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

Ford Otomotiv Sanayi A.Ş.

Financial statements as of December 31, 2012 together with report of independent auditors

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Contents

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(Convenience translation of financial statements 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, 2012 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.

ERNST & YOUNG

(Convenience translation of financial statements 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, 2012, 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 disclosed in Note 2.5 to the accompanying financial statements, as of December 31, 2012, the accounting principles described in Note 2 (defined as CMB Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and the presentation of the basic financial statements and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

Ferzan Ülgen, SMMM
Partner

February 26, 2013
İstanbul, Turkey.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.
Balance sheet as of December 31, 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	**Current Period Audited December 31, 2012**	Prior Period Audited December 31, 2011
Assets			
Current assets		**2,438,262,072**	3,089,000,716
Cash and cash equivalents	4	**301,518,353**	808,849,078
Trade receivables			
- Due from related parties	26	**752,478,555**	877,374,203
- Other trade receivables	7	**478,607,642**	521,587,032
Other receivables	8	**4,552,464**	4,346,575
Inventories	9	**726,816,032**	724,972,219
Other current assets	16	**174,289,026**	151,871,609
Non-current assets		**2,208,855,227**	1,332,458,953
Trade receivables	7	**537,623**	474,645
Financial assets	5	**5,961,405**	3,458,740
Property, plant and equipment	10	**1,739,343,486**	1,108,089,000
Intangible assets	11	**55,475,988**	28,777,170
Deferred tax asset	24	**83,167,885**	-
Other non-current assets	16	**324,368,840**	191,659,398
Total assets		**4,647,117,299**	4,421,459,669

The financial statements were approved for issue by the Board of Directors on February 26, 2013 and signed on behalf of the Board of Directors by Oğuz Toprakoğlu, Assistant General Manager – Chief Financial Officer ("CFO") and Devrim Kılıçoğlu, Finance and Accounting Director.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.
Balance sheet as of December 31, 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current Period Audited December 31, 2012	Prior Period Audited December 31, 2011
Liabilities			
Current liabilities		**1,652,686,554**	1,730,705,260
Financial liabilities	6	**363,516,248**	226,836,996
Trade payables			
- Due to related parties – trade	26	**292,778,669**	340,785,262
- Other trade payables	7	**807,166,340**	900,664,471
Other payables			
- Due to related parties – non-trade	26	**1,449,061**	16,468,196
- Other payables	8	**139,020,033**	150,137,511
Current income tax payable	24	**7,741,631**	56,963,729
Provisions	13	**41,014,572**	38,849,095
Non-current liabilities		**998,765,910**	792,535,926
Financial liabilities	6	**896,037,316**	650,052,940
Provision for employee benefits	15	**72,876,906**	55,081,174
Deferred tax liabilities	24	**-**	40,304,565
Provisions	13	**28,167,783**	46,672,397
Derivative financial instruments	28	**1,683,905**	424,850
Equity	17	**1,995,664,835**	1,898,218,483
Equity attributable to the equity holders of the Company	17	**1,995,664,835**	1,898,218,483
Share capital		**350,910,000**	350,910,000
Inflation adjustment to share capital		**27,920,283**	27,920,283
Share premium		**8,252**	8,252
Valuation funds		**4,712,623**	2,335,091
Net loss on cash flow hedge		**(1,298,245)**	(345,806)
Restricted reserves		**432,432,060**	390,964,519
Retained earnings		**505,957,103**	464,337,418
Net income for the year		**675,022,759**	662,088,726
Total equity and liabilities		**4,647,117,299**	4,421,459,669

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, 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current Period Audited December 31, 2012	Prior Period Audited December 31, 2011
Continuing operations			
Sales	18	**9,767,937,257**	10,445,022,950
Cost of sales	18	**(8,693,361,846)**	(9,243,511,780)
Gross profit		**1,074,575,411**	1,201,511,170
Sales and marketing expenses	19	**(231,097,209)**	(255,169,985)
General administrative expenses	19	**(120,582,112)**	(112,904,465)
Research and development expenses	19	**(112,084,954)**	(106,886,110)
Other operating income	21	**47,403,306**	49,151,689
Other operating expenses	21	**(3,673,749)**	(46,450,461)
Operating profit		**654,540,693**	729,251,838
Financial income	22	**211,652,109**	286,253,021
Financial expenses	23	**(224,610,244)**	(215,432,140)
Income before tax from continuing operations		**641,582,558**	800,072,719
Tax income/(expense) from continuing operations		**33,440,201**	(137,983,993)
- Current taxes on income	24	**(89,919,272)**	(168,782,079)
- Deferred tax income	24	**123,359,473**	30,798,086
Net income for the year		**675,022,759**	662,088,726
Earnings per share with a nominal value of Kr 1	25	**1.92**	1.89

Ford Otomotiv Sanayi A.Ş.
Statement of comprehensive income for the year ended 31, 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current Period Audited December 31, 2012	Prior Period Audited December 31, 2011
Net income for the year		**675,022,759**	662,088,726
Other comprehensive income			
Change in revaluation funds of financial assets, net of deferred tax	17	**2,377,532**	427,422
Accumulated (loss) / profit from cash flow hedge, net of deferred tax	17	**(952,439)**	(345,806)
Other comprehensive income (after tax)		**1,425,093**	81,616
Total comprehensive income		**676,447,852**	662,170,342

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, 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Share capital	Inflation adjustment to share capital	Share premium	Valuation funds	Hedge reserves	Restricted reserves	Retained earnings	Total equity
Balance at January 1, 2011	350,910,000	27,920,283	8,252	1,907,669	-	340,819,480	1,033,478,347	1,755,044,031
Net Income	-	-	-	-	-	-	662,088,726	662,088,726
Total comprehensive income / (loss)	-	-	-	427,422	(345,806)	-	-	81,616
Total comprehensive income (net of deferred tax)	-	-	-	427,422	(345,806)	-	662,088,726	662,170,342
Transfers	-	-	-	-	-	50,145,039	(50,145,039)	-
Dividends paid (Note 17)	-	-	-	-	-	-	(518,995,890)	(518,995,890)
Balance at December 31, 2011	350,910,000	27,920,283	8,252	2,335,091	(345,806)	390,964,519	1,126,426,144	1,898,218,483
Balance at January 1, 2012	**350,910,000**	**27,920,283**	**8,252**	**2,335,091**	**(345,806)**	**390,964,519**	**1,126,426,144**	**1,898,218,483**
Net Income	-	-	-	-	-	-	**675,022,759**	**675,022,759**
Total comprehensive income / (loss)	-	-	-	**2,377,532**	**(952,439)**	-	-	**1,425,093**
Total comprehensive income (net of deferred tax)	-	-	-	**2,377,532**	**(952,439)**	-	**675,022,759**	**676,447,852**
Transfers	-	-	-	-	-	**41,467,541**	**(41,467,541)**	-
Dividends paid (Note 17)	-	-	-	-	-	-	**(579,001,500)**	**(579,001,500)**
Balance at December 31, 2012	**350,910,000**	**27,920,283**	**8,252**	**4,712,623**	**(1,298,245)**	**432,432,060**	**1,180,979,862**	**1,995,664,835**

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 flow for the year ended December 31, 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current Period Audited December 31, 2012	Prior Period Audited December 31, 2011
Cash flows from operating activities:			
Net income before tax		**641,582,558**	800,072,719
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	10	**123,072,513**	125,254,072
Amortization	11	**18,005,120**	20,625,057
Provision for employee benefits	15	**23,521,920**	15,483,426
Warranty expense provision	13	**55,828,833**	70,896,977
Interest income	22	**(22,980,847)**	(48,068,840)
Interest expense	23	**12,607,844**	18,799,809
Foreign exchange (income) / loss incurred from borrowings		**(10,700,719)**	106,350,031
Provisions no longer required		**(1,140,269)**	(13,288,028)
(Income) / loss on sale of fixed assets	21	**(2,249,473)**	482,962
Dividend income	21	**(281,198)**	(87,874)
Unrealized amount of derivative instruments		**68,506**	(7,407)
Increase in doubtful receivables	7	**1,200,000**	88,919
Net operating profit before changes in operating assets and liabilities		**838,534,788**	1,096,601,823
Decrease / (increase) in accounts receivable		**166,675,038**	(214,619,706)
(Increase) in inventories		**(589,793)**	(259,521,882)
(Increase) in other current assets		**(22,623,306)**	(96,161,014)
(Decrease) / increase in accounts payable		**(141,504,724)**	557,072,813
(Decrease) / increase in other current liabilities		**(26,206,738)**	53,839,636
Income tax paid		**(139,141,370)**	(169,057,119)
Warranty expenses paid	13	**(72,167,970)**	(54,098,639)
Employee benefits paid	15	**(5,726,188)**	(4,464,057)
Net cash generated from operating activities		**597,249,737**	909,591,855
Cash flows used in investing activities:			
Purchase of property, plant and equipment	10	**(757,430,279)**	(180,269,122)
Purchase of intangible assets	11	**(44,703,938)**	(7,102,665)
Proceeds from sale of property, plant and equipment		**5,352,753**	4,843,347
Increase in other non-current assets		**(132,772,420)**	(190,119,804)
Interest received		**22,937,222**	46,567,423
Dividends received	21	**281,198**	87,874
Net cash used in investing activities		**(906,335,464)**	(325,992,947)
Cash flows from financing activities:			
Interest paid		**(12,667,340)**	(16,691,431)
Dividends paid	17	**(579,001,500)**	(518,995,890)
Proceeds from borrowings		**696,796,581**	515,501,212
Payments of borrowings		**(303,372,739)**	(275,507,755)
Net cash used in financing activities		**(198,244,998)**	(295,693,864)
Net (decrease) / increase in cash and cash equivalents		**(507,330,725)**	287,905,044
Beginning balance of cash and cash equivalents	4	**808,849,078**	520,944,034
Ending balance of cash and cash equivalents	4	**301,518,353**	808,849,078

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", Transit vehicles (minibuses, pick-ups and vans) and Transit Custom which was started production in 2012 are manufactured in Kocaeli. Ford Cargo trucks and their engines are manufactured in Eskişehir.

In 2012, the Company had a total of 9,693 employees on average, composed of 2,379 white-collar and 7,314 blue-collar workers. The Company had a total of 9,527 employees composed of 2,458 white-collar and 7,069 blue-collar workers as of December 31, 2012. (December 31, 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 year 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

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 Article 5 of the Financial Reporting Standards by the Capital Markets Board (CMB), entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. According to the provisional Article 2, the implementation of Article 5 is postponed until the differences between the IFRS adopted by the European Union and the IFRS put forth by the International Accounting Standards Committee (IASC) have been announced by the Turkish Accounting Standards Committee (TASC) (TASC was closed in November 2011 and its duties were transferred to the Accounting and Auditing Standards Committee). Therefore, the Company has prepared its financial statement for the year ended December 31, 2012 in accordance with the Turkish Financial Reporting Standards, which are in accordance with the IFRS adopted by IASC.

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 are prepared on a cost basis.

The Company financial statements as of December 31, 2012 and December 31, 2011, 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.

Going concern

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

Comparatives 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, 2012 has been provided with the comparative financial information of December 31, 2011 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, 2012 and December 31, 2012 have been provided with the comparative financial information, for the period between January 1, 2011 and December 31, 2011.

2.2 Amendments and interpretations in the standards

a) New and amended standards and interpretations:

The accounting policies adopted in preparation of the financial statements as at December 31, 2012 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2012. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2012 are as follows:

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

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. These amendments will be applied retrospectively. Adoption of this amendment did not have any impact on the financial position or performance of the Company.

2. Financial reporting standards (continued)

- **IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (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. Comparative disclosures are not required. The amendment affects disclosures only and did not have any impact on the financial position or performance of the Company.

b) 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. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

- **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 1 July 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. The amendment affects presentation only and will have no impact on the financial position or performance of the Company.

- **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 these 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. The effect of the amended standard will be the recognition of TL 12,584,337 after tax in the income statement for the year ended December 31, 2012.

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

As a consequential amendment to IFRS 10 and IFRS 12, 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 amendment will not have any impact on the financial position or performance of the Company.

2. Financial reporting standards (continued)

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

As a consequential amendment to IFRS 11 and IFRS 12, 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. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Company does not expect that this amendment 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. 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 any impact on the financial position or performance of the Company.

- **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. 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 amendment affects disclosures only and will have no 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 any impact on the financial position or performance of the Company.

- **IFRS 10 Consolidated Financial Statements**

The standard is effective for annual periods beginning on or after January 1, 2014 and is 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. The Company does not expect that these amendments will have any impact on the financial position or performance of the Company.

2. Financial reporting standards (continued)

- **IFRS 11 Joint Arrangements**

The standard is effective for annual periods beginning on or after January 1, 2014 and is 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. The Company does not expect that these amendments will have any impact on the financial position or performance of the Company.

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

The standard is effective for annual periods beginning on or after January 1, 2014 and is 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. The Company does not expect that these amendments will have any 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. Comparative disclosures for prior periods are not required. The Company does not expect that these amendments will have any impact on the financial position or performance of the Company.

- **IFRIC Interpretation 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 interpretation is not applicable for the Company and will not have any impact on the financial position or performance of the Company.

2. Financial reporting standards (continued)

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after January 1, 2014. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU. The Company does not expect that these amendments will have any impact on the financial position or performance of the Company.

c) Improvements to IFRSs

The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after January 1, 2013. Earlier application is permitted in all cases, provided that fact is disclosed. This project has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

IAS 1 Financial Statement Presentation:
Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

IAS 16 Property, Plant and Equipment:
Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments: Presentation
Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

IAS 34 Interim Financial Reporting:
Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

IFRS 10 Consolidated Financial Statements (Amendment)
IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. The amendment applies for annual periods beginning on or after January 1, 2014 with earlier application permitted. The amendment has not yet been endorsed by the EU. The Company does not expect that these amendments will have any impact on the financial position or performance of the Company.

2. Financial reporting standards (continued)

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.

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 receivables, 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 and spare parts 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 expense over the period of credit sales and purchases, and are 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).

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

2. Basis of presentation of financial statements (continued)

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.

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

Land improvements	14.5 - 30 years
Buildings	14.5 - 36 years
Machinery and equipment	5-25 years
Moulds and models	Project lifetime
Furniture and fixtures	4 - 14.5 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 depending on the project's lifetime. 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).

The estimated useful lifetimes of such assets are as follows:

Rights	3-5 years
Capitalized improvement expenses	Project lifetime
Other intangible assets	5 years

2. Basis of presentation of financial statements (continued)

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.

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.

<u>Current period income tax</u>

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.

2. Basis of presentation of financial statements (continued)

Deferred tax

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).

Current and deferred tax

Current and deferred taxes except those which are either related to the items directly recognized in the equity as receivable or payable (which, in such cases, the deferred tax regarding the related items are also recognized directly in the equity) or those which result from the initial recognition of an enterprise merger are recognized as income or loss in the income statement.

Revenue recognition

Goods & services sales

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 services are given and revenue is determined reasonably. 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 an accrual basis (Note 18).

Dividend and interest income

Dividend income from the stock investments are recorded when the stockholders become entitled to receive a dividend.

Interest income is realized on a time period basis and the accrued income is determined by taking into account the valid interest rate and the interest rate that is to be effective until its maturity date.

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

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).

Foreign currency exchange rates used by the Company at the time of balance sheet dates are as follows:

	TL/USD	TL/Euro	TL/GBP
December 31, 2012	**1.7826**	**2.3517**	**2.8708**
December 31, 2011	1.8889	2.4438	2,9170

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 and its subsidiaries, except vehicle sales, are collected in 30 days in average (for export vehicle sales 14 days). 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.

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

2. Basis of presentation of financial statements (continued)

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.

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 0.25-0.70.

	December 31, 2012	December 31, 2011
Financial debt	**1,259,553,564**	876,889,936
Total equity	**1,995,664,835**	1,898,218,483
Debt/Total equity ratio	**0.63**	0.46

2. Basis of presentation of financial statements (continued)

Fair value of financial instruments

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

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

Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company 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:

Financial 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.

Financial liabilities

Bank borrowings are recorded over their fair value of which the transaction costs are discounted. In the following periods, they are evaluated and recognized with their discounted costs by using the effective rate of interest method. The fair values of other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

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. Changes in the fair value of the derivatives that are designated and qualified as cash flow hedges and that are highly effective, are recognized in equity as hedge reserves. Hedge accounting is terminated when the hedge instrument has expired, is sold, is used or when it becomes incapable of fulfilling the conditions for hedge accounting.

The fair value of interest swap contracts is determined by using valuation methods based on observable data in the market.

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.

2. Basis of presentation of financial statements (continued)

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). With respect to assets which take long time to get ready for use and sale, 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 interest.

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). Actuarial gains and losses, on the other hand, are recognized in the statement of income.

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.

Variable marketing provision

Provision for dealer stock variable marketing expenses is accounted based on the last approved variable marketing programme (Note 8).

Warranty expenses provision

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 provision (Note 13).

2. Basis of presentation of financial statements (continued)

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.

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).

Lease

Leasing – the Company 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 (reporting entity) 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.

2. Basis of presentation of financial statements (continued)

The Company defines its key management personnel as board of directors' members, general managers, assistant general managers and directors reporting directly to the general manager (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).

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).

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).

2. Basis of presentation of financial statements (continued)

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 of its liability.

Government grants and incentives

Government grants and incentives are recognized at fair value when there is assurance that these grants and incentives will be received and the Company has met all conditions required. Government grants and incentives regarding the capitalized projects, costs are recognized by netting from costs of property, plant and equipment and intangible assets. Incentives which are not subject to assets are shown as other income in the income statement.

2.4 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, 2012 there is no significant change in accounting estimates and error.

2.5 Convenience translation into English of financial statements originally issued in Turkish

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.

2.6 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) In calculation of the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. The details regarding the calculation are disclosed in provision for employee benefits (Note 15).

b) In determination of the impairment of trade receivables, the 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) In determination of 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.

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

2. Basis of presentation of financial statements (continued)

e) In calculation of the warranty provision, 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).

f) Deferred tax assets are recorded when the occurrence of taxable income is probable in the forthcoming years. Deferred tax asset is calculated over any temporary differences in cases when the occurrence of taxable income is probable. Deferred tax asset is recorded for the year ended December 31, 2012 since presumptions that the Company will have taxable income in the forthcoming periods are found to be sufficient (Note 24).

g) The Company recognizes depreciation and amortization for its property, plant and equipments and intangibles by taking into account their useful lives that are stated in Note 2.3 (Note 10 and 11).

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, 2012	December 31, 2011
Banks- foreign currency time deposits	**268,395,160**	409,090,947
Banks - TL demand deposits	**26,610,646**	68,352,296
Banks - TL time deposits	**5,601,180**	330,490,311
Banks - foreign currency demand deposits	**911,367**	915,524
	301,518,353	808,849,078

The maturity period of time deposits is up to three months and there is no blockage/restriction on cash and cash equivalents. The weighted average interest rate for USD denominated time deposits is 2.90% (December 31, 2011: 5.50%). The weighted average interest rate for Euro denominated time deposits is 2.41% (December 31, 2011: 5.17%). The weighted average interest rate for the TL time deposits is 7.69% (December 31, 2011: 11.64%).

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

5. Financial assets

	December 31, 2012		December 31, 2011	
Available-for-sale financial assets:	**Shareholding %**	**Amount**	Shareholding %	Amount
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar) (*)	**0.59**	**5,961,405**	0.59	3,458,740
		5,961,405		3,458,740

(*) The Company's shareholding in Otokar was stated at market value per the stock quotes at the Istanbul Stock Exchange at December 31, 2012 and December 31, 2011 which is assumed to approximate its fair value.

6. Financial liabilities

	December 31, 2012		December 31, 2011	
	Effective interest rate %	**TL Amount**	Effective interest rate %	TL amount
Short term borrowings:				
- Euro	**1.00**	**88,024,131**	2.29	67,400,004
- TL (*)	**-**	**8,302,535**	-	101,297
		96,326,666		67,501,301

(*) Interest-free loans used for short term purposes.

Short-term portion of long-term borrowings:

	December 31, 2012		December 31, 2011	
	Effective interest rate %	**TL amount**	Effective interest rate %	TL amount
- Euro	**2.45**	**238,302,673**	3.37	158,983,070
- USD	**2.97**	**28,886,909**	2.68	352,625
		267,189,582		159,335,695
Total short term borrowings		**363,516,248**		226,836,996
Long term borrowings:				
- Euro	**2.31**	**896,037,316**	3.53	619,830,540
- USD	**-**	**-**	2.68	30,222,400
		896,037,316		650,052,940

(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, 2012 and 2011 are as follows:

	December 31, 2012	December 31, 2011
Payment period	**Total TL**	Total TL
2013	**-**	252,639,137
2014	**211,392,012**	230,192,464
2015	**284,988,369**	131,329,646
2016	**98,460,416**	16,121,932
2017	**83,490,904**	5,648,502
2018	**78,686,683**	14,121,259
2018-2021	**139,018,932**	-
	896,037,316	650,052,940

The letters of bank guarantee given to financial institutions in connection with borrowings amount to TL 685,574,000 (December 31, 2011 - TL 194,893,049) (Note 13).

7. Trade receivables and payables

	December 31, 2012	December 31, 2011
Short term trade receivables:		
Trade receivables	**481,044,572**	517,917,390
Cheques and notes receivable	**-**	7,392,169
Doubtful receivables	**4,533,456**	3,333,456
Less: Unearned credit finance income	**(2,436,930)**	(3,722,527)
	483,141,098	524,920,488
Less: Provision for doubtful receivables	**(4,533,456)**	(3,333,456)
	478,607,642	521,587,032

The average turnover of trade receivables is 30 days (December 31, 2011: 30 days) and discounted by 0.64% monthly effective interest rate (December 31, 2011: 1.05%).

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

7. Trade receivables and payables (continued)

The collection of receivables from export sales other than Ford Motor Company is kept under guarantee with letter of credit, letter of guarantee or upfront cash collection.

	December 31, 2012	December 31, 2011
Long term trade receivables:		
Deposits and guarantees given	**537,623**	474,645
	537,623	474,645

	December 31, 2012	December 31, 2011
Trade payables:		
Trade payables	**810,038,054**	906,030,573
Less: Unearned credit finance expense	**(2,871,714)**	(5,366,102)
	807,166,340	900,664,471

The average turnover of trade payables is 60 days (December 31, 2011: 60 days) and discounted by 0.64% monthly effective interest rate (December 31, 2011: 1.05%).

(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, 2012 and 2011 is as follows:

	Trade receivables		Other receivables		
December 31, 2012	Related parties	Other	Related parties	Other	Deposits in Bank
The maximum of credit risk exposed at the reporting date (Notes 26, 7, 8, 4)	**752,478,555**	**478,607,642**	**-**	**4,552,464**	**301,518,353**
- Credit risk covered by guarantees	**110,000,000**	**432,038,087**	**-**	**-**	**-**
Net book value of the financial assets that are neither overdue nor impaired	**719,274,870**	**465,229,069**	**-**	**4,552,464**	**301,518,353**
The carrying amount of financial assets whose terms have been renegotiated otherwise classified as overdue or impaired	**-**	**9,348,000**	**-**	**-**	**-**
Net book value of financial assets that are overdue but not impaired	**33,203,685**	**4,030,573**	**-**	**-**	**-**
- Amount of risk covered by guarantees	**-**	**1,864,174**	**-**	**-**	**-**
Net book value of impaired assets	**-**	**-**	**-**	**-**	**-**
- Overdue (gross book value)	**-**	**4,533,456**	**-**	**-**	**-**
- Provision for impairment (-)	**-**	**(4,533,456)**	**-**	**-**	**-**
- 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, 2011	Related parties	Other	Related parties	Related parties	Deposits in Bank
The maximum of credit risk exposed at the reporting date (Notes 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 book value of the financial assets that are neither overdue nor impaired	843,800,456	503,998,613	-	4,346,575	808,849,078
The carrying amount of financial assets whose terms have been renegotiated otherwise classified as overdue or impaired	-	10,392,169	-	-	-
Net book value of financial assets that are overdue but not impaired	33,573,747	7,196,250	-	-	-
- Amount of risk covered by guarantees	-	632,956	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book 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)

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

	Trade receivables	
December 31, 2012	**Related party**	**Other**
1-30 days overdue	**17,523,033**	**1,934,800**
1-3 months overdue	**3,776,451**	**339,845**
3-12 months overdue	**7,406,479**	**312,248**
1-5 years overdue	**4,497,722**	**1,443,680**
	33,203,685	**4,030,573**
Risk covered by guarantees	**-**	**1,864,174**

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

	Trade receivables	
December 31, 2011	Related party	Other
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

Movements in the provision for impairment on trade receivables are as follows:

	2012	2011
At January 1,	**3,333,456**	3,244,537
Provisions during the year	**1,200,000**	88,919
At December 31,	**4,533,456**	3,333,456

8. Other receivables and payables

	December 31, 2012	December 31, 2011
Other receivables:		
Other miscellaneous receivables	**4,552,464**	4,346,575
	4,552,464	4,346,575

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

8. Other receivables and payables (continued)

	December 31, 2012	December 31, 2011
Other payables:		
Taxes and funds payable	**40.379.148**	52.502.458
Payables to personnel and expense accruals	**34.379.893**	46.680.062
Variable marketing provision (*)	**31.329.263**	23.118.895
Expense accruals	**15.223.130**	10.030.288
Payables to engineering companies	**12.800.732**	10.237.728
Other	**4.907.867**	7.568.080
	139.020.033	150.137.511

(*) 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 dealer vehicle stock at balance sheet date (Note 2.3).

9. Inventories

	December 31, 2012	December 31, 2011
Raw materials	**280,078,252**	298,160,635
Finished goods	**219,100,521**	75,705,380
Goods in transit	**118,581,186**	215,633,497
Spare parts	**70,595,889**	70,536,820
Import vehicles	**40,831,183**	68,560,906
	729,187,031	728,597,238
Less: Provision for impairment of finished goods and spare parts	**(2,370,999)**	(3,625,019)
	726,816,032	724,972,219

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

The Company has accounted for the impairment of inventories as part of cost of sales and the movement in the balance within the year is as follows:

	2012	2011
At January 1,	**3,625,019**	5,149,850
Change within the year	**(1,254,020)**	(1,524,831)
At December 31,	**2,370,999**	3,625,019

The Company has provided a provision for impairment on the inventories when their net realizable values are lower than their costs or when they are classified as slow moving inventories. The provision has been accounted under cost of sales (Note 18).

(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, 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
For the year ended December 31, 2012									
Opening 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
Opening adjustment (**)	-	21,510,666	176,194,337	(326,865,103)	9,569,559	119,242,198	348,343	-	-
Additions (*)	-	3,452,047	3,050,864	238,921,258	210,498,795	29,044,237	3,003,927	269,459,151	757,430,279
Transfers		547,406	13,705,163	6,659,985	47,781,719	1,049,080	-	(69,743,353)	-
Disposals	-	-	-	(699,765)	-	(40,373)	(4,218,622)	-	(4,958,760)
Depreciation charge	-	(4,800,969)	(21,932,427)	(64,207,208)	(18,284,523)	(12,950,722)	(896,664)	-	(123,072,513)
Transfers from accumulated depreciation (**)	-	(15,577,203)	(102,014,830)	193,083,568	(4,619,430)	(69,968,966)	(903,139)	-	-
Disposals from accumulated depreciation	-	-	-	699,765	-	31,029	1,124,686	-	1,855,480
Closing net book value	11,874,536	75,069,117	308,276,901	635,576,989	277,087,943	99,202,375	5,637,227	326,618,398	1,739,343,486
December 31, 2012									
Cost	11,874,536	125,949,303	566,132,999	1,370,698,096	896,944,280	235,366,647	7,978,528	326,618,398	3,541,562,787
Accumulated depreciation	-	(50,880,186)	(257,856,098)	(735,121,107)	(619,856,337)	(136,164,272)	(2,341,301)	-	(1,802,219,301)
Net book value	11,874,536	75,069,117	308,276,901	635,576,989	277,087,943	99,202,375	5,637,227	326,618,398	1,739,343,486

(*) The portion of TL 148.571.945 (December 31, 2011: TL 55,139,144) in the current year construction in progress additions which amount to total of TL 269.459.151 (December 31, 2011: TL 112,901,822) is in nature of tangible assets and related to the new light commercial vehicle factory investment and new generation Transit projects. The remaining portion amounting to TL 120.887.206 (December 31, 2011: TL 57,762,678) is in the nature of intangible assets and related to engineering investments of new light commercial vehicle and various Cargo projects.

(**) As of December 31, 2011, property, plant and equipment, which are shown in machinery and equipments with a cost of TL 326,865,103 and an accumulated depreciation of TL 193,083,658 are categorized into related accounts as opening adjustments.

The Company compared the borrowing costs of investment loans in foreign currency to the TL market loan interest and foreign exchange differences and interest costs equal to an amount of TL 21.091.127 (December 31, 2011: TL 17,287,672) has been recognized under property, plant and equipment according to the cumulative approach. There is no pledge or mortgage on tangible assets as of December 31, 2012 (December 31, 2011: No pledge or mortgage).

(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 December 31, 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

(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, 2012	December 31, 2011
Moulds and models	**352,273,187**	346,300,236
Machinery and equipment	**101,236,425**	104,763,970
Furniture and fixtures	**53,118,988**	25,062,916
Buildings	**15,035,700**	5,529,499
Land improvements	**1,522,776**	237,300
Vehicles	**377,996**	149,976
	523,565,072	482,043,897

The allocation of depreciation expense as of December 31, 2012 and 2011 is as follows:

	December 31, 2012	December 31, 2011
Cost of production (Note 18)	**113,073,259**	118,215,871
General administrative expenses (Notes 19)	**4,089,233**	1,847,645
Research and development expenses (Note 19)	**3,206,364**	2,287,156
Selling and marketing expenses (Note 19)	**1,841,629**	1,690,302
Associated with construction in progress	**862,028**	1,213,098
Current year depreciation charge	**123,072,513**	125,254,072

11. Intangible assets

December 31, 2011	**Rights**	**Development costs**	**Other**	**Total**
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
For the year ended December 31, 2012				
Opening net book value	**6,617,388**	**20,578,874**	**1,580,908**	**28,777,170**
Additions	**10,893,778**	**31,069,730**	**2,740,430**	**44,703,938**
Disposals	**-**	**(821,663)**	**-**	**(821,663)**
Transfers	**(11,227,284)**	**11,227,284**	**-**	**-**
Depreciation charge	**(2,050,705)**	**(15,394,062)**	**(560,353)**	**(18,005,120)**
Disposals from accumulated depreciation	**-**	**821,663**	**-**	**821,663**
Closing net book value	4,233,177	47,481,826	3,760,985	55,475,988
December 31, 2012				
Cost	**24,942,594**	**473,722,783**	**6,097,543**	**504,762,920**
Accumulated amortization	**(20,709,417)**	**(426,240,957)**	**(2,336,558)**	**(449,286,932)**
Net book value	4,233,177	47,481,826	3,760,985	55,475,988

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

11. Intangible assets (continued)

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

The allocation of amortization charges relating to December 31, 2012 and 2011 is as follows:

	December 31, 2012	December 31, 2011
Cost of production (Note 18)	**15,389,751**	19,391,787
General administrative expenses (Notes 19)	**1,508,053**	543,004
Research and development expenses (Note 19)	**1,107,316**	690,266
Current year amortization charge	**18,005,120**	20,625,057

12. Government incentives and grants

The Company was granted research and development contribution premiums for a total of TL 14,394,321 by The Scientific and Technological Research Council of Turkey (TÜBİTAK) as of December 31, 2012 for Cargo trucks and new light commercial vehicle projects. The subject amount has been netted with the development expenses of the related project and associated with construction in progress in the balance sheet under property, plant and equipment.

The Company received two investment incentives both greater than TL 250 million in the last quarter of 2010, under the scope of the Council of Minister's decision numbered 2009/15199 and dated 14/07/2009. Based on this decision, the Company can deduct 30% of the costs of fixed assets purchases related with new investments, from the tax base, at the time investment is completed and the revenue is started to be earned. As of December 31, 2012, fixed asset purchases amounting to TL 531,833,087 have been realized and tax advantages amounting to TL 158,503,824 which can be used in the forthcoming periods was gained, after the deduction of TL 1,046,102, which was used as discounted corporate tax advantage in the current year (Note 24).

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

13. Provision, contingent assets and liabilities

The Company recognizes 2 and 3 years of warranty provision 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, 2012	December 31, 2011
Short term warranty expense provision	**41,014,572**	38,849,095
Long term warranty expense provision	**28,167,783**	46,672,397
	69,182,355	85,521,492

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

	2012	2011
At January 1,	**85,521,492**	68,723,154
Paid during the year	**(72,167,970)**	(54,098,639)
Additions during the year (Note 19)	**55,828,833**	70,896,977
At December 31,	**69,182,355**	85,521,492

Letters of guarantee and letters of credit	**December 31, 2012**	December 31, 2011
Letters of guarantee given to banks	**685,574,000**	194,893,049
Letters of guarantee given to customs	**28,124,155**	24,545,155
Letters of guarantees given to other parties	**16,677,764**	13,596,691
	730,375,919	233,034,895

Letters of guarantee given	**December 31, 2012**		December 31, 2011	
	Original currency	**TL**	Original currency	TL
Euro	**301.581.428**	**709,229,045**	89,812,210	219,483,077
TL	**16.501.139**	**16,501,139**	13,527,262	13,527,262
USD	**2.606.157**	**4,645,735**	13,000	24,556
		730,375,919		233,034,895

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

13. Provision, contingent assets and liabilities (continued)

The allocation of collaterals, pledges and mortgages as of December 31, 2012 and 2011 is as follows:

Collaterals, pledges and mortgages given by the Company	December 31, 2012	December 31, 2011
A. Total amount of collaterals/pledges/mortgages given for its own legal entity	**730,375,919**	233,034,895
B. Total amount of collaterals/pledges/mortgages given for participations included in entire consolidation	-	-
C. Total amount of collaterals/pledges/mortgages given to assure debts of third parties, for the purpose of conducting the business activities	-	-
D. Total amount of other collaterals/pledges/mortgages given	-	-
i. Total amount of collaterals/pledges/mortgages given for the parent company	-	-
ii. Total amount of collaterals/pledges/mortgages given for other related companies that do not fall into B and C sections	-	-
iii. Total amount of collaterals/pledges/mortgages given for third parties that do not fall into C section	-	-
Total	**730,375,919**	233,034,895

As of December 31, 2012 and 2011, total amount of the collaterals, pledges and mortgages obtained by the Company are as follows:

Letters of guarantee taken

	December 31, 2012		December 31, 2011	
	Original currency	**TL**	Original currency	TL
TL	**138,348,665**	**138,348,665**	260,663,503	260,663,503
Euro	**12,318,405**	**28,969,193**	2,364,519	5,778,412
USD	**82,140**	**146,423**	132,140	249,599
GBP	**-**	**-**	27,000	78,759
		167,464,281		266,770,273

Tax dispute:

Fiscal Administration, imposed tax amount related to the fuel consumption for export vehicles for the years between 2005 and 2009, amounting to TL 17,837,279 which includes 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. The Tax Office filed an appeal at the court and the appeal process is continuing. For the remaining amount of TL 5,854,569, the Company made the payment and the case is in the appeal stage at State Council.

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

14. Commitments

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

a) The company is required to ensure that its export proceeds up to an amount equal to, Euro 20,000,000 via T.C. Ziraat Bankası A.Ş., and based on the credit agreements made by the Company in 2011, Euro 60,000,000 via Vakıflar Bankası T.A.O. is transacted through the accounts of these banks. The Company fulfilled these commitments as of December 31, 2012.

b) Based on the 1 year credit agreements made by the Company in 2012, 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 is transacted through Garanti Bankası accounts for the year 2012. The Company fulfilled this commitment as of December 31, 2012.

c) Based on the 4 month term credit agreement made by the Company in June 2012 amounting to Euro 37,430,000 with Türkiye İhracat Kredi Bankası A.Ş. (Eximbank), the Company is required to ensure that its export proceeds equals to an amount of Euro 38,000,000. The Company fulfilled this commitment as of December 31, 2012. Also, based on the 4 month term credit agreement made by the Company in November 2012 amounting to Euro 37,430,000 with Türkiye İhracat Kredi Bankası A.Ş. (Eximbank), the Company is required to ensure that its export proceeds equals to an amount of Euro 38,000,000.

Operational lease commitments

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

Operational lease commitments	**December 31, 2012**	December 31, 2011
Within 1 year	**3,852,436**	1,952,712
Between 1 year to 5 years	**7,839,168**	3,417,246
	11,691,604	5,369,958

15. Employee benefits

Long-term provisions:

	December 31, 2012	December 31, 2011
Provision for employee benefits	**72,876,906**	55,081,174
	72,876,906	55,081,174

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).

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

15. Employee benefits (continued)

The amount payable consists of one month's salary limited to a maximum of TL 3,033.98 for each year of service as of December 31, 2012 (December 31, 2011 – TL 2,731.85). As of January 1, 2013, one month's salary limit has increased to TL 3,129.25.

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 Company's obligation under defined benefit plans, accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	December 31, 2012	December 31, 2011
Discount rate (%)	**3.86**	4.66
Turnover rate to estimate the probability of retirement (%)	**5**	5

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 3,033.98 which was effective from July 1, 2012 (July 1, 2011 - TL 2,731.85) has been used in the calculations.

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

	2012	2011
At January 1,	**55,081,174**	44,061,805
Interest cost	**2,128,739**	2,054,263
Current year service cost	**5,662,760**	7,159,232
Paid during the year	**(5,726,188)**	(4,464,057)
Actuarial loss	**15,730,421**	6,269,931
At December 31,	**72,876,906**	55,081,174

16. Other assets

Other current assets:	**December 31, 2012**	December 31, 2011
VAT to be deductible	**144,221,205**	114,811,622
Amounts to be billed to vendors	**6,044,648**	11,575,054
Prepaid expenses	**4,746,495**	3,093,981
Prepaid taxes and withholding	**4,109,902**	7,585,414
Other	**15,166,776**	14,805,538
	174,289,026	151,871,609

VAT to be deductible is related to the ongoing process of refund of export VAT receivable related to October, November and December.

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

16. Other assets (continued)

Other non-current assets:	**December 31, 2012**	December 31, 2011
Advances given for investments	**324,368,840**	191,659,398
	324,368,840	191,659,398

Investment advances given are related to the Company's new vehicle investments. TL 92,502,110 December 31, 2011: TL 62,748,370) is given to domestic vendors as mould advances and TL 231,866,730 (December 31, 2011: TL 128,911,028) is given for the new light commercial vehicle factory investment in Kocaeli plant and assembly line investment for the new age Transit projects procured from vendors abroad.

17. Equity

The composition of the Company's paid-in capital as of December 31, 2012 and 2011 is as follows:

Shareholders	**December 31, 2012**	**Shareholders percentage (%)**	December 31, 2011	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
Inflation adjustment 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, 2011 - 35,091,000,000 unit) with a nominal value of Kr 1 each.

17. Equity (continued)

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.

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 5,992,339 related to this exemption in its tax financial statements (December 31, 2011 - 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 432,432,060 as of December 31, 2012 (December 31, 2011 – TL 390,964,519).

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.

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.

In accordance with the General Assembly Meeting dated March 20, 2012, the Company decided to pay dividend from the net profit of the year 2011 at 100%, that is, gross TL 1 (net Kr 95.0976) per TL 1 share, amounting to TL 350,910,000 in total which was paid in April 2012. The Company had also decided to pay dividend at 65%, that is, gross Kr 65 (net Kr 57.2693) per TL 1 share, amounting to TL 228,091,500 in total at the Extraordinary General Assembly Meeting held on October 19, 2012 and the dividend was paid in October 2012 (2011 : TL 518,995,890).

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

17. Equity (continued)

Reserves, retained earnings and net income for the year ended December 31, 2012 according to CMB and statutory books are as follows:

	According to CMB	According to statutory books of account
Income for the year	641,582,558	502,155,243
Taxes receivable / (payable)	33,440,201	(89,919,272)
Net income for the year	**675,022,759**	**412,235,971**
Distributable net profit	**675,022,759**	**412,235,971**
Donations made during the year (Note 19)	13,214,246	
Distributable net income including donations	**688,237,005**	**412,235,971**

In accordance with Communiqué No: XI-29, the equity schedules at December 31, 2012 and 2011 are as follows:

	December 31, 2012	December 31,2011
Share capital	**350,910,000**	350,910,000
Inflation adjustment to share capital	**27,920,283**	27,920,283
Share premium	**8,252**	8,252
Revaluation funds	**4,712,623**	2,335,091
Net loss on cash flow hedge	**(1,298,245)**	(345,806)
Restricted reserves	***432,432,060***	*390,964,519*
- Legal reserves	**426,439,719**	370,294,119
- Special reserves	**5,992,341**	20,670,400
Retained earnings	***505,957,103***	*464,337,418*
- Inflation adjustment to equity	**428,301,244**	428,301,244
- Extraordinary reserves	**77,655,859**	36,036,174
Net income for the year	**675,022,759**	662,088,726
Total equity	**1,995,664,835**	1,898,218,483

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

17. Equity (continued)

The readjusted amounts and equity inflation adjustment differences of the historical values shown above for the year ended December 31, 2012 and 2011 are as follows:

December 31, 2012:	**Historical values**	**Adjusted values**	**Equity inflation adjustment differences**
Share capital	**350,910,000**	**378,830,283**	**27,920,283**
Legal reserves	**426,439,719**	**485,192,323**	**58,752,604**
Extraordinary reserves	**77,655,859**	**446,800,875**	**369,145,016**
Share premium	**8,252**	**361,733**	**353,481**
Special reserves	**5,992,341**	**6,042,484**	**50,143**
	861,006,171	**1,317,227,698**	**456,221,527**

December 31, 2011:	Historical values	Adjusted values	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

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

Otokar shares which are publicly traded in ISE are valued at their closing price as of December 31, 2012 and December 31, 2011. Fair value change (positive) amounting to TL 2,377,532 (December 31, 2011 – TL 427,422) is shown in statement of comprehensive income.

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

	2012	2011
At January 1,	**1,989,285**	1,907,669
Fair value increase of financial assets	**2,377,532**	427,422
Fair value (decrease) of financial derivatives	**(952,439)**	(345,806)
At December 31,	**3,414,378**	1,989,285

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

18. Sales and cost of sales

	December 31, 2012	December 31, 2011
Export sales	**5,936,332,099**	5,853,930,197
Domestic sales	**4,366,124,292**	5,088,764,313
Other sales	**83,258,381**	108,924,394
Less: Discounts	**(617,777,515)**	(606,595,954)
	9,767,937,257	10,445,022,950

Units of vehicle sales:

	December 31, 2012			December 31, 2011		
	Domestic sales	**Export sales**	**Total sales**	Domestic sales	Export sales	Total sales
Transit	**28,179**	**113,502**	**141,681**	35,246	147,766	183,012
Transit Connect	**29,162**	**75,081**	**104,243**	37,445	64,616	102,061
Passenger vehicles	**45,919**	**613**	**46,532**	57,946	384	58,330
Transit Custom	**1,113**	**14,328**	**15,441**	-	-	-
Cargo	**5,811**	**955**	**6,766**	8,329	824	9,153
Ranger	**827**	**10**	**837**	1,714	4	1,718
Fiesta Van	**-**	**-**	**-**	-	55	55
	111,011	**204,489**	**315,500**	140,680	213,649	354,329

Summaries of cost of production as of December 31, 2012 and 2011 are as follows;

	December 31, 2012	December 31, 2011
Raw material cost	**(6,546,593,774)**	(6,692,484,964)
Production overhead costs	**(637,331,701)**	(644,304,470)
Depreciation and amortization expenses (Note 10 and 11)	**(128,463,010)**	(137,607,658)
Change in finished goods inventory	**144,649,161**	60,177,833
Total cost of goods sold	**(7,167,739,324)**	(7,414,219,259)
Cost of trade goods sold	**(1,525,622,522)**	(1,829,292,521)
Total cost of sales	**(8,693,361,846)**	(9,243,511,780)

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

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

	December 31, 2012	December 31, 2011
Selling and marketing expenses:		
Warranty expenses (Note 13)	**(55,828,833)**	(70,896,977)
Vehicle transportation expenses	**(47,900,238)**	(52,994,210)
Advertising expenses	**(47,424,649)**	(52,721,289)
Personnel expenses	**(37,188,390)**	(32,129,825)
Spare parts transportation and packaging expenses	**(16,944,752)**	(14,988,279)
Dealer and service development expenses	**(9,565,370)**	(9,210,817)
Depreciation expense (Note 10)	**(1,841,629)**	(1,690,302)
Other	**(14,403,348)**	(20,538,286)
	(231,097,209)	(255,169,985)
General administrative expenses:		
Personnel expenses	**(51,081,421)**	(52,132,874)
New project administrative expenses	**(13,934,069)**	(7,361,693)
Grants and donations (Note 17)	**(13,214,246)**	(18,315,200)
Legal, consulting and auditing expenses	**(12,206,087)**	(11,932,460)
Depreciation and amortization expense (Notes 10 and 11)	**(5,597,286)**	(2,390,649)
Repair, maintenance and energy expenses	**(4,014,969)**	(3,522,562)
Travel expenses	**(3,385,758)**	(3,729,247)
Duties, taxes and levies	**(2,785,861)**	(1,720,001)
Warranty expenses excluding sales	**(1,892,354)**	(1,397,671)
Other	**(12,470,061)**	(10,402,108)
	(120,582,112)	(112,904,465)
Research and development expenses:		
Personnel expenses	**(60,033,883)**	(64,819,409)
Project costs	**(35,774,742)**	(28,707,474)
Research and development administrative expenses	**(7,006,757)**	(7,985,354)
Depreciation and amortization expense (Notes 10 and 11)	**(4,313,680)**	(2,977,422)
Other	**(4,955,892)**	(2,396,451)
	(112,084,954)	(106,886,110)

(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, 2012 and 2011 is as follows:

	December 31, 2012	December 31, 2011
Raw material cost	**(6,546,593,774)**	(6,692,484,964)
Cost of trade goods sold	**(1,525,622,522)**	(1,829,292,521)
Personnel expenses	**(488,691,859)**	(501,075,874)
Other operational expenses	**(303,707,986)**	(300,840,441)
Other overhead expenses	**(297,065,505)**	(310,222,166)
Financial expenses	**(224,610,244)**	(215,432,140)
Depreciation and amortization expenses	**(140,215,605)**	(144,666,031)
Change in finished goods inventory	**144,649,161**	60,177,833
Other expenses	**(3,551,780)**	(51,835,170)
Total expenses	**(9,385,410,114)**	(9,985,671,474)

21. Other operating income/expenses

	December 31, 2012	December 31, 2011
Other operating income and gains:		
Price difference and claim recovery	**13,203,775**	11,166,945
Commission income	**7,076,706**	9,975,091
Adjustments on prior period corporate tax	**5,740,521**	7,104,167
License fees income	**4,413,044**	4,705,352
Rent income	**3,563,296**	3,088,123
Income from the sale of property, plant and equipment	**2,789,119**	2,801,720
Insurance claim recoveries	**1,170,077**	465,457
Dividend income	**281,198**	87,874
Other	**9,165,570**	9,756,960
	47,403,306	49,151,689

	December 31, 2012	December 31, 2011
Other operating expenses and losses:		
Provision for doubtful receivables	**(1,200,000)**	(88,919)
Prior period costs	**(1,138,567)**	(3,792,064)
Claim charges for import materials	**(795,536)**	(1,870,025)
Loss from the sale of property, plant and equipment	**(539,646)**	(3,284,682)
Competition Board Penalty	-	(36,633,529)
Other	-	(781,242)
	(3,673,749)	(46,450,461)

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

22. Financial income

	December 31, 2012	December 31, 2011
Foreign exchange gains	**141,942,140**	191,298,369
Finance income from credit sales	**46,729,122**	46,885,812
Interest income	**22,980,847**	48,068,840
	211,652,109	286,253,021

23. Financial expenses

	December 31, 2012	December 31, 2011
Foreign exchange losses	**(156,915,443)**	(149,865,185)
Finance charges on credit purchases	**(51,327,108)**	(42,060,676)
Interest expenses	**(12,607,844)**	(18,799,809)
Other financial expenses	**(3,759,849)**	(4,706,470)
	(224,610,244)	(215,432,140)

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 2012 is 20% (December 31, 2011 - 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.

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 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.

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

24. Tax assets and liabilities (continued)

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 capitalizes the R&D expenses made within the scope of the Code no 5746 in its legal books. 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, 2012 the Company used R&D deduction of TL 55,811,632 (2011: TL 48,013,361) in return for the legal tax.

The decree on Government Subsidies for Incentives regulating investment incentives was published in the official gazette and became effective on 16 July 2009. Within the scope of this decree, the Company acquired a large-scaled investment incentive certificate on 13 December 2010 amounting to TL 1,342,219,988 for the modernization of its Transit model and a large-scaled investment incentive certificate on December 31, 2010 amounting to TL 367,892,491 for the new model investment in the light commercial vehicle segment. Subject investment is located in the 1. Region and has a 30% rate of contribution to investment. As of the balance sheet date, in the framework of the related investment incentive certificates, an investment expense of TL 531,833,087 was made. The Company used a discount on corporate tax for its Transit Custom model for TL 1,046,102 and this amount has been deducted from the total deferred tax asset.

The Company's net tax liabilities as of December 31, 2012 and 2011 are as follows:

	December 31, 2012	December 31, 2011
Current year corporate tax	**89,919,272**	168,782,079
Prepaid tax and withholding	**(82,177,641)**	(111,818,350)
	7,741,631	56,963,729

The taxation on income for the years ended December 31, 2012 and 2011 are as follows:

	December 31, 2012	December 31, 2011
Current year corporate tax	**(89,919,272)**	(168,782,079)
Deferred tax	**123,359,473**	30,798,086
	33,440,201	(137,983,993)

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

24. Tax assets and liabilities (continued)

Calculation of the tax expense reconciliation using the current year tax expense in the statement of income as at December 31, 2012 and 2011 and current tax ratio based on income before tax is as follows:

	December 31, 2012	December 31, 2011
Income before tax:	**641,582,558**	800,072,719
Current year tax expense	**(128,316,512)**	(160,014,544)
R&D deduction	**11,162,326**	9,602,672
Free zone profit exemption	**951,229**	1,026,053
Investment incentive exemption	**147,464,410**	11,919,443
Other temporary differences	**2,178,748**	(517,617)
	33,440,201	(137,983,993)

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 IFRS and financial statements prepared for tax purposes.

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as at December 31, 2012 and 2011 using the current enacted tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	December 31 2012	December 31 2011	**December 31 2012**	December 31 2011
Deferred tax assets:				
Investment incentive tax asset	**531,833,087**	122,767,903	**158,503,824**	12,085,516
Employee benefit provision	**72,876,906**	55,081,174	**14,575,381**	11,016,235
Warranty expense provision	**69,182,355**	85,521,492	**13,836,471**	17,104,299
Expense accruals	**66,429,815**	50,209,442	**13,285,962**	10,041,888
Inventories	**10,269,456**	3,746,431	**2,053,891**	749,286
Unearned credit finance income/(expense) - net	**393,748**	195,474	**78,749**	(39,095)
Difference between financial statements adjusted under IFRS and tax-based financial statements:				
- Tangible and intangible assets	**83,139,964**	94,512,342	**16,627,993**	18,902,468
			218,962,271	69,860,597
Deferred tax liabilities:				
Difference between financial statements adjusted under IFRS and tax-based financial statements:				
- Tangible and intangible assets	**656,780,718**	522,615,725	**(131,356,144)**	(104,523,145)
- Income accruals	**22,191,210**	28,210,078	**(4,438,242)**	(5,642,017)
			(135,794,386)	(110,165,162)
Net deferred tax asset/ (liability)			**83,167,885**	(40,304,565)

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

24. Tax assets and liabilities (continued)

Deferred tax movements are as follows:

	January 1, 2012	Charged to income statement as profit/(loss)	Charged to comprehensive income statement as profit/(loss)	December 31, 2012
Deferred tax liabilities:				
Temporary difference between financial statements adjusted under IFRS and tax:				
Tangible and intangible assets	(85,620,677)	(29,107,474)	-	(114,728,151)
Income accruals	(5,619,521)	1,328,908	-	(4,290,613)
Fair value increase in financial assets	(22,496)	-	(125,133)	(147,629)
Deferred tax assets:				
Investment incentive tax asset	12,085,516	146,418,308	-	158,503,824
Provision for employee benefits	11,016,235	3,559,146	-	14,575,381
Warranty expense provision	17,104,299	(3,267,828)	-	13,836,471
Expense accruals	9,955,437	3,005,964	-	12,961,401
Inventories	749,286	1,304,605	-	2,053,891
Fair value decrease in financial derivatives	86,451	-	238,110	324,561
Unearned credit finance loss - net	(39,095)	117,844	-	78,749
Deferred tax asset - net	(40,304,565)	123,359,473	112,977	83,167,885

	January 1, 2011	Charged to income statement as 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:				
Tangible and intangible assets	(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)
Fair value increase in financial assets	-	-	(22,496)	(22,496)
Deferred tax assets				
Warranty expense provision	13,744,631	3,359,668	-	17,104,299
Investment incentive 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 decrease in financial derivatives	-	-	86,451	86,451
Deferred tax liability - net	(71,166,606)	30,798,086	63,955	(40,304,565)

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

25. Earnings per share

	December 31, 2012	December 31, 2011
Net income for the year (TL)	**675,022,759**	662,088,726
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	**1.92 Kr**	1.89 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 A.S. 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, 2012 and December 31, 2011 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, 2012	December 31, 2011
Due from shareholders:		
Ford Motor Company and its subsidiaries	**547,996,541**	691,134,250
	547,996,541	691,134,250
Due from group companies(*):		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	**201,024,921**	186,190,661
Other	**4,514,189**	1,912,344
	205,539,110	188,103,005
Less: Unearned credit finance income	**(1,057,096)**	(1,863,052)
	752,478,555	877,374,203

(*) The Company's shareholders' subsidiaries and affiliates.

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 14 days and receivables are collected regularly.

(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 mentioned in Note 7, the Company's receivables from Otokoç Otomotiv Ticaret ve Sanayi A.Ş is due in 30 days on average.

b) Payables to related parties:

i) Trade payables to related parties

	December 31, 2012	December 31, 2011
Due to Shareholders:		
Ford Motor Company and its subsidiaries	**233,527,483**	275,655,280
	233,527,483	275,655,280
Due to group companies(*):		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	**28,779,476**	28,611,410
Ram Dış Ticaret A.Ş.	**16,622,916**	17,378,510
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	**4,542,232**	2,934,044
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	**2,463,770**	327,641
Setur Servis Turistik A.Ş.	**1,908,907**	2,854,488
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	**1,549,714**	853,906
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	**1,389,750**	1,795,311
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	**861,421**	1,248,429
Ram Sigorta Aracılık Hizmetleri A.Ş.	**572,244**	423,819
Callus Bilgi ve İletişim Hizmetleri A.Ş.	**288,487**	46,937
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	**131,375**	254,801
Koç Üniversitesi	**114,217**	51,095
Palmira Turizm Ticaret A.Ş.	**84,255**	86,860
Opet Petrolcülük A.Ş.	**71,778**	3,175,831
Promena Elektronik A.Ş.	**44,722**	161,542
V.K.V. Amerikan Hastanesi Sağlık Hiz.Tic.A.Ş.	**24,765**	11,951
Otokar Otomotiv ve Savunma Sanayi A.Ş.	**24,225**	197,904
Tofaş Türk Otomobil Fabrikası A.Ş.	**5,496**	9,680
Aygaz A.Ş.	**-**	16,596
Setair Hava Taşımacılığı A.Ş.	-	13,477
Arçelik A.Ş	-	883
Özel Med Amerikan Polikliniği	-	5,200
Ark İnşaat	-	2,571,511
Aygaz Doğalgaz Toptan Satış A.Ş.	-	2,513,107
	59,479,750	65,544,933
Less: Unearned credit finance expense	**(228,564)**	(414,951)
	292,778,669	340,785,262

(*) The Company's shareholders' subsidiaries and affiliates.

(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, 2012	December 31, 2011
Yapı ve Kredi Bankası A.Ş.	**1,221,174**	13,346,087
Koç Holding A.Ş.	**168,707**	2,408,926
Other	**59,180**	713,183
	1,449,061	16,468,196

c) Sales to related parties:

	December 31, 2012	December 31, 2011
Ford Motor Company (*)	**5,846,254,699**	5,641,091,144
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.(**)	**1,223,507,084**	1,238,782,018
Zer Merkezi Hizmetler ve Ticaret A.Ş.(***)	**48,692,300**	57,181,225
Other	**9,741,687**	16,308,098
	7,128,195,770	6,953,362,485
Less: Financial income from credit sales	**(13,720,173)**	(16,978,165)
	7,114,475,597	6,936,384,320

(*) The Company, exports vehicle, spare parts and service to Ford Motor Company.
(**) The Company has a 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) Material, service and fixed asset purchases from related parties:

	January 1 – December 31, 2012			
	Material	Service	Fixed assets	Total
Domestic purchases:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	14,732,196	135,159,753	60,763	149,952,712
Ark İnşaat	-	-	74,299,597	74,299,597
Ram Dış Ticaret A.Ş.	60,280,743	-	-	60,280,743
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	14,780,943	-	-	14,780,943
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	7,113,946	6,430,220	13,544,166
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	12,362,700	-	-	12,362,700
Setur Servis Turistik A.Ş.	-	11,514,929	-	11,514,929
Koç Holding A.Ş.	-	8,872,406	-	8,872,406
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	7,410,968	-	455,506	7,866,474
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	7,422,987	-	7,422,987
Arçelik A.Ş.	5,630	7,024,497	-	7,030,127
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	4,992,109	1,321,196	6,313,305
Opet Petrolcülük A.Ş.	4,008,894	-	-	4,008,894
Callus Bilgi ve İletişim Hizmetleri A.Ş.	-	1,381,439	-	1,381,439
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	1,270,173	-	1,270,173
Palmira Turizm Ticaret A.Ş.	-	602,448	-	602,448
Promena Elektronik Ticaret A.Ş.	-	531,800	-	531,800
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	514,092	-	514,092
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	-	293,888	-	293,888
Koç Üniversitesi	-	170,468	-	170,468
V.K.V. Amerikan Hastanesi Sağlık Hiz.Tic.A.Ş.	-	145,295	-	145,295
Aygaz A.Ş.	128,877	-	-	128,877
Özel Med Amerikan Polikliniği	-	8,969	-	8,969
Tofaş Türk Otomobil Fabrikası A.Ş.	-	7,637	-	7,637
Bilkom Bilişim Hizmetleri A.Ş.	-	1,437	-	1,437
	113,710,951	187,028,273	82,567,282	383,306,506
Less: Financial expense from credit sales	(1,785,553)	-	-	(1,785,553)
	111,925,398	187,028,273	82,567,282	381,520,953

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

26. Transactions and balances with related parties (continued)

	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: Financial expense from credit sales	(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)

Material, vehicle and service purchases from abroad:

	December 31, 2012	December 31, 2011
Ford Motor Company	**3,959,541,682**	4,346,121,545

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

	December 31, 2012	December 31, 2011
	63,348,604	73,047,471

f) License fees received from Ford Motor Company included in other income:

	December 31, 2012	December 31, 2011
	4,413,044	4,705,352

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

	December 31, 2012	December 31, 2011
	12,691,187	16,867,915

h) The details of deposits in related banks and loans obtained from related banks:

Deposits in related banks:	December 31, 2012	December 31, 2011
Yapı ve Kredi Bankası A.Ş.		
- Foreign currency time deposits	**81,026,491**	133,962,936
- TL demand deposits	**14,774,853**	10,231,042
- TL time deposits	**4,600,958**	55,287,918
- Foreign currency demand deposits	**63,678**	667,664
	100,465,980	200,149,560

Loans obtained from related banks	December 31, 2012	December 31, 2011
Yapı ve Kredi Bankası A.Ş.	**8,231,871**	-

The Company obtained the loans from the consortium of Koç Holding and 14 financial institutions and as sub borrower, utilized TL 28,521,600 equivalent of USD 16 million of the loan obtained by Koç Holding (Note 6).

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

26. Transactions and balances with related parties (continued)

ı) Commission income:

	December 31, 2012	December 31, 2011
Yapı ve Kredi Bankası A.Ş.	**7,967,886**	9,721,269

i) Commission expense:

	December 31, 2012	December 31, 2011
Yapı ve Kredi Bankası A.Ş.	**50,742,453**	72,685,342
Koç Tüketici Finansmanı A.Ş.	**2,829,930**	2,267,067
	53,572,383	74,952,409

Commissions paid to Koç Tüketici Finansmanı A.Ş. and Yapı ve Kredi Bankası A.Ş is recorded as sales discounts.

j) Interest income:

	December 31, 2012	December 31, 2011
Yapı ve Kredi Bankası A.Ş.	**6,153,305**	9,507,070

k) Dividend income:

	December 31, 2012	December 31, 2011
Otokar Otomotiv ve Savunma Sanayi A.Ş.	**281,198**	87,874

l) Compensation of key management personnel:

The Company defines its key management personnel as board of directors' members, general managers, assistant general managers and directors reporting directly to the general manager.

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 in 2012 was TL 15,126,090 (December 31, 2011 – TL 14,199,305).

(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, 2012 and 2011. The carrying amount of the Company's foreign currency denominated assets and liabilities, categorized by currency have been presented below.

December 31, 2012

	TL (Functional currency)	USD	Euro	GBP
1. Trade receivables	499,992,758	1,965,806	207,944,342	2,600,601
2. Monetary financials assets (including cash and cash equivalents)	270,124,448	20,051,098	99,661,889	2,263
3. Other	67,668,583	-	28,687,123	71,435
4. Current assets (1 + 2 + 3)	837,785,789	22,016,904	336,293,354	2,674,299
5. Monetary financial assets	163,576	91,763	-	-
6. Non-current assets (5)	163,576	91,763	-	-
7. Total assets (4+6)	837,949,365	22,108,667	336,293,354	2,674,299
8. Trade payables	312,600,674	25,546,455	111,554,369	1,643,847
9. Financial liabilities	355,213,713	16,204,930	138,762,089	-
10. Other monetary liabilities	2,132,641	178,584	763,678	6,394
11. Short term liabilities (8 + 9 + 10)	669,947,028	41,929,969	251,080,136	1,650,241
12. Financial liabilities	897,721,221	-	381,732,883	-
13. Long term liabilities (12)	897,721,221	-	381,732,883	-
14. Total liabilities (11 + 13)	1,567,668,249	41,929,969	632,813,019	1,650,241
15. Net foreign currency assets / (liabilities) position (7 - 14)	(729,718,884)	(19,821,302)	(296,519,665)	1,024,058
16. Net monetary foreign currency assets / (liabilities) (1 + 2 + 5 - 8 - 9 - 10 - 12)	(797,387,467)(*)	(19,821,302)	(325,206,788)	952,623

(*) The Company's open short foreign exchange position mainly consists of long-term investment loans. The Company plans to pay back its long-term investment loans through its foreign exchange assets that will be earned from the export income generated from related investments.

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

27. Financial instruments and financial risk management (continued)

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. Monetary financials assets (including 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	180,531	95,575	-	-		-
6. Non-current assets (5)	180,531	95,575	-	-		-
7. Total assets (4+6)	1,284,709,366	22,759,750	504,474,316	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 monetary 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 assets / (liabilities) position (7 - 14)	75,150,537	(16,685,364)	41,200,861	2,292,658	-	-
16. Net monetary foreign currency assets / (liabilities) (1 + 2 + 5 - 8 - 9 - 10 - 12)	(92,657,317)	(17,536,522)	(26,589,120)	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)

Foreign exchange risk

The Company is exposed to foreign exchange risk primarily against to Euro and partly against to USD. The foreign exchange risk of the Company arises from long-term Euro investment loans.

December 31, 2012

		Profit/(Loss)
Appreciation in foreign currency / Depreciation in foreign currency		
Change in USD against TL by 10%		
US Dollar net (liabilities) / assets	**(3,533,345)**	**3,533,345**
US Dollar net hedged amount	-	-
US Dollar net (loss) / gain	**(3,533,345)**	**3,533,345**
Change in Euro against TL by 10%		
Euro net (liabilities) / assets	**(69,732,530)**	**69,732,530**
Euro net hedged amount	-	-
Euro net (loss) / gain	**(69,732,530)**	**69,732,530**
Change in other foreign currency against TL by 10%		
Other foreign currency denominated net assets/(liabilities)	**293,987**	**(293,987)**
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net gain/(loss)	**293,987**	**(293,987)**

December 31, 2011

		Profit/(Loss)
Appreciation in foreign currency / Depreciation in foreign currency		
Change in USD against TL by 10%		
US Dollar net (liabilities) / assets	(3,151,698)	3,151,698
US Dollar net hedged amount	-	-
US Dollar net (loss) / gain	(3,151,698)	3,151,698
Change in Euro against TL by 10%		
Euro net asset/(liabilities)	10,086,666	(10,086,666)
Euro net hedged amount	-	-
Euro net gain/(loss)	10,086,666	(10,086,666)
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)

(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 for the year ended December 31, 2012 and 2011 are as follows;

	December 31, 2012	December 31, 2011
Total export amount	**5,936,332,099**	5,853,930,197
Total import amount	**5,079,439,096**	5,428,691,359

The Company's net assets are exposed to foreign exchange risk which arises from export sales. To minimize its foreign currency risk the Company follows a balanced foreign currency position policy. The foreign 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, 2012	December 31, 2011
Fixed interest rate financial instruments		
Financial assets	**273,952,715**	738,079,840
Financial liabilities	**511,098,797**	73,314,000
Floating interest rate financial instruments		
Financial liabilities(*)	**736,549,267**	799,812,178

(*) As of December 31, 2012, the Company, signed an interest swap agreement in order to mitigate the cash flow interest risk related to the floating interest loan amounting to Euro 40,000,000 (TL 94,068,000) with a 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 615,024 at December 31, 2012 (December 31, 2011 – TL 1,039,330), 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 31,2012	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years	Longer than 5 years
Non-derivative financial instruments						
Financial liabilities	1,259,553,564	1,337,741,736	113,206,045	258,374,650	703,559,582	262,601,459
Trade payables						
- Related party	292,778,669	293,007,233	293,007,233	-	-	-
- Other	807,166,340	810,038,054	810,038,054	-	-	-
Other liabilities						
- Related party	1,449,061	1,449,061	1,449,061	-	-	-
- Other	139,020,033	139,020,033	139,020,033	-	-	-
Derivative Financial Liabilities						
Derivative Financial Instruments	1,683,905	1,683,905	-	-	1,683,905	-

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

27. Financial instruments and financial risk management (continued)

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)

Fair value hierarchy table

The Company classifies the fair value measurement of financial instruments reported at fair value according to their source of valuation inputs, 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 that includes direct or indirect observable inputs

Level 3: Valuation techniques that does not contain observable market inputs

As of December 31, 2012 and 2011, the Company's hierarchy table for its assets and liabilities recorded at fair value are as follows:

December 31, 2012

	Level1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Financial investments			
Otokar shares	**5,961,405**	-	-
Total assets	**5,961,405**	-	-
Liabilities at fair value			
Cash flow hedge swap transaction	-	**1,683,905**	-
Total Liabilities	-	**1,683,905**	-

(*) Fair value is calculated at market prices per the 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, 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 at market prices per the 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).

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

28. Derivative financial instruments

	December 31,2012	December 31, 2011
Derivative financial instruments:		
Long term financial derivatives	**1,683,905**	424,850
	1,683,905	424,850

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

As of December 31, 2012, the Company has entered into swap transaction for Euro 40,000,000 (equivalent of TL 92,340,000) with a 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, 2012. The fair value of the related swap transaction as of December 31, 2012 is amounting to TL 1,683,905 and presented in "Non-current liabilities".

29. Subsequent events

There is no significant subsequent event to be disclosed.

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.