March 23,2011, the Company decided to pay dividend from the net profit of the year 2010 at 86%, that is, gross Kr 86 (net Kr 75.9683) per TL 1 share, amounting to TL 301,782,600 in total, and the dividend was paid in April 2011. The Company had also decided to pay dividend from the net profit of the year 2010 at 61,9%, that is, gross Kr 61.90 (net Kr 55.5520) per TL 1 share, amounting to TL 217,213,290 in total at the Extraordinary General Shareholders Meeting, held on 25 October 2011 and the dividend was paid in October 2011 (2010 : TL 400,037,400).

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

17. Equity (continued)

Reserves, retained earnings and net income for the year ended December 31, 2011 according to CMB and statutory books are as follows:

	According to CMB	According to statuary accounts
Income for the year	800,072,719	800,907,737
Taxes payable (-)	(137,983,993)	(168,782,079)
Net income for the year	**662,088,726**	**632,125,658**
Distributable net profit	**662,088,726**	**632,125,658**
Donations made during the year (Note 19)	18,315,200	
Distributable net current year income including donations	**680,403,926**	

In accordance with Communiqué No: XI-29, the equity schedules at December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Share capital	**350,910,000**	350,910,000
Adjustment to share capital	**27,920,283**	27,920,283
Financial assets fair value reserve	**8,252**	8,252
Share premium	**2,335,091**	1,907,669
Net loss on cash flow hedge	**(345,806)**	-
Restricted reserves	***390,964,519***	*340,819,480*
- Legal reserves	**370,294,119**	320,149,080
- Special reserves	**20,670,400**	20,670,400
Retained earnings	***464,337,418***	*528,870,084*
- Inflation adjustment to equity	**428,301,244**	428,301,244
- Extraordinary reserves	**36,036,174**	-
- Retained earnings	-	100,568,840
Net income for the period	**662,088,726**	504,608,263
Total equity	**1,898,218,483**	1,755,044,031

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

17. Equity (continued)

Reserves, retained earnings and net income for the year ended December 31, 2011 and 2010 according to statutory books are as follows:

December 31, 2011:	**Historical values**	**Readjusted amounts**	**Equity Inflation adjustment differences**
Share capital	**350,910,000**	**378,830,283**	**27,920,283**
Legal reserves	**370,294,119**	**429,046,723**	**58,752,604**
Extraordinary reserves	**36,036,174**	**405,181,190**	**369,145,016**
Share premium	**8,252**	**361,733**	**353,481**
Special reserves	**20,670,400**	**20,720,543**	**50,143**
	777,918,945	**1,234,140,472**	**456,221,527**

December 31, 2010:	Historical values	Readjusted amounts	Equity Inflation adjustment differences
Share capital	350,910,000	378,830,283	27,920,283
Legal reserves	320,149,080	378,901,684	58,752,604
Extraordinary reserves	-	369,145,016	369,145,016
Share premium	8,252	361,733	353,481
Special reserves	20,670,400	20,720,543	50,143
	691,737,732	1,147,959,259	456,221,527

Inflation adjustment difference in equity can be utilized in issuing bonus shares and in offsetting accumulated losses; the carrying amount of extraordinary reserves could have been utilized in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

Otokar shares which are publicly traded in ISE are valued with their closing price as of December 31, 2011 and December 31, 2010. Fair value difference (positive) amounting to TL 427,422 (December 31, 2010 – TL 829,535) is shown in comprehensive income statement.

The effects of the changes in revaluation fund on other comprehensive income are as follows:

	2011	2010
January 1	**1,907,669**	1,078,134
Fair value increase/(decrease) of financial assets	**427,422**	829,535
Fair value increase/(decrease) of financial derivatives	**(345,806)**	-
December 31	**1,989,285**	1,907,669

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

18. Sales and cost of sales

	December 31, 2011	December 31, 2010
Export sales	**5,853,930,197**	4,105,177,837
Domestic sales	**5,088,764,313**	3,913,895,507
Other sales	**108,924,394**	87,844,703
Less: Discounts	**(606,595,954)**	(457,506,410)
	10,445,022,950	7,649,411,637

Sales units:

	December 31, 2011			December 31, 2010		
	Domestic sales	**Export sales**	**Total sales**	Domestic sales	Export sales	Total sales
Transit	**35,246**	**147,766**	**183,012**	29,755	122,935	152,690
Transit Connect	**37,445**	**64,616**	**102,061**	32,615	52,459	85,074
Passenger vehicles	**57,946**	**384**	**58,330**	56,756	890	57,646
Cargo	**8,329**	**824**	**9,153**	4,593	547	5,140
Ranger	**1,714**	**4**	**1,718**	1,849	20	1,869
Fiesta Van	**-**	**55**	**55**	-	77	77
	140,680	**213,649**	**354,329**	125,568	176,928	302,496

Summaries of cost of production as of December 31, 2011 and 2010 are as follows;

	December 31, 2011	December 31, 2010
Raw material cost	**(6,692,484,964)**	(4,473,909,713)
Production overhead costs	**(644,304,470)**	(496,796,067)
Depreciation and amortization expenses (Note 10 and 11)	**(137,607,658)**	(167,485,681)
Change in finished goods inventory	**60,177,833**	(8,393,612)
Total cost of production	**(7,414,219,259)**	(5,146,585,073)
Cost of trade goods sold	**(1,829,292,521)**	(1,517,951,790)
Cost of sales	**(9,243,511,780)**	(6,664,536,863)

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

19. Research and development expenses, marketing and sales expenses, general administrative expenses

	December 31, 2011	December 31, 2010
Selling and marketing expenses:		
Warranty expenses (Note 13)	**(70,896,977)**	(86,890,422)
Advertising expenses	**(52,994,210)**	(38,522,755)
Transportation expenses	**(52,721,289)**	(38,661,111)
Personnel expenses	**(32,129,825)**	(24,478,238)
Spare parts transportation and packaging expenses	**(14,988,279)**	(12,056,420)
Dealer and service development expenses	**(9,210,817)**	(5,885,906)
Depreciation expense (Note 10)	**(1,690,302)**	(1,603,185)
Other	**(20,538,286)**	(17,932,758)
	(255,169,985)	(226,030,795)
General administrative expenses:		
Personnel expenses	**(52,132,874)**	(38,410,672)
Grants and donations (Note 17)	**(18,315,200)**	(12,595,086)
Legal consulting and auditing expenses	**(11,932,460)**	(20,193,575)
New project administrative expenses	**(7,361,693)**	(3,903,938)
Travel expenses	**(3,729,247)**	(1,866,691)
Repair, maintenance and energy expenses	**(3,522,562)**	(3,164,872)
Depreciation and amortization expense (Notes 10 and 11)	**(2,390,649)**	(2,657,200)
Duties, taxes and levies	**(1,720,001)**	(1,768,355)
Warranty expenses excluding sales	**(1,397,671)**	(4,682,459)
Other	**(10,402,108)**	(9,300,222)
	(112,904,465)	(98,543,070)
Research and development expenses:		
Personnel expenses	**(64,819,409)**	(52,751,971)
Project costs	**(28,707,474)**	(18,301,397)
Research and development administrative expenses	**(7,985,354)**	(9,779,057)
Depreciation and amortization expense (Notes 10 and 11)	**(2,977,422)**	(2,266,760)
Other	**(2,396,451)**	(1,630,794)
	(106,886,110)	(84,729,979)

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

20. Expenses by nature

The classification of expenses by nature for the years ended at December 31, 2011 and 2010 is as follows:

	December 31, 2011	December 31, 2010
Direct material cost	**(6,692,484,964)**	(4,473,909,713)
Cost of trade goods sold	**(1,829,292,521)**	(1,517,951,790)
Personnel expenses	**(501,075,874)**	(383,169,910)
Other overhead expenses	**(310,222,166)**	(229,443,135)
Other operational expenses	**(300,840,441)**	(287,135,818)
Financial expenses	**(215,432,140)**	(105,600,407)
Depreciation and amortization expenses	**(144,666,031)**	(174,012,826)
Change in finished goods inventory	**60,177,833**	(8,393,612)
Other expenses	**(51,835,170)**	(1,926,888)
Total expenses	**(9,985,671,474)**	(7,181,544,099)

21. Other operating income/expenses

Other operating income and gains:	December 31, 2011	December 31, 2010
Price difference for spare parts and insurance recovery	**11,166,945**	9,833,702
Commission income	**9,975,091**	7,343,732
Export expenses refund	**7,104,167**	-
License fees income	**4,705,352**	3,369,387
Rent income	**3,088,123**	2,717,123
Income from the sale of property, plant and equipment	**2,801,720**	332,605
Premiums for research and development support (Note 12)	**2,619,410**	6,799,454
Insurance claim recoveries	**465,457**	2,031,504
Dividend income	**87,874**	119,509
Other	**7,137,550**	4,201,181
	49,151,689	36,748,197

Other operating expenses and losses:	December 31, 2011	December 31, 2010
Competition Board Penalty (*)	**(36,633,529)**	-
Adjustments on prior period corporate tax	**(3,792,064)**	(622,828)
Loss on sale of property, plant and equipment	**(3,284,682)**	(826,886)
Claim charges for import materials	**(1,870,025)**	(135,143)
Other	**(870,161)**	(518,128)
	(46,450,461)	(2,102,985)

(*) As part of an investigation initiated in accordance with the Law on Protection of Competition No.4054, the Competition Board has announced on April 19, 2011 that the Company has been fined with an administrative monetary penalty amounting to TL 68,844,704.73 which might be appealed to the State Council.

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

21. Other operating income/expenses (continued)

Since the Company paid the penalty within 30 days following the notification, the Company had a 25% discount and paid the rest of the penalty which was amounting TL 51,633,529 after the discount. Company management appealed the State Council to cancel the decision. This matter is expected to last 1-3 years on litigation process. In line with the conservatism principle, in its 2010 financial statements, the Company has made a provision, amounting to TL 15,000,000 for the examination initiated by the Competition Board. Accordingly, the impact for 2011 income statement is TL 36,633,529.

22. Financial income

	December 31, 2011	December 31, 2010
Foreign exchange gains	**191,298,369**	70,530,715
Interest income	**48,068,840**	18,654,206
Finance income from credit sales	**46,885,812**	25,842,949
	286,253,021	115,027,870

23. Financial expenses

	December 31, 2011	December 31, 2010
Foreign exchange losses	**(149,865,185)**	(71,543,072)
Finance charges on credit purchases	**(42,060,676)**	(19,968,286)
Interest expenses	**(18,799,809)**	(7,112,253)
Other financial expenses	**(4,706,470)**	(7,626,162)
	(215,432,140)	(106,249,773)

Company compared the investment loans in foreign currency to the loans in TL in the market and capitalized total amounting to TL 17,287,672 which is foreign exchange loss amounting to TL 13,416,230 and interest amounting to TL 3,871,442 under tangible assets (Note 10).

24. Tax assets and liabilities

Corporate Tax Law was amended by the Law No, 5520 dated June 13, 2006. Law No, 5520 came into force as of 21 June 2006, but many of the provisions came into force effective from January 1, 2006. Accordingly, the corporate tax rate for the fiscal year 2011 is 20% (December 31, 2010 - 20%). Corporate tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed.

24. Tax assets and liabilities (continued)

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

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

In accordance with Tax Law No, 5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" that was published in the official Gazette on 30 December 2003, effective from January 1, 2004, income and corporate taxpayers will apply inflation adjustments to the statutory financial statements.

In accordance with the abovementioned Law's provisions, in order to apply inflation adjustment, the cumulative inflation rate ("WPI") over the last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled after 2005.

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

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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.

There are many exemptions in Corporate Tax Law regarding corporations. Those related to the Company are explained below:

Dividend gains from shares in capital of another corporation subject to resident taxpaying (except dividends from investment funds participation certificates and investment trusts shares) are exempt from corporate tax.

The Company amortise in its legal books by capitalizing the R&D expenses made within the scope of the Code no 5746. According to the provisions of the same Code, the Company makes calculation within the framework of the related legislation over the R&D expenses incurred, and utilizes R&D deduction exemption at the rate of 100% for the portion of expenses allowed by the Code. As of December 31, 2011 the Company used R&D deduction of TL 48,013,361 in return for the legal tax.

24. Tax assets and liabilities (continued)

With the code no 5479 promulgated in the Official Gazette dated April 6, 2006, "Investment Allowance" practice was repealed. With the same Code, it was ensured that investment incentive allowance amounts calculated according to the provisions of the legislation which was in place on December 31, 2005 - including the provisions on tax rate- could only be deducted from the incomes of 2006, 2007 and 2008. As of December 31, 2009, the company had an investment incentive allowance of TL 491,329,522 with regard to the incentives based on the document that the company qualified for in previous periods but did not yet use. However, the Constitutional Court annulled the expression "2006, 2007 and 2008" included within the temporary article 69 of the Income Tax Code which is about investment allowance and this decision became effective upon being promulgated in the Official Gazette dated January 8, 2010. By this way, the time limitation about the investment allowance was also cancelled.

Thereupon, the Company requested tax ruling from the Finance Authority on the right to use investment allowance in the 2009 Corporate Tax return, whether we could use the right of investment allowance in 2009 Corporate Tax Return. In the responsive decision of the Finance Authority on April 20, 2010, it is stated that annulment decision of the Constitutional Court became effective upon being promulgated in the Official Gazette dated January 8, 2010, the annulment decisions are not retroactive, therefore it is not possible for the company to benefit from the investment incentive allowance within the scope of 2009 Corporate Tax Return. Without prejudice to the litigation right of the company on the investment allowance right resulting from previous period, 2009 Corporate Tax was declared over the rate 20% without using the investment incentive allowance. Then, the Company opened a new case to benefit from the investment incentive relating to the 2009 corporate tax base amount of TL 413,644,919. This litigation is concluded in favor of the Company in the first tax court.

In accordance with by-law numbered 6009 published in the Official Gazette dated 01.08.2010, the Income Tax Law Temporary Article 69 has been amended and accordingly, use of investment incentive exception has been provided and by adding "investment incentive amounts that will be deducted at tax base calculation, is restricted up to the limit of 25% of the related taxable income. Applicable tax rate is used at the taxation of remaining income to this law, Finance Authority limited the investment allowance utilisation to 25% of taxable income.

According to Company's expectation that the appeal process will not be completed in short period of time and considering the profit projections, management has decided to withdraw the case and use investment incentives in 2010 and following periods in accordance with Law No. 6009 above mentioned. As of the reporting date, company has TL 83,036,427 investment allowance to be used in 2012 and following years which subject to investment allowance withholding tax.

However, the provision restricting the investment allowance of 25% of earnings which was added to Income Tax Law's temporary 69th article with Law No: 6009 has been cancelled at Constitutional Court's decision dated 09.02.2012. Provision in force stopped until the day that the decision will be published in the Official Gazette and this decision is announced at the Court's website on 17.02.2012. The decision on suspension of execution of the Constitutional Court, has been published in the Official Gazette numbered 28208 on 18.02.2012. The application will be clarified after Constitutional Court's decision for cancellation published in the Official Gazette.

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

24. Tax assets and liabilities (continued)

The Company's net tax liabilities as of December 31, 2011 and December 31, 2010 are as follows:

	December 31, 2011	December 31, 2010
Corporate tax provision	**168,782,079**	141,913,739
Prepaid tax and funds	**(111,818,350)**	(81,415,463)
	56,963,729	60,498,276

The taxation on income for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Current year corporate tax	**(168,782,079)**	(141,913,739)
Deferred tax	**30,798,086**	27,527,763
	(137,983,993)	(114,385,976)

Calculation of the tax expense reconciliation using the current year tax expense in the statement of income as at December 31, 2011 and 2010 and for the years then ended and current tax ratio based on income before tax is as follows:

	December 31, 2011	December 31, 2010
Income before tax:	**800,072,719**	618,994,239
Current year tax expense	**(160,014,544)**	(123,798,848)
R&D allowance and free zone profit exemption	**10,628,725**	6,806,349
Investment incentive exemption	**11,919,443**	4,526,146
Other temporary differences	**(517,617)**	(1,919,623)
	(137,983,993)	(114,385,976)

The Company calculates deferred tax assets and liabilities from the temporary differences identified during the evaluation of the differences between the balance sheet prepared under the IFRS and financial statements prepared for tax purposes.

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

24. Tax assets and liabilities (continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities provided at December 31, 2011 and 2010 using the current enacted tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	December 31 2011	December 31 2010	**December 31 2011**	December 31 2010
Deferred tax assets::				
Investment allowance tax asset	**122,767,903**	15,087,152	**12,085,516**	4,526,146
Warranty expense provision	**85,521,492**	68,723,154	**17,104,299**	13,744,631
Employee benefit provision	**55,081,174**	44,061,805	**11,016,235**	8,812,361
Expense accruals	**50,209,442**	38,499,214	**10,041,888**	7,699,844
Inventories	**3,746,431**	142,090	**749,286**	(28,418)
Difference between financial statements adjusted under IFRS and tax-based financial statements				
- Intangibles	**94,512,342**	43,257,573	**18,902,468**	8,651,515
			69,899,692	43,406,079
Deferred tax liabilities::				
Difference between financial statements adjusted under IFRS and tax-based financial statements:				
Tangibles	**522,615,725**	564,541,487	**(104,523,145)**	(112,908,297)
Income accruals	**28,210,078**	8,222,146	**(5,642,017)**	(1,644,430)
Accrued financial expense	**195,474**	99,788	**(39,095)**	(19,958)
			(110,204,257)	(114,572,685)
Net deferred tax liability			**(40,304,565)**	(71,166,606)

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

24. Tax assets and liabilities (continued)

Deferred tax movements are as follows:

	January 1, 2011	Charged to profit/(loss)	Charged to comprehensive income statement as profit/(loss)	December 31, 2011
Deferred tax liabilities:				
Temporary difference between financial statements adjusted under IFRS and tax:				
Tangibles	(104,256,782)	18,636,105	-	(85,620,677)
Income accruals	(1,644,430)	(3,975,091)	-	(5,619,521)
Unearned credit finance income - net	(19,958)	(19,137)	-	(39,095)
Increase/decrease on financial assets	-	-	(22,496)	(22,496)
Deferred tax assets:				
Warranty expense provision	13,744,631	3,359,668	-	17,104,299
Investment allowance tax asset	4,526,146	7,559,370	-	12,085,516
Provision for employee benefits	8,812,361	2,203,874	-	11,016,235
Expense accruals	7,699,844	2,255,593	-	9,955,437
Inventories	(28,418)	777,704	-	749,286
Fair value increase/decrease of financial derivatives	-	-	86,451	86,451
Deferred tax liability-net	**(71,166,606)**	**30,798,086**	**63,955**	**(40,304,565)**

	January 1, 2010	Gain/loss booked in income statement	December 31 2010
Deferred tax liabilities:			
Temporary difference between financial statements adjusted under IFRS and tax:			
Tangibles	(121,941,401)	17,684,619	(104,256,782)
Income accruals	(2,195,091)	550,661	(1,644,430)
Ilnventories	(780,602)	752,184	(28,418)
Deferred tax assets			
Investment allowance tax asset	-	4,526,146	4,526,146
Warranty expense provision	11,607,699	2,136,932	13,744,631
Expense accruals	8,386,908	(687,064)	7,699,844
Provision for employee benefits	6,188,627	2,623,734	8,812,361
Unearned credit finance income - net	39,491	(59,449)	(19,958)
Ertelenen vergi yükümlülüğü-net	(98,694,369)	27,527,763	(71,166,606)

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

25. Earnings per share

	December 31, 2011	December 31, 2010
Net income for the year (TL)	**662,088,726**	504,608,263
Weighted average number of shares with nominal value of Kr 1 each	**35,091,000,000**	35,091,000,000
Earnings per share with nominal value of Kr 1 each	**1.89 Kr**	1.44 Kr

26. Transactions and balances with related parties

Related party can be defined according to whether one of the companies has control over the others or has significant effect on its financial and administrative decisions. The Company, is controlled by Koç Holding and Ford Motor Company. In the financial statements, shareholder companies, shareholders and financial fixed assets and other group companies' assets are shown as related parties.

The related party balances at December 31, 2011 and 2010 and the transactions with related parties during the year are as follows:

a) Receivables from related parties:

i) Trade receivable from related parties

	December 31, 2011	December 31, 2010
Due from shareholders:		
Ford Motor Company and its subsidiaries	**691,134,250**	521,493,615
	691,134,250	521,493,615
Due from group companies:		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	**186,190,661**	149,791,151
Other	**1,912,344**	2,382,089
	188,103,005	152,173,240
Less: Unearned credit finance income	**(1,863,052)**	(549,808)
	877,374,203	673,117,047

Export sales mainly consist of sales to Ford Motor Company. Payments terms and conditions are specified in the business agreements with Ford Motor Company. Receivables from the Ford Motor Company are due in 30 days and receivables are collected regularly. Receivables from the Ford Motor Company are due in 14 days as of January 1, 2012.

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

26. Transactions and balances with related parties (continued)

Per the domestic dealership agreement between Ford Otomotiv Sanayi A.Ş. and Otokoç Otomotiv Ticaret ve Sanayi A.Ş., the Companies have a vehicle and spare parts trade connection. As it is mentioned in Note 7, the Company's maturity of receivables from Otokoç Otomotiv Ticaret ve Sanayi A.Ş is 1 month.

b) Payables to related parties:

i) Trade payables to related parties

	December 31, 2011	December 31, 2010
Due to Shareholders:		
Ford Motor Company and its subsidiaries	**275,655,280**	139,117,116
	275,655,280	139,117,116
Due to group companies:		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	**28,611,410**	12,097,013
Ram Dış Ticaret A.Ş.	**17,378,510**	9,960,629
Opet Petrolcülük A.Ş.	**3,175,831**	2,418,803
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	**2,934,044**	1,398,696
Setur Servis Turistik A.Ş.	**2,854,488**	1,722,412
Ark İnşaat	**2,571,511**	-
Aygaz Doğalgaz Toptan Satış A.Ş.	**2,513,107**	1,967,621
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	**1,795,311**	1,451,153
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	**1,248,429**	1,120,691
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	**853,906**	329,878
Ram Sigorta Aracılık Hizmetleri A.Ş.	**423,819**	255,054
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	**327,641**	149,602
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	**254,801**	455,155
Otokar Otomotiv ve Savunma Sanayi A.Ş.	**197,904**	57,308
Promena Elektronik A.Ş.	**161,542**	233,268
Palmira Turizm Ticaret A.Ş.	**86,860**	86,786
Koç Üniversitesi	**51,095**	19,956
Callus Bilgi ve İletişim Hizmetleri A.Ş.	**46,937**	-
Aygaz A.Ş.	**16,596**	8,215
Setair Hava Taşımacılığı A.Ş.	**13,477**	181,797
V.K.V. Amerikan Hastanesi Sağlık Hiz.Tic.A.Ş.	**11,951**	19,936
Tofaş Türk Otomobil Fabrikası A.Ş.	**9,680**	30,247
Arçelik A.Ş	**883**	10,905
Eltek elektrik Enerjisi İth.İhr.ve Toptan Tic. A.Ş.	**-**	3,102,699
Koç.Net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.(*)	**-**	271,627
Other	**5,200**	1,275
	65,544,933	37,350,726
Less: Unearned credit finance charges	**(414,951)**	(159,390)
	340,785,262	176,308,452

(*) Koç Holding has transffered Koç.Net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş shares as of November 30, 2011.

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

26. Transactions and balances with related parties (continued)

ii) Other payables to related parties

	December 31, 2011	December 31, 2010
Yapı ve Kredi Bankası A.Ş.	**13,346,087**	2,870,871
Koç Holding A.Ş.	**2,408,926**	2,200,323
Other	**713,183**	624,588
	16,468,196	5,695,782

c) Sales to related parties:

	December 31, 2011	December 31, 2010
Ford Motor Company (*)	**5,641,091,144**	4,025,945,622
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.(**)	**1,238,782,018**	899,645,763
Zer Merkezi Hizmetler ve Ticaret A.Ş.(***)	**57,181,225**	37,712,541
Other	**16,308,098**	11,564,116
	6,953,362,485	4,974,868,042
Less: Financial income from credit sales	**(16,978,165)**	(5,938,513)
	6,936,384,320	4,968,929,529

(*) Company, exports vehicle, spare parts and service to the Ford Motor Company

(**) Company has vehicle and spare parts trade in accordance with domestic dealer agreement with Otokoç Otomotiv Ticaret ve Sanayi A.Ş.

(***) Sales to Zer Merkezi Hizmetler ve Ticaret A.Ş. mainly consists of scrap sales.

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

26. Transactions and balances with related parties (continued)

d) Major material, service and fixed asset purchases from related parties:

	January 1 – December 31, 2011			
	Material	Service	Fixed assets	Total
Domestic purchases:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	10,906,606	120,526,098	82,617	131,515,321
Ram Dış ticaret A.Ş.	56,317,549	-	-	56,317,549
Opet Petrolcülük A.Ş.	17,618,341	-	-	17,618,341
Eltek Elektrik Enerjisi İth. İhr. Ve Toptan A.Ş.	19,544,561	-	-	19,544,561
Ark İnşaat	17,620,604	-	-	17,620,604
Aygaz Doğalgaz Toptan Satış A.Ş.	15,719,823	-	-	15,719,823
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	14,915,009	-	-	14,915,009
Setur Servis Turistik A.Ş.	-	12,794,384	-	12,794,384
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	3,341,978	5,904,738	9,246,716
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	8,464,226	-	94,816	8,559,042
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	7,778,927	-	7,778,927
Koç Holding A.Ş.	-	7,727,302	-	7,727,302
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	2,091,864	1,782,821	3,874,685
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	1,798,121	85,000	1,883,121
Koç.net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.(*)	-	1,418,583	267,374	1,685,957
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	1,603,990	-	-	1,603,990
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	1,549,171	-	1,549,171
Callus Bilgi ve İletişim Hzimetleri A.Ş.	-	711,464	-	711,464
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	-	648,099	-	648,099
Palmira Turizm Ticaret A.Ş.	-	547,331	23,778	571,109
Promena Elektronik Ticaret A.Ş.	-	376,800	-	376,800
Koç Üniversitesi	-	240,613	-	240,613
Aygaz A.Ş.	132,169	-	-	132,169
V.K.V. Amerikan Hastanesi Sağlık Hiz.Tic.A.Ş.	-	113,388	-	113,388
Tofaş Türk Otomobil Fabrikası A.Ş.	-	22,006	-	22,006
Arçelik A.Ş.	16,280	-	-	16,280
Özel Med Amerikan Polikliniği	-	6,610	-	6,610
Bilkom Bilişim Hizmetleri A.Ş.	-	3,368	-	3,368
Türk Traktör A.Ş.	195	-	-	195
	162,859,353	161,696,107	8,241,144	332,796,604
Less: Unearned credit finance charges	(4,405,654)	-	-	(4,405,654)
	158,453,699	161,696,107	8,241,144	328,390,950

(*) Koç Holding has transferred Koç.Net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş shares as of November 30, 2011.

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

26. Transactions and balances with related parties (continued)

	January 1 – December 31, 2010			
	Material	Service	Fixed assets	Total
Domestic purchases:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	66,947,157	28,344	66,975,501
Opet Petrolcülük A.Ş.	17,672,781	-	27	17,672,808
Eltek Elektrik Enerjisi İth. İhr. Ve Toptan A.Ş.	17,019,288	-	-	17,019,288
Ram Dış ticaret A.Ş.	13,820,859	-	-	13,820,859
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	11,058,170	-	-	11,058,170
Aygaz Doğalgaz Toptan Satış A.Ş.	10,488,007	-	-	10,488,007
Setur Servis Turistik A.Ş.	-	9,400,418	-	9,400,418
Koç Holding A.Ş.	-	7,228,748	-	7,228,748
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	6,962,537	-	6,962,537
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	6,051,714	-	39,336	6,091,050
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	3,016,284	2,882,135	5,898,419
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	1,751,864	2,588,954	4,340,818
Arçelik A.Ş.	3,446,054	-	-	3,446,054
Koç.net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	-	1,175,879	57,089	1,232,968
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	1,386,217	-	1,386,217
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	1,013,760	-	-	1,013,760
Promena Elektronik Ticaret A.Ş.	-	542,345	-	542,345
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	-	285,467	-	285,467
V.K.V. Amerikan Hastanesi Sağlık Hiz.Tic.A.Ş.	-	130,981	-	130,981
Aygaz A.Ş.	105,273	-	-	105,273
Palmira Turizm Ticaret A.Ş.	-	94,187	-	94,187
Otokar Otomotiv ve Savunma Sanayi A.Ş.	57,033	-	-	57,033
Bilkom Bilişim Hizmetleri A.Ş.	-	52,802	-	52,802
Tofaş Türk Otomobil Fabrikası A.Ş.	33,161	-	-	33,161
Koç Üniversitesi	-	31,446	-	31,446
Özel Med Amerikan Polikliniği	-	6,027	-	6,027
	80,766,100	99,012,359	5,595,885	185,374,344
Less: Unearned credit finance charges	(1,661,095)	-	-	(1,661,095)
	79,105,005	99,012,359	5,595,885	183,713,249

Purchases from related parties:

	December 31, 2011	December 31, 2010
Ford Motor Company	**4,346,121,545**	3,233,670,557

e) License fees paid to Ford Motor Company included in cost of sales:

	December 31, 2011	December 31, 2010
	73,047,471	56,081,597

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

26. Transactions and balances with related parties (continued)

f) Donations to foundations related to Koç Group, included in general administrative expenses:

	December 31, 2011	December 31, 2010
	16,867,915	12,186,280

g) The details of deposits to related banks and loans obtained from related banks:

Deposit to related banks:	**December 31, 2011**	December 31, 2010
Yapı ve Kredi Bankası A.Ş.		
- Foreign currency time deposits	**133,962,936**	41,081,255
- TL time deposits	**55,287,918**	23,850,836
- TL demand deposits	**10,231,042**	16,922,380
- Foreign currency demand deposits	**667,664**	253,923
	200,149,560	82,108,394

The Company obtained the loans from the consortium of Koç Holding and 14 financial institutions and as sub borrower, utilized TL 30,222,400 equivalent of USD 16 million and TL 61,095,000 equivalent of Euro 25 million of the loan obtained by Koç Holding (Note 6).

h) Commission incomes and expenses:

Commission income

	December 31, 2011	December 31, 2010
Yapı ve Kredi Bankası A.Ş.	**9,721,269**	7,288,904

Commission expense

	December 31, 2011	December 31, 2010
Yapı ve Kredi Bankası A.Ş.	**72,685,342**	19,304,582
Koç Tüketici Finansmanı A.Ş.	**2,267,067**	1,360,667
	74,952,409	20,665,249

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

26. Transactions and balances with related parties (continued)

Commissions paid to Koç Tüketici Finansmanı A.Ş. and Yapı ve Kredi Bankası A.Ş. are accounted for as sales discounts.

i) Interest income:

	December 31, 2011	December 31, 2010
Yapı ve Kredi Bankası A.Ş.	**9,507,070**	4,720,027

j) Dividend income:

	December 31, 2011	December 31, 2010
Otokar Otomotiv ve Savunma Sanayi A.Ş.	**87,874**	119,509
	87,874	119,509

k) Compensation of key management personnel:

The Company defined its key management personnel as board of directors' members, general manager and assistant general managers.

Compensation of key management personnel includes salaries, premiums, Social Security Institution employer's contribution, employer's contribution of unemployment insurance and the attendance fees.

The total amount of compensation given to key management personnel of the Company was TL 14,199,305 in 2011 (December 31, 2010 – TL 12,135,261).

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

27. Financial instruments and financial risk management

The table below summarizes the Company's exposure to foreign currency exchange rate risk at December 31, 2011 and 2010. The Company's foreign currency denominated assets and liabilities have been presented below in carrying amounts, categorized by currency.

December 31, 2011

	TL (Functional currency)	USD	Euro	GBP	CAD	JPY
1. Trade receivables	702,936,616	1,761,115	282,869,344	3,191,736	-	-
2. Cash and cash equivalents	413,784,365	20,051,902	153,814,991	5,842	-	-
3. Other	167,807,854	851,158	67,789,981	(17,992)	28,536	21,890,128
4. Current Assets (1 + 2 + 3)	1,284,528,835	22,664,175	504,474,316	3,179,586	28,536	21,890,128
5. Monetary financial assets	121,280,565	95,575	49,553,987	-		-
6. Fixed Assets (5)	121,280,565	95,575	49,553,987	-		-
7. Total Assets (4+6)	1,405,809,400	22,759,750	554,028,303	3,179,586	28,536	21,890,128
8. Trade payables	330,624,277	23,038,495	116,295,760	886,928	28,536	21,890,128
9. Financial liabilities	226,735,699	186,683	92,635,680	-	-	-
10. Other financial liabilities	1,721,063	219,936	534,261	-	-	-
11. Short term liabilities (8 + 9 + 10)	559,081,039	23,445,114	209,465,701	886,928	28,536	21,890,128
12. Financial liabilities	650,477,790	16,000,000	253,807,754	-	-	-
13. Long term liabilities (12)	650,477,790	16,000,000	253,807,754	-	-	-
14. Total liabilities (11 + 13)	1,209,558,829	39,445,114	463,273,455	886,928	28,536	21,890,128
15. . Net foreign currency / (liabilities) position (7 - 14)	196,250,571	(16,685,364)	90,754,848	2,292,658	-	-
16. Cash and equivalents net foreign currency assets / (liabilities) (1 + 2 + 5 - 8 - 9 - 10 - 12)	28,442,717	(17,536,522)	22,964,867	2,310,650	(28,536)	(21,890,128)

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

27. Financial instruments and financial risk management (continued)

December 31, 2010

	TL (Functional Currency)	USD	Euro	GBP
1. Trade receivables	523,780,767	3,763,744	262,369,211	14,520
2. Cash and cash equivalents	176,636,027	21,388,959	73,701,751	2,483
3. Other	95,528,429	248,612	48,085,657	75,039
4. Current Assets (1 + 2 + 3)	795,945,223	25,401,315	384,156,619	92,042
5. Monetary financial assets	139,985	96,462	-	-
6. Fixed Assets (5)	139,985	96,462	-	-
7. Total Assets (4+6)	796,085,208	25,497,777	384,156,619	92,042
8. Trade payables	172,074,793	17,181,580	74,029,991	377,644
9. Financial liabilities	222,600,183	150,826	112,575,329	-
10. Other financial liabilities	2,503,844	-	590,412	559,970
11. Short term liabilities (8 + 9 + 10)	397,178,820	17,332,406	187,195,732	937,614
12. Financial liabilities	297,303,000	21,306,505	134,850,157	-
13. Long term liabilities (12)	297,303,000	21,306,505	134,850,157	-
14. Total liabilities (11 + 13)	694,481,820	38,638,911	322,045,889	937,614
15. Net foreign currency / (liabilities) position (7 - 14)	101,603,388	(13,141,134)	62,110,730	(845,572)
16. Cash and equivalents net foreign currency assets / (liabilities) (1 + 2 + 5 - 8 - 9 - 10 - 12)	6,074,959	(13,389,746)	14,025,073	(920,611)

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

27. Financial instruments and financial risk management (continued)

Foreign exchange risk

The Company is exposed to foreign exchange risk arising primarily against to Euro and partly against respect to USD.

December 31, 2011

	Profit/Loss	
Appreciation in foreign currency / Depreciation in foreign currency		
Change in USD against TL by 10%		
USD net asset/(liabilities)	**(3,151,698)**	**3,151,698**
USD net hedged amount	**-**	**-**
US Dollar net gain/(loss)	**(3,151,698)**	**3,151,698**
Change in Euro against TL by 10%		
Euro net asset/(liabilities)	**22,178,670**	**(22,178,670)**
Euro net hedged amount	**-**	**-**
Euro net gain/(loss)	**22,178,670**	**(22,178,670)**
Change in other foreign currency against TL by 10%		
Other foreign currency denominated net asset/(liabilities)	**598,086**	**(598,086)**
Other foreign currency denominated- hedged amount	**-**	**-**
Other foreign currency denominated net gain/(loss)	**598,086**	**(598,086)**

December 31, 2010

	Profit/Loss	
Appreciation in foreign currency / Depreciation in foreign currency		
Change in USD against TL by 10%		
USD net asset/(liabilities)	(1,907,041)	1,907,041
USD net hedged amount	-	-
US Dollar net gain/(loss)	(1,907,041)	1,907,041
Change in Euro against TL by 10%		
Euro net asset/(liabilities)	12,267,420	(12,267,420)
Euro net hedged amount	-	-
Euro net gain/(loss)	12,267,420	(12,267,420)
Change in other foreign currency against TL by 10%		
Other foreign currency denominated net asset/(liabilities)	(201,974)	201,974
Other foreign currency denominated hedged amount	-	-
Other foreign currency denominated net gain/(loss)	(201,974)	201,974

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

27. Financial instruments and financial risk management (continued)

The comparative amounts for total export and import amounts as at December 31, 2011 and 2010 and for the years then ended are as follows;

	December 31, 2011	December 31, 2010
Total export amount	**5,853,930,197**	4,105,177,837
Total import amount	**5,428,691,359**	3,764,434,898

The Company's net assets are exposed to foreign exchange risk which arises from export sales. The Company manages its foreign currency position to minimize its foreign exchange risk; currency exposure arising from foreign currency denominated borrowings and trade payables is managed through assets denominated in foreign currency.

Interest rate risk

The Company's interest rate sensitive financial instruments are as follows:

	December 31, 2011	December 31, 2010
Fixed interest rate financial instruments		
Financial assets		
- Designated as fair value through profit or loss (*)	**738,079,840**	488,198,000
Financial liabilities	**73,314,000**	143,437,000
Floating interest rate financial instruments		
Financial liabilities(**)	**799,812,178**	374,875,644

(*) Financial assets designated as fair value through profit or loss consists of fixed interest rate bank deposits with maturity less than three months and denominated in TL and foreign currency

(**) As of December 31,2011, the Company, signed interest swap agreement in order to mitigate interest risk on cashflow related to the loan amounting to Euro 40,000,000 (TL 97,752,000) with the maturity of December 9, 2015.

If the interest rates of variable interest-bearing USD and Euro denominated borrowings were 100 basis points higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TL 1,039,330 at December 31, 2011 (December 31, 2010 – TL 628,209), due to higher/lower interest expense.

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

27. Financial instruments and financial risk management (continued)

Liquidity risk

The table below shows the liquidity risk arising from financial liabilities of the Company:

December 31,2011	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years
Non-derivative financial instruments					
Financial liabilities	876,889,936	928,011,724	16,673,977	236,631,382	674,706,365
Trade payables					
- Related party	340,785,262	341,200,213	341,200,213	-	-
-Other	900,664,471	906,030,573	906,030,573	-	-
Other liabilities					
- Related party	16,468,196	16,468,196	16,468,196	-	-
- Other	150,137,511	150,137,511	150,137,511	-	-
Derivative Financial Liabilities					
Derivative Financial Instruments	424,850	424,850	-	-	424,850

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

27. Financial instruments and financial risk management (continued

December 31,2010	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years
Non-derivative financial instruments					
Financial liabilities	528,438,070	555,663,359	59,047,511	183,863,867	312,751,981
Trade payables					
- *Related party*	176,308,452	176,467,842	176,467,842	-	-
-*Other*	508,068,468	510,151,746	510,151,746	-	-
Other liabilities					
- *Related party*	5,695,782	5,695,782	5,695,782	-	-
- *Other*	117,075,396	117,075,396	117,075,396	-	-
Derivative Financial Liabilities					
Derivative Financial Instruments	-	-	-	-	-

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

27. Financial instruments and financial risk management (continued)

Fair value hierarchy table

The Company classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

As of December 31, 2011 and 2010, the Company's assets at fair value and its levels are as follows:

December 31, 2011

	Level1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Financial investments			
Otokar shares	**3,458,740**	-	-
Total assets	**3,458,740**		--
Liabilities at fair value			
Cash flow hedge swap transaction	-	**424,850**	-
Total Liabilities-	-	**424,850**	

(*) Fair value is calculated with market prices in Stock Exchange market at reporting date.
(**) Fair value is calculated from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

December 31, 2010

	Level 1 (*)	Level 2	Level 3
Assets at fair value			
Otokar shares	3,008,822	-	-
Total Assets	3,008,822	-	-
Liabilities at fair value			
Cash flow hedge swap transaction	-	-	-
Total Liabilities	-	-	-

(*) Fair value is calculated with market prices in Stock Exchange market at reporting date.

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

28. Derivative financial instruments

	December 31, 2011	December 31, 2010
Derivative financial instruments:		
Long term financial derivatives	**424,850**	-
	424,850	-

The Company has obtained a long term loan in foreign currency with floating rate from international market and entered into a long-term swap transaction in order to hedge the interest rate risk by fixing the interest rate.

As of December 31, 2011, the Company has entered into swap transaction for EUR 40,000,000 (equivalent of TL 97,752,000) with the maturity of December 9, 2015 to hedge itself from the risk caused by fluctuations in interest rates The critical terms of the swap contract such as due date, repayment, and changes in interests are in line with the foreign currency loan agreement subject to the swap transaction as of December 31, 2011. The fair value of the related swap transaction as of December 31, 2011 is amounting to TL 424,850 and presented in "Non-current financial derivatives".

29. Subsequent events

There is no significant subsequent event to be disclosure.

30. Disclosure of other matters

There are no other matters other than stated above, which would materially affect or that would have material effect on the financial statements, required for the purpose of understanding and interpreting the financial statements or on their interpretation and understandability.