(Convenience translation of audit report and financial statements, as of December 31, 2011, originally issued in Turkish)

Ege Profil Ticaret ve Sanayi A.Ş.

Financial Statements and Independent Auditor’s for the year-ended December 31, 2011

(Convenience translation of audit report and financial statements, as of December 31, 2011, originally issued in Turkish)

Ege Profil Ticaret ve Sanayi A.Ş.

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Independent auditor's report on the financial statements for the year ended December 31, 2011.

To the Board of Directors of
Ege Profil Ticaret ve Sanayi Anonim Şirketi:

We have audited the accompanying financial statements of Ege Profil Ticaret ve Sanayi A.Ş. (the "Company") which comprise the balance sheet as of December 31, 2011 and the 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

Management is responsible for the preparation and fair presentation of these financial statements that have been prepared in accordance with financial reporting standards published by the Turkish Capital Market 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.

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 generally accepted auditing principles issued by the Turkish Capital Market Board. Those principles require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 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.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ege Profil Ticaret ve Sanayi A.Ş. as of December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with financial reporting standards published by the Turkish Capital Market Board.

Other

The financial statements of the Company for the period 1 January – 31 December 2010 were audited by another audit firm whose independent auditor's report thereon dated February 23,2011 expressed an unqualified opinion.

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

Ethem Kutucular, SMMM
Engagement Partner

February 23, 2012
Istanbul, Turkey

(Convenience translation of audit report and financial statements, as of December 31, 2011, originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi

Statement of Financial Position as of December 31, 2011
(Currency - in Turkish Lira ("TL") unless otherwise indicated)

	Notes	Current period Audited December 31, 2011	Prior period Audited December 31, 2010
Assets			
Current assets		**206.396.042**	181.435.460
Cash and cash equivalents	2, 4	**14.631.180**	35.081.879
Trade receivables			
- Due from related parties	2 ,7	**11.069.870**	6.154.442
- Other trade receivables	2, 7	**140.998.567**	116.932.585
Other receivables	2, 8	**251.746**	135.957
Inventories	2, 9	**30.758.269**	19.023.622
Other current assets	16	**7.995.063**	3.341.993
		205.704.695	180.670.478
Non-current assets held for sale	2, 23	**691.347**	764.982
Non-current assets		**73.795.805**	69.052.772
Other receivables	2, 8	**158.992**	129.007
Tangible assets	2, 10	**64.977.829**	61.728.329
Intangible assets	2, 11	**6.380.680**	6.486.664
Goodwill	2, 12	**655.883**	655.883
Other non-current assets	16	**1.622.421**	52.889
Total assets		**280.191.847**	250.488.232

Ege Profil Ticaret ve Sanayi Anonim Şirketi

Statement of Financial Position as of December 31, 2011
(Currency - in Turkish Lira ("TL") unless otherwise indicated)

		Current period	Prior period
	Notes	**Audited**	Audited
Liabilities		**December 31, 2011**	December 31, 2010
Current liabilities		**131.876.223**	117.694.902
Financial liabilities	2, 5	**69.797.136**	61.412.235
Other financial liabilities	2, 6	**-**	110.100
Trade payables			
- Due to related parties	2, 7	**53.304**	140.338
- Other trade payables	2, 7	**29.289.215**	26.902.936
Other payables		**27.472.187**	24.322.875
Income tax payable	2, 13, 24	**622.018**	645.939
Provisions	2, 13	**1.828.627**	1.114.657
Other current liabilities	16	**2.813.736**	3.045.822
Non-current liabilities		**24.475.845**	19.690.338
Financial liabilities	2, 5	**18.572.880**	12.877.764
Employee termination benefits	2, 15	**2.275.561**	1.942.072
Deferred tax liability	2, 24	**3.627.404**	4.870.502
Equity		**123.839.779**	113.102.992
Paid-in share capital	17	**59.566.900**	59.566.900
Inflation adjustments to paid in capital	17	**7.840.703**	7.840.703
Fixed assets revaluation fund	17	**6.350.915**	6.554.612
Restricted reserves	17	**13.531.183**	3.886.921
Retained earnings	17	**25.813.291**	19.548.851
Net income for the period	17	**10.736.787**	15.705.005
Total liabilities and equity		**280.191.847**	250.488.232

Ege Profil Ticaret ve Sanayi Anonim Şirketi

Comprehensive Income Statement for the year ended December 31, 2011
(Currency - in Turkish Lira ("TL") unless otherwise indicated)

	Notes	Current year Audited January 1 – December 31 2011	Prior year Audited January 1 – December 31 2010
Net sales	18	**254.791.872**	224.643.484
Cost of sales	18	**(190.474.268)**	(161.582.457)
Gross profit/(loss)		**64.317.604**	63.061.027
Selling, marketing and distribution expense	19	**(30.667.451)**	(24.947.334)
General and administrative expense	19	**(15.545.019)**	(16.704.712)
Other operating income	21	**2.111.172**	3.457.399
Other operating expense	21	**(624.278)**	(366.364)
Operating profit/(loss)		**19.592.028**	24.500.016
Financial income	22	**18.619.241**	87.946.325
Financial expense	22	**(24.769.777)**	(92.526.429)
Net income/(loss) before taxes from continuing operations		**13.441.492**	19.919.912
Tax income/expense for continuing operations			
- Current income tax expense	13, 24	**(3.947.803)**	(4.562.715)
- Deferred tax income	24	**1.243.098**	347.808
Net income/(loss) from continuing operations		**10.736.787**	15.705.005
Net income/(loss)		**10.736.787**	15.705.005
Other comprehensive income/(loss)			
Change in fixed assets revalıuaton fund	17	**(244,436)**	(244.436)
Deferred tax effect	17, 24	**40.739**	40.739
Other comprehensive income/(loss) (after tax)		**(203.697)**	(203.697)
Total comprehensive income/(loss)		**10.533.090**	15.501.308
Earnings per share	2, 25	**0,1802**	0,2637

Ege Profil Ticaret ve Sanayi Anonim Şirketi

Statements of changes in equity for the year ended December 31, 2011
(Currency - in Turkish Lira ("TL") unless otherwise indicated)

	Notes	Paid-in share capital	Inflation adjustment to paid in capital	Restricted reserves allocated from profits	Fixed assets revaluation fund	Retained earnings	Net income for the period	**Total**
Balance as at 1 January 2010		59.566.900	7.840.703	3.567.443	6.758.309	10.104.042	9.560.590	97.397.987
Transfer to retained earnings	17	-	-	-	-	9.560.590	(9.560.590)	-
Transfer to reserves		-	-	319.478	-	(319.478)	-	-
Fixed asset revaluation adjustment	17	-	-	-	(203.697)	203.697	-	-
Net profit for the period		-	-	-	-	-	15.705.005	15.705.005
Total Comprehensive Income/(Loss)					(203.697)		15.705.005	15.705.005
Balance as at December 31, 2010		**59.566.900**	**7.840.703**	**3.886.921**	**6.554.612**	**19.548.851**	**15.705.005**	**113.102.992**
Transfer to retained earnings	17	-	-	-	-	15.705.005	(15.705.005)	-
Transfer to reserves		-	-	9.644.263	-	(9.644.262)	-	-
Fixed asset revaluation adjustment	17	-	-	-	(203.697)	203.697	-	-
Net profit for the period		-	-	-	-	-	10.736.787	**10.736.787**
Total Comprehensive Income/(Loss)					(203.697)		10.736.787	15.533.090
Balance as at December 31, 2011		59.566.900	7.840.703	13.531.183	6.350.915	25.813.291	**10.736.787**	123.839.779

Ege Profil Ticaret ve Sanayi Anonim Şirketi

Statement of cash flow for the year ended December 31, 2011
(Currency - in Turkish Lira ("TL") unless otherwise indicated)

	Notes	Current Period Audited January 1- December 31, 2011	Prior Period Audited January 1 – December 31, 2010
Cash flows from operating activities			
Income/(loss) before provision for taxes		**13.441.492**	19.919.912
Adjustments to reconcile net income to net cash flows from operating activities:			
Income of fixed asset sales	21	**(96.538)**	(157.482)
Depreciation and amortization expense	10,11,20	**7.506.802**	7.784.720
Provisions for inventory impairment	9	**145.848**	(107.873)
Allowance for doubtful receivables	7	**4.088.530**	6.783.812
Provision for employee termination benefits	15	**497.624**	657.867
Provision for unused vacation	13	**172.693**	50.781
Forward income accrual	6	**(521.350)**	(495.940)
Unralised foreign exchange gain / (loss)		**(3.761.620)**	(3.352.838)
Interest income	22	**(1.953.922)**	(4.329.489)
Interest expense	22	**7.190.865**	7.013.372
Provision for litigation	13	**(59.563)**	115.642
Warranty provision	13	**64.580**	73.457
Operating profit before working capital changes		**26.715.441**	33.955.941
Inventories	9	**(11.880.496)**	(4.793.764)
Trade receivables (including related parties)	7	**(32.594.495)**	(9.258.638)
Trade payables (including related parties)	7	**3.121.843**	(11.167.327)
Other current liabilities	16	**3.611.073**	368.410
Other liabilities	8	**3.149.313**	7.011.259
Other current receivables	8	**(115.790)**	151.491
Other non-current receivables	8	**(29.985)**	7.753
Other current assets	16	**(1.569.532)**	(11.566)
Other non-current assets	16	**(7.978.856)**	2.217.184
Non-current assets held for sale		**73.636**	(418.949)
Collection of doubtful receivables	7	**1.463.824**	1.575.490
Taxes paid	13	**(3.325.785)**	(4.234.196)
Employment termination benefit paid		**(164.136)**	(118.490)
Net cash provided by operating activities		**(19.523.945)**	15.284.598
Investment activities			
Purchase of tangible assets	10	**(10.709.492)**	(5.794.534)
Purchase of intangible assets	11	**(29.034)**	(2.469)
Proceeds from sale of tangible assets		**198.517**	523.540
Interest received	22	**1.953.922**	4.329.489
Net cash used in investing activities		**(8.586.087)**	(943.974)
Cash flows from financing activities			
Proceeds from bank borrowings, net	5	**7.769.433**	(35.619.128)
Proceeds from forward transactions	6	**(110.100)**	(1.125.863)
Net cash used in financing activities		**7.659.333**	(36.744.991)
Cash and cash equivalent			
Net (decrease)/increase in cash and cash equivalents		**(20.450.699)**	(22.404.367)
Beginning of the period	4	**35.081.879**	57.486.246
End of the period	4	**14.631.180**	35.081.879

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

1. Corporate organization and activities

Ege Profil Ticaret ve Sanayi A.Ş. (the Company) is a company registered in İzmir. The main operations of the Company are manufacturing and sales of all types of plastic pipes, spare parts, and all types of profiles and plastic goods.

The registered addresses of the Company are as follows:

Atatürk Organize Sanayi Bölgesi, 10003 Sokak, No:5, Çiğli - İzmir

As of December 31, 2011 and 2010, the details of the Company's shareholding structure of the Company is as follows:

	December 31, 2011	December 31, 2010
Name	**Share percentage**	Share percentage
Deceuninck N.V.	**% 97,54**	%97,54
Public offering	**% 2,46**	%2,46
Total	**%100,00**	%100,00

As of December 31, 2011, %2,46 of the Company shares is listed on Istanbul Stock Exchange ("ISE")

As of December 31, 2011 and December 31, 2010, the number of personnel by category is as follows:

	December 30, 2011	December 31, 2010
(White Collar) Salary earner	**150**	143
(Blue Collar) Wage earner	**434**	420
Total	**584**	563

2. Basis of preparation financial statements

(i) The main accounting policies used for preparing the Company's financial statements are stated below:

Basis of presentation of the financial statements

The financial statements of the Company have been prepared in accordance with the accounting and reporting principles published by the CMB, namely "CMB Financial Reporting Standards".

The CMB regulated the principles of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué XI, No: 29, "Principles of Financial Reporting in Capital Markets" (the "Communiqué"). The Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes Communiqué XI, No: 25, "The Accounting Standards in the Capital Markets".

2. Basis of preparation financial statements (continued)

According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB, which do not contradict with the a forementioned standards shall be applied.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these financial statements, the financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, at April 14, 2008.

The Company maintains its books of account and prepares its statutory financial statements in accordance with the Turkish Commercial Code and Tax Legislation.

The financial statements have been prepared from statutory financial statements of the Company and are presented in accordance with communiqué of the CMB in Turkish Lira (TL) with adjustments and certain reclassifications for the purpose of fair presentation in accordance with CMB Financial Reporting Standards.

Financial statements have been prepared under the historic cost convention, excluding land and buildings and forwarded exchange deals.

Functional and Reporting Currency

Functional and reporting currency of the financial statements is Turkish Lira (TL). The financial statements for the year ended December 31, 2011 and all data related with the previous years' financial statements are presented in Turkish Lira (TL).

The financial statements for the year ended December 31, 2011 have been authorized for issue by the management on February 23, 2012. The general assembly and certain regulatory bodies have the power to amend the statutory financial statements (which form the basis of the accompanying financial statements) after issue.

(ii) Adjustments of Financial Statements During Hyper-Inflationary Periods:

IAS 29 deals with the effects of inflation on financial statements and requires that financial statements prepared in the currency of a high inflation economy be stated in the terms of the measuring unit current at the reporting date and that corresponding figures for previous periods be restated in the same terms. As per the resolution of the Capital Market Board (CMB) dated 17 March 2005 Nr 11/367, the application of inflation adjustment of the financial statements has ended in 2005. For that reason, the financial statements are stated at the purchasing value of the Turkish Lira as at 31 December 2004. Additions to non-monetary items subsequent to 1 January 2005 are stated at their nominal values.

2. Basis of preparation financial statements (continued)

(iii) Adjustments

The accompanying financial statements have been prepared in accordance with IAS/IFRS with the below mentioned adjustments which are not stated in the statutory records.

- Adjustment of depreciation and amortization based on the useful lives of tangible and intangible assets
- Adjustments related to discounting the cost values of land and buildings to their market values.
- Provision for doubtful receivables
- Warranty provision for sales
- Provision for litigation
- Adjustment on provision for termination indemnity and leaves
- Adjustment related to bonus earnings
- Provision for bonus payments
- Inventory provision
- Rediscount calculation on maturity cheques, notes receivable, notes payable, customers, and suppliers.
- Deferred tax adjustment

(iv) Comparative Information and Adjustment of Prior Period Financial Statements:

The statements of financial position as of 31 December 2011 and 2010 and the related notes as well as the statements of comprehensive income, changes in equity, and cash flows for the periods 1 January – 31 December 2011 and 1 January – 31 December 2010 have been presented comparatively.

Reclassifications made in 2010 year's financial statements

For the purpose of comparative presentation with the current period, the Company has reclassified income accruals from forward transactions amounting to TL 606.040 TL which was classified under receivables from finance sector as of December 31, 2010, in other current assets.

(v) *Offsetting:*

Offsetting financial assets and liabilities can only be made under the conditions where the offsetting transaction is legally allowed and the company has an intention in this respect or where the acquisition of assets and fulfillment of liabilities are realized simultaneously.

(vi) Changes and Errors in Accounting Policies and Accounting Estimates:

The Company has applied its accounting policies consistent with the prior year. Significant changes in the accounting policies and significant accounting errors are accounted for retrospectively and the prior period financial are revised. In the event that changes in the accounting estimates are related to one period only, they are applied only to the period in which the change has been made; however, if they are related to the future periods, they are applied both the the period in which the change has been made and the future periods.

2. Basis of preparation financial statements (continued)

The preparation of financial statements in accordance with CMB standards, require the Company's management to make judgments, 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 judgments, estimates and assumptions. Those judgments, estimates and assumptions are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known. Significant judgments, estimates and assumptions used in the preparation of these financial statements are presented in the related disclosures. These are mainly as follows:

a) The liability of defined benefit plans is determined using actuarial valuations which involve making assumptions about discount rates, future salary increases and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details about the assumptions used are given in Note 15.

b) The allowance for doubtful receivables is an estimated amount that management believes to be adequate to absorb possible future losses on existing receivables that may become uncollectible due to current economic conditions and inherent risks in the receivables. When evaluating the impairments of the receivables, credibility and prior performance of the other debtors in the market, performance of related asset from the balance sheet date to financial statement and revised conditions are also considered. As of related balance sheet date, doubtful receivable allowance is performed in Note 7.

c) The Company's management has made certain important assumptions based on experiences of their technical personnel in determining useful economic life of the tangible and intangible assets.

d) The Company makes slow moving inventory analysis and records impairment for those which are expected to be not used. In determination of the net realizable value of the inventories, data of average discount rates determined in the year and listed sales price are used and certain estimations related with selling expenses are also made in the analysis.

e) The Company tests for impairment by using the discounted cash flow method. For this purpose, certain estimations on the result of future operations and the discount ratio are used in the analysis. According to impairment tests realized for the year ended December 31, 2011 the Company has concluded that there is no impairment on the non-financial assets.

f) Deferred tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. When defining the deferred tax amounts, necessary forecasts and appreciations should be made (Note 24).

g) In determining of provision for litigations, the Company considers the probability of legal cases to be resulted against the Company and the Company management books a provision in accordance with their best estimates (Note 13).

h) In accordance with a tax inspection for 2007, Company calculates the future liability amount, for a probable liability which may occur. The amount is calculated by making its best estimate according to Company's tax consultant's opinion (Note 13).

2. Basis of preparation financial statements (continued)

(vii) New and amended standards and interpretations:

The accounting policies adopted in preparation of the (consolidated) financial statements as at 31 December 2011 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2011. 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 1 January 2011 are as follows:

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

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Company is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position or performance of the Company.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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

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

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has no effect on the financial position or performance of the Company because the Company does not have these types of instruments.

IAS 24 Related Party Disclosures (Revised)

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

2. Basis of preparation financial statements (continued)

Improvements to IFRSs

In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Company. There are separate transitional provisions for each standard. The amendments that are effective as at 1 January 2011 are as follows:

IFRS 3 Business Combinations

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

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

ii) Measurement of non-controlling interests

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

iii) Unreplaced or voluntarily replaced share-based payment awards

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

IFRS 7 Financial Instruments: Disclosures

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

IAS 1 Presentation of Financial Statements

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

2. Basis of preparation financial statements (continued)

IAS 27 Consolidated and Separate Financial Statements

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

IAS 34 Interim Financial Reporting

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

IFRIC 13 Customer Loyalty Programmes

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

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 (consolidated) financial statements are as follows. The Company (Group) will make the necessary changes if not indicated otherwise, which will be affecting the (consolidated) 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. This standard has not yet been endorsed by the EU. The amendment affects presentation only and will have no impact on the financial position or performance of the Company.

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

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

2. Basis of preparation financial statements (continued)

IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after 1 January 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. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the amended standard on the financial position or performance of the Company.

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 standard has not yet been endorsed by the EU. This amendment will not have any impact on the financial position or performance of the Company.

IAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11 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. This standard has not yet been endorsed by the EU. 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. This standard has not yet been endorsed by the EU. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

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

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. This amendment has not yet been endorsed by the EU. The amendment is effective for annual periods beginning on or after 1 July 2011.Comparative disclosures are not required. The amendment affects disclosures only and will have no impact on the financial position or performance of the Company.

2. Basis of preparation financial statements (continued)

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

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

IFRS 11 Joint Arrangements

The standard is effective for annual periods beginning on or after 1 January 2013 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. This standard has not yet been endorsed by the EU. The Company does not expect that this standard will have a significant impact on the financial position or performance of the Company.

2. Basis of preparation financial statements (continued)

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after 1 January 2013 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. This standard has not yet been endorsed by the EU.

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 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

(viii) Summary of Significant Accounting Policies and Valuation Methods:

(a) Financial Instruments:

Financial instruments consists of the financial assets and liabilities stated below:

i. Cash and Cash Equivalents

Cash and cash equivalents consist of cash balances on hand, cheques matured at the year-end, cash at banks, and bank deposits with maturities less than 3 months. Acquisition costs and accrued interests of cash and cash equivalents are stated together in a lump sum figure.

Cash is composed of Turkish Lira and foreign currency balances. Turkish Lira balances are stated at their face values and the foreign currency balances are translated to Turkish Lira at the foreign exchange rate issued by the Turkish Central Bank at the reporting date.

Bank accounts consist of demand deposit and time deposit accounts and the related interest accrued. Turkish Lira deposit accounts are stated at their carrying values and foreign currency accounts are translated into Turkish Lira at the foreign exchange rate issued by the Central Bank at the reporting date.

Cheques received are stated among trade receivables with maturities exceeding the reporting period and they are subject to rediscount in the reporting period.

2. Basis of preparation financial statements (continued)

Fair Value

As the foreign currency cash and cash equivalents are translated into Turkish Lira at the foreign exchange rates of the reporting date, it is assumed that the fair values of these assets approximate to their book values.

As the recorded values of cash and banksa re converted into cash in very short terms, and there is no risk of value decrease, their book values are assumed to approximate to their fair values.

ii. Trade Receivables

The notes and post-dated cheques classified among trade receivables are recognized at their carrying values after provisions for doubtful trade receivables are deducted from the invoice total and they are carried at their net values discounted by using the effective interest rates. Provision is mad efor doubtful receivables if there is clear evidence that the due receivables will not be collectible. The receivables deemed uncollectible are deleted from the records. Provision is the amount estimated by the management to provide fort he potential losses that may arise from economic conditions or from the risk attributed to the account.

Fair Value

Discounted trade receivables for which provisions for doubtful receivables are accrued are assumed to approximate to the fair values of these assets.

iii. Related Parties

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).

2. Basis of preparation financial statements (continued)

A *related party transaction* is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

(a) the party is a close member of the family of any individual referred to in (a) or (d);

(b) the party is an entity that is controlled , jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly , any individual referred to in (d) or (e); or

(c) the party is a post employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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

Fair Value

The carrying values of balances due to and from related parties are assumed to approximate to the fair values of these assets and liabilities.

iv. Short and Long Term Bank Loans and Trade Payables:

Short and long term bank loans are stated at the value computed through addition of the principal amount and yhe interest expenses accrued as of the reporting date, discounted by the effective interest method.

Trade payables, other payables, and post dated cheques given which are recognized in trade payables are stated at their discounted cost values representing the fair value of future billed and unbilled amounts to arise from acquisition of goods and services.

Fair Value

The fair values of short and long term bank loans are assumed to be equivalent to the recorded values computed by adding the accured interest liabilities calculated over the effective interest rate as of the reporting dates on the cost of the mentioned financial debts. Similarly, discounted cost values of trade payables are considered to be equivalent to their fair values.

(b) Inventories

Inventories are stated at the lower of cost or net realizable value. Expenditures made to bring inventory to its current status are accounted for as follows:

The costs of raw materials and supplies are determined by weighted average cost method. The costs of finished and semi-finished goods are determined by weighted average cost method with direct material and labor expenses as well as variable and fixed overhead

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

2. Basis of preparation financial statements (continued)

(c) Short and Long Term Bank Loans and Trade Payables:

Expenses included at certain rates. The net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

(d) Tangible Assets :

Tangible assets are stated at cost less their accumulated depreciation and impairment loss, if any
.
Tangible assets have been restated using the measuring unit current at 31 December 2004 from the dates of acquisition. Acquisitions subsequent to 1 January 2005 are stated at their nominal values. Depreciation of tangible assets is made by straight-line method over the inflation-adjusted amounts and the nominal values of acquisitions subsequent to 1 January 2005 based on the economic useful lives of assets.

Land and buildings are stated at their market value less accumulated depreciation. The difference between the cost value and the market value is follows up under equity in the “Fixed Assets Revaluation Fund” account.

Furthermore, the difference between the depreciation based on the restated carrying value of the asset and the depreciation based on the acquisition value of the asset is transferred annually during the course of utilization from the fixed assets revaluation fund account to the retained earnings account.

Tangible assets are subject to depreciation at cost as per the straight line method based on their economic lives.

The depreciation periods used in prior periods and as of the reporting date are as follows:

	December 31, 2011	December 31, 2010
	Period (Years)	Period (Years)
Land improvements	**10-40**	10-40
Buildings	**10-40**	10-40
Furniture and fixtures	**1-10**	1-10
Machinery and equipment	**5-25**	5-25
Motor vehicles	**4-8**	5-8

The cost value of a tangible asset comprises its acquisition price, import taxes, non-returnable taxes, and expenditures to ready the tangible asset for use. The expenses arising after the tangible assets are started to be used, i.e., maintenance and repair costs, are expensed in the period they are constituted. If expenditures provide economic benefit for the future use of the related tangible assets , they are added onto the cost of the asset and made subject to depreciation fort he remaining part of its economic life.

2. Basis of preparation financial statements (continued)

(e) Intangible Assets:

Intangible assets are stated at their cost values less accumulated amortisation and impairment losses, if any.

The acquisition values of intangible assets are considered in the restatement of intangible assets as at 31 December 2004. Additions made subsequent to 1 January 2005 are stated at their nominal values. Intangible assets are amortized over their inflaton-adjusted values and the nominal values of additions subsequent to 1 January 2005, as per their useful lives.

Intangible assets mainly consist of outsourced licences, trademarks, industrial software, dealer list, software licence right, and other rights and they are capitalized over the market value constituted during the trade operations as per the IFRS 3 “Business Combinations”. The positive goodwill arising as a result of the establisment of the related business combination as well as the trademarks, and outsourced licences are not subject to amortisation as their economic lives cannot be estimated; however, the impairment losses in the carrying value, if any, are reviewed each year.

Other intangible assets are software licensing right and other rights which are amortized by straight-line method over an expected economical life of 3-20 years. The carrying values of the said intangibles are analyzed for impairment if and when the conditions change.

(f) Non-Current Assets Held for Sale:

The non-current assets held for sale represent assets obtained from deptors in default. These assets are carried at the lower of carrying amount stated in the Company records and their market values assigned to title deeds. When the right of use of an asset is obtained by court decision or by the consent of the customer, the related total of doubtful trade receivables have been set off from the value determined in expertise reports and classified under the non-current assets held for sale account, and the difference between the fair value of the asset and the amount of trade receivable is recognized in the statement of income. The Company does not provide any depreciation for these assets unless they are used in the operations of the Company. When the assets are sold, difference between the sales proceeds and the carrying value of the asset is recognized in the income statement.

(g) Assets and Liabilities in Foreign Currency:

Assets and liabilities in foreign currency are translated into Turkish Lira at the foreign currency rates announced by the Turkish Central Bank at the reporting dates. Transactions in foreign currencies during the period are translated intı Turkish Lira at the actual rates applicable on the transaction date. Exchange gains and losses arising from these transactions are included in the statement of compherensive income.

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

2. Basis of preparation financial statements (continued)

Exchange rates used at the reporting dates are as follows:

Date	TL/USD	TL/Euro	TL/AUD
Buying rate of Exchange			
December 31, 2011	**1,8889**	**2,4438**	**1,9166**
December 31, 2010	1,5460	2,0491	1,5685

(h) Impairment of Assets

In the case the book value of an asset exceeds its recoverable value, a provision for impairment loss is taken sa as to bring the book value of the asset down to the level of its fair value and the amount of the provision is recorded as expense in the statements of compherensive income.

On the other hand, the reverable value of cash generating assets is deemed to be the higher of their net sales price and the value in use. The value in use of the said assts is the present value of the future cash flows expected from continuous use and sale of these assets, discounted at a reasonable discounted rate.

In the event tat provisions mad efor impairment in the prior periods are no longer valid or higher then necessary, it is reversed and reflected to the statement of income.

However, the increase in the carrying value of the asset arising from reversal of impairment provision is recognized only under the condition that it does not exceed the value of the asset that would arise in case there is no impairment provision made during the prior years. The loss in carrying value arising from revaluation of fixed assets is initially stated as a liability with the revaluation fund in equity set off; and if there is a subsequent balance left from the total value decrease, it is stated as expense in the statement of income.

(i) Borrowing Costs:

Borrowing costs are stated as expense. The borrowing costs related to the qualifying asset are included directly in the cost of the qualifying asset ready for use are completed, the capitalization of the borrowing costs is ended.

(j) Deferred Taxes:

Deferred taxes are calculated on the temporary differences that arise between the deductible tax base and the book values of assets and liabilities, by using the liability method. The main temporary differences arise from the income and expense items recognized in different periods with respect to the IAS/IFRS and the tax legislation. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated with the assumption that the Company will have taxable income during the future periods.

2. Basis of preparation financial statements (continued)

An enterprise should ofset current tax assets and current tax liabilities if the enterprise has a legally enforceable right to set off the recognized amounts, provided that the tax assets and tax liabilities are subject to the tax legislation of the same jurisdiction.

(k) Income Taxes:

Under the Turkish Taxation Code, a company that has its head office or place of business in Turkey is subject to a corparate tax.

Corparate earnings are subject to corparation tax at a rate of 20%. No witholding is calculated for tax-exempt income provided that it is not distributed. Whether exempted or not, dividends paid in cash to real persons with full liability and real persons and entities with limited liability (non-residents) are subject to income tax witholding at a rate of 15%. Addition of current year and prior year profits (retained earnings) tos hare capital has not been regarded as distibution of profits and therefore no witholding tax is applicable to these earnings. On the other hand, no witholding tax is applicable to entities with full liability in profit distributions.

Further, provisional corporation tax is paid at a rate of 20% on the profits declared for interim periods to be deducted from the corporation tax.

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

As of 31 December 2011 and 2010 income tax provisions have been made in accordance with the prevailing tax legislation.

(l) Employee Benefits:

Under Turkish Labour Law Article 25/ll, the Company is required to pay termination indemnities to each employee who completes one year of service and whose employment is terminated upon causes that qualify the employee to receive termination indemnity, is called up for military service, leaves within one year after marriage (women only), and to those employees who retire or die. The amount payable consists of one month’s salary for each year of service is TL 2.731,85 as of 31 December 2011 (31 December 2010 - TL 2.517,01).

The termination indemnity liability stated in the accompanying financial statements has been determined as per the recognition and valuation principles stated in “Employee Benefits” IAS 19. As the characteristics of the termination indemnity liabilities are similar to the “Post Employment Benefit Plans” stated in this standard, these liabilities are calculated and stated in the financial statements on the basis of below mentioned “Proposed Unit Loan Method” and other various assumptions.

The dates that the employees will gain their pension rights are determined with respect to the prevailing social security laws with consideration to their past employment durations.

2. Basis of preparation financial statements (continued)

In calculating the current value of future liabilities that may arise due to the retirement or contract termination of an employee, it is assumed that the current salaries and wages or, if higher than the value of the termination indemnity upper limit determined by the Labour Law

for 31 December 2011, the termination indemnity upper limit, to remain constant for restatement purposes, and, this value is reduced by the actual discount rate of 4,66% (31 December 2010-4,66%) calculated based upon the assumption that the expected discount rate will be 10% (31 December 2010-10%) which represents the proposed average interest rate per annum of the government bonds, in order to determine the current net value of the determination indemnity liability at the balance sheet date.

(m) Revenues and Expenses:

The accrual basis of accounting is applied for the recognition of revenues and expenses. The accrual concept requires that revenue, income and profitsshould be matched with costs, expenses and losses belonging to the same period.

Interest revenue accrual is calculated over the effective interest rate. In the event that thaere is unpaid interest accrual before acquisition of a marketable security bearing interest, the interest collected subsequently is allocated to periods before and after acquisition, and only the part that relates to the period after acquisition is recognized as income in the financial statements.

Dividend income is recognized when the right to receive the dividend is established.

(n) Revenue:

Revenue is measured at the fair value of the considerationreceived or to be received. Revenue from the sale of goods is recognized when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods, when the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, when the amount of revenue can be measured reliably, when it is probable that the economic benefits associated with the transaction will flow to the entity, and when the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(o) Financial Derivatives:

The Company makes forward exchange contracts. The said forward contracts entered into for hedging purposes as per the Company's risk management policies are not deemed sufficient for hedge accounting in accordance with the IAS 39 (Financial Instruments: Recognition and Measurement); hence, they are defined as "held for trading" and stated in the financial statements in the other short term financial liabilities and assets at their market values while the changes in market values are reflected to the statement of income.

2. Basis of preparation financial statements (continued)

(p) Earnings/(Loss) per Share:

Earnings/(Loss) per share is calculated by dividing the net profit or loss for the year by the weighted average number of ordinary shares outstanding during the period.
Enterprises in Turkey can increase their capital through distributing bonus shares to their shareholders proportionate to their shareholding from retained earnings and differences arising from inflation adjustment in shareholder's equity. These bonus shares are regarded as issued shares in calculating earnings/(loss) per share. Hence, retroactive calculation is made to arrive at the weighted average number of shares in respect of the bonus shares.

(r) Events After the Repoting Period:

In case there are subsequent events requiring adjutment, the Company adjusts the amounts stated in the financial statements in light of the prevailing conditions. When there are events after the reporting period which do not require adjustments, they are disclosed, if deemed necessary, in the related period.

(s) Provisions, Contingent Assets and Liabilities:

Provisions

Provisions are recognized only if the following conditions are met:

(1) There is a present obligation as a result of a post obligating event
(2) İt is probable that outflow of economic resources is required because of this obligation
(3) The amount of obligation can be reasonably estimated

Where the effect of the time value of Money is material, the amount of a provision should be the present value of the expenditures expected to be required to setle the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of the management.

Warranty Provisions

The Company provides replacementi maintenance and repair services at conditions that conform to certain criteria. Far the said commitmenti the Company makes a provision of 2/1000 of its annual sales based on past experience.

Contingent Liabilities and Contingent Assets :

The contingent liabilities are not recognized but disclosed unless the possibility of an outflow of economic resources is remote. Contingent assets are not recognized but disclosed where an inflow of economic benefits is probable.

2. Basis of preparation financial statements (continued)

(t) Leases

Finance lease

Finance leases transferring all risks and rewards of ownership of the leased asset are recorded at commencement of the lease term at the lower of the fair value of the asset and the present value of the minimum lease payments. Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability (the finance charge is allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability). Financing expenses are recognised directly in the income statement. Capitalized leased assets are subject to depreciation over the expected useful life of the asset.

Operating Lease

Leases where the lessee retains all risks and rewards of ownership are classified as operating leases. Operating lease payments are stated as expense in the statement of income throughout the lease period on straight-line basis.

(u) Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the steering committee that makes strategic decisions. Board of Directors has been identified as the component authority to decide on the operations of the entity.Company's segments are defined as domestic, export and other . Some assets, liabilities, income and expenses are managed centrally and accordingly they have not been included in the segment reporting.

(v) Business Combinations:

As of 21 October 2004, the Company has acquired from Pilsa A.Ş. (Pilsa) the operations realized under the trade name of "Winsa". The Company has recognized the identifiable assets and liabilities acquired as per the IFRS 3"Business Combinations" at their fair values on the effective date of the contracti that is, on 1 December 2004; and the difference between the acquisition cost and the fair values of the identifiable assets and liabilities are stated as goodwill after deferred tax effect is deducted.

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

3. Segment reporting

Segment reporting (TL) of the Company as of December 31, 2011 as follows:

	Domestic market*	Export market**	Common***	Total
Sales income	**226.539.611**	**28.252.261**	**-**	**254.791.872**
Finished goods	**200.009.929**	**23.402.091**	**-**	**223.412.020**
Trade goods	**24.063.060**	**2.870.500**	**-**	**26.933.560**
Other	**2.466.622**	**1.979.670**	**-**	**4.446.292**
Cost of sales (-)	**(169.293.856)**	**(21.180.412)**	**-**	**(190.474.268)**
Finished goods	**(145.221.257)**	**(17.241.473)**	**-**	**(162.462.730)**
Trade goods	**(20.856.612)**	**(2.037.055)**	**-**	**(22.893.667)**
Other	**(3.215.987)**	**(1.901.884)**	**-**	**(5.117.871)**
Gross profit	**57.245.755**	**7.071.850**	**-**	**64.317.604**
Selling, marketing and distribution expense (-)	**(20.420.525)**	**(4.791.930)**	**(5.454.996)**	**(30.667.451)**
General and administrative expense (-)	**-**	**-**	**(15.545.019)**	**(15.545.019)**
Other operating income	**-**	**-**	**2.111.172**	**2.111.172**
Other operating expense (-)	**-**	**-**	**(624.278)**	**(624.278)**
Operating profit	**36.825.230**	**2.279.920**	**(19.513.121)**	**19.592.028**
Financial income	**-**	**-**	**18.619.241**	**18.619.241**
Financial expense (-)	**-**	**-**	**(24.769.824)**	**(24.769.777)**
Net income before taxes from continuing operations	**36.825.230**	**2.279.920**	**(25.663.657)**	**13.441.492**
Tax income/expense for continuing operations	**-**	**-**	**(2.704.705)**	**(2.704.705)**
- Current tax expense for the period	**-**	**-**	**(3.947.803)**	**(3.947.803)**
- Deferred tax income/loss	**-**	**-**	**1.243.098**	**1.243.098**
Net income of continuing operations	**36.825.230**	**2.279.920**	**(28.368.363)**	**10.736.787**
Net income / (loss)	**36.825.230**	**2.279.920**	**(28.368.363)**	**10.736.787**

(*) Turkey
(**) European Countries, Middle East Countries, Turkish Republics, African countries, Other Asian countries and Other Countries
(***) Unallocated income (Expense)

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

3. Segment reporting (continued)

Segment reporting (TL) of the Company as of December 31, 2010 is as follows:

	Domestic market*	Export market**	Common***	Total
Sales income	191.850.368	32.793.116	-	224.643.484
Finished goods	169.115.958	26.369.452	-	195.485.410
Trade goods	20.840.011	2.896.997	-	23.737.008
Other	1.894.399	3.526.667	-	5.421.066
Cost of sales (-)	(135.707.806)	(25.874.651)	-	(161.582.457)
Finished goods	(115.350.724)	(20.105.122)	-	(135.455.846)
Trade goods	(17.428.728)	(2.269.384)	-	(19.698.112)
Other	(2.928.354)	(3.500.145)	-	(6.428.499)
Gross profit	56.142.562	6.918.465	-	63.061.027
Selling, marketing and distribution expense (-)	(16.689.320)	(1.209.473)	(7.048.541)	(24.947.334)
General and administrative expense (-)	-	-	(16.704.712)	(16.704.712)
Other operating income	-	-	3.457.399	3.457.399
Other operating expense (-)	-	-	(366.364)	(366.364)
Operating profit	39.453.242	5.708.992	(20.662.218)	24.500.016
Financial income	-	-	87.946.325	87.946.325
Financial expense (-)	-	-	(92.526.429)	(92.526.429)
Net income/(loss) before taxes from continuing operations	39.453.242	5.708.992	(25.242.322)	19.919.912
Tax income/expense for continuing operations	-	-	(4.214.907)	(4.214.907)
- Current tax expense for the period	-	-	(4.562.715)	(4.562.715)
- Deferred tax income	-	-	347.808	347.808
Net income of continuing operations	39.453.242	5.708.992	(29.457.229)	15.705.005
Net income / (loss)	39.453.242	5.708.992	(29.457.229)	15.705.005

(*) Turkey
(**) European Countries, Middle East Countries, Turkish Republics, African countries, Other Asian countries and Other Countries
(***) Unallocated income (Expense)

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

4. Cash and cash equivalents

Cash and cash equivalents (TL) are as follows:

	December 31, 2011	December 31, 2010
Cash in hand	**4.943**	4.891
Banks		
- TL demand deposits	**198.648**	832.648
- Foreign currency demand deposits	**144**	73.050
- TL time deposits *	**6.710.000**	31.730.000
- Foreign currency time deposits **	**2.396.325**	1.303.696
Checks and notes received	**5.321.120**	1.137.594
	14.631.180	35.081.879

(*) As of December 31, 2011, Interest rates of TL time deposits are 11% (December 31, 2011: 6,00 % - 6,40% - 6,50% - 8,50% - 8,80% - 9,20%) and maturity dates are January 2, 2012.

(**) As of December 31, 2011, Interest rates of Fx currency time deposits are 0,30% (There is no time deposits in foreign currency as of December 31, 2011) and maturity dates are January 2, 2012.

The Company has no blocked cash and cash equivalents as of December 31, 2011 and December 31, 2010.

5. Borrowings

Short term bank borrowings (TL) are as follows:

		December 31, 2011			December 31, 2010	
	Amount in original currency	**TL**	**Interest rate (%)**	Amount in original currency	TL	Interest rate (%)
Short-term bank borrowings		**67.897.995**			44.459.292	
Loans without interest (TL)		**85.153**			270.811	
Loans (TL)					44.000.000	(***) 7,50- 7,60
Loans (TL)		**10.000.000**	**(****) 7,55- 7,75-7,79**			
			(*) 8,90- 11,00- 11,75- 12,50			
Loans (TL)		**45.000.000**				
Loans (USD)	**5.500.000**	**10.388.950**	**(*) 5,25**	-	-	
Short term loans		**2.423.892**			188.481	
Accrued interest						
		1.899.141			16.952.943	
Current portion of long term bank borrowings						
Loans (TL)		**1.256.107**	**(****) 13,20**		5.166.667	(**) 11,75- 14,56
Loans (TL)		**-**			2.267.643	(****) 13,2
Loans (EUR)		**-**		4.456.250	9.131.302	(***) 4,38
		643.034			387.331	
(Note 27(ii),(iii))		**69.797.136**			61.412.235	

The carrying value and the market value of the fixed-interest loan is TL 88.284.863 and TL 89.477.805, respectively.

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

5. Borrowings (continued)

Long term bank borrowings (TL) are as follows:

	December 31, 2011			December 31, 2010		
	Amount in original currency	**TL**	**Interest rate (%)**	Amount in original currency	TL	Interest rate (%)
Loans (EUR)	**7.600.000**	**18.572.880**	**(*) 4,10**	10.127.841	20.752.959	(***) 4,38
Loans (TL)						
Loans (TL)		**-**			5.166.667	(**) 11,75-14,56
		-			3.523.750	(****) 13,20
Current period instalments(-)						
Loans (EUR)		**-**			(7.434.310)	
		-		(4.456.250)	(9.131.302)	
(Note 27(ii),(iii))		**18.572.880**			**12.877.764**	

(*) Interest paid at the end of the period : fixed interest rate
(**) Interest paid in every six month: variable interest rate
(***) Interest paid in every three month: variable interest rate
(****) Interest paid in every six month: fixed interest rate

The Company has not provided any guarantees for the borrowings received as of December 31, 2011 and 2010.

The redemption schedule of long-term bank borrowings at December 31, 2011 and December 31, 2010 are as follows:

	December 31, 2011	December 31, 2010
Less than 1 year	**1.899.142**	16.952.943
1-5 years (*)	**18.572.880**	12.877.764
Short term portion of long term borrowings (-)	**(1.899.142)**	(16.952.943)
Total long term financial liabilities	**18.572.880**	12.877.764

(*) As of December 31, 2011, the loans amounting to EUR 7.600.000 which is classified in the long term borrowings and has maturity between 1 – 2 years.

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

6. Other Financial Assets and Liabilities

Other short-term financial assets:

	December 31, 2011	December 31, 2010
Current value of forward exchange contracts (*)	**-**	110.100
	-	110.100

* During the year, the Company has made forward exchange contracts for foreign exchange hedging.

As of 31 December 2011, the total nominal values of the undue forward exchange contracts and option agreements are USD 7.000.000. For the open forward contracts, in the accompanying financial statements, the Company has recognized an asset with fair value at TL 521.350 (December 31, 2011 – TL 606.040 asset and 110.100 TL liability). As of 31 December 2011, the maturities and forward exchange rates of the said contracts are as follows:

Foreign Currency	**Nominal Value**	**Maturity**	**Forward Exc. Rate**
USD	5.500.000	23/08/2012	1,8945
USD	1.500.000	13/01/2012	1,8736

7. Trade receivables and payables

Short term trade receivables (TL) as as follows:

	December, 2011	December 31, 2010
Trade receivables from related parties (Note 26(i))	**11.069.870**	6.154.442
	11.069.870	6.154.442
Trade Receivables	**14.419.027**	14.945.095
Post dated cheques and notes receivable	**130.389.127**	104.057.095
Rediscount of receivables (-)		
Rediscount of trade receivables (-)	**(78.078)**	(40.309)
Rediscount of notes receivables (-)	**(1.161.127)**	(918.753)
Rediscount of post dated cheques (-)	**(2.570.382)**	(1.110.543)
Doubtful receivables	**13.324.291**	10.699.585
Provisions for doubtful receivables (-)	**(13.324.291)**	(10.699.585)
	140.998.567	116.932.585
(Note 27 (iv))	**152.068.437**	123.087.027

In the calculation of discounted amount of trade receivables, the effective interest rate used for TL is 11,65% (December 31, 2010 - 8,22%), and for USD and EUR, it is Libor and Euribor.

The average maturity of trade receivables is 108 days (31 December 2010 – 111 days).

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

7. Trade receivables and payables (continued)

As of December 31, 2011 and December 31, 2010 movement of provision for doubtful trade receivables is as follows (TL);

	December 31, 2011	December 31, 2010
Opening balance	**10.699.585**	5.491.263
Provisions no longer required	**(1.463.824)**	(1.575.490)
Provisions for current period	**4.088.530**	6.783.812
Closing balance	**13.324.291**	10.699.585

As of 31 December 2011 and 2010, the details of overdue trade receivables for no provision is made are as follows (balances due from related parties are included). As the collaterals received from related parties as of 31 December 2011 and 2010 covers the uncollected balances of receivables, there is no additional provision made for these totals in the accompanying financial statements.

			Overdue receivables with no provision made				
	Total	**Undue receivables**	**30 days past due**	**30-60 days past due**	**60-90 days past due**	**90-180 days past due**	**More than 180 days past due**
31 December 2011	**152.068.437**	**141.325.185**	**1.680.065**	**2.076.627**	**1.585.488**	**1.934.454**	**3.466.618**
31 December 2010	123.087.027	113.159.658	2.713.555	1.866.906	1.259.143	1.029.738	3.058.027

As of December 31, 2011, the Company has letter of guarantees, guarantee notes, and morgages amounting to TL 9.685.942, TL 8.849.797 TL, and TL 111.899.037 respectively, obtained against receivables. (December 31, 2010: TL 6.417.856 letter of guarantee, TL 3.368.690 guarantee notes, TL 107.083.500 mortgages).

Trade payables are as follows (TL) :

	December, 2011	December 31, 2010
Trade payables to related parties (Note 26(ii))	**53.304**	140.338
	53.304	140.338
Trade payables	**34.594.671**	19.107.046
Notes payables	**4.748.345**	7.923.201
Rediscount for payables (-)		
Rediscount for trade payables (-)	**(438.941)**	(117.734)
Rediscount for notes payables (-)	**(7.832)**	(9.577)
	29.289.215	26.902.936
(Note 27(ii))	**29.342.519**	27.043.274

The average maturity of trade payables is 37 days (31 December 2010 – 127 days)

In the calculation of discounted amount of trade payables, the effective interest rate used for TL 11,65% (December 31, 2010 - 8,22%), and for USD and EUR, it is Libor and Euribor.

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

8. Other Receivables and Payables

Short term other receivables consist of the following (TL) :

	December 31, 2011	December 31, 2010
Other miscellaneous receivables	**106.847**	87.542
Deposits and guarantees given	**144.899**	44.370
Due from personnel	**-**	4.045
(Note 27 (iv))	**251.746**	135.957

Long term other receivables consist of the following (TL) :

	December 31, 2011	December 31, 2010
Deposits and guarantees given	**158.992**	129.007
(Note 27 (iv))	**158.992**	129.007

Short term other payables consist of the following (TL) :

	December 31, 2011	December 31, 2010
Advances received	**26.710.522**	24.322.875
Other miscellaneous payables	**753.851**	-
Due to personnel	**7.814**	-
(Note 27 (iii))	**27.472.187**	24.322.875

As of December 31, 2011, the short term advances received by the Company for the sales to be made to customers in the future periods amount to the TL 26.710.522 (December 31, 2010 – TL 24.322.875. TL 197.398 of this total represents the equivalent of USD 15.263, Euro 68.978 (December 31 2010 – TL 196.573 represents the equivalent of USD 18.707 and Euro 81.818).

9. Inventories

Inventories are as follows (TL):

	December 2011	December 31, 2010
Raw materials	**10.285.259**	3.813.549
Work-in-process (Note 18)	**3.852.431**	3.734.183
Finished goods (Note 18)	**12.548.149**	8.683.563
Trade goods (Note 18)	**4.667.937**	3.241.986
Provision for impairment (-)	**(595.507)**	(449.659)
	30.758.269	19.023.622

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

9. Inventories (continued)

Changes in inventory provision for the twelve month periods ended as of December 31, 2011 and 2010 is as follows:

	December 31, 2011	December 31, 2010
Opening balance	**449.659**	557.532
Increase / (decrease) during the period	**145.848**	(107.873)
Closing balance	**595.507**	449.659

10. Tangible assets

As of December 31, 2011 tangible assets are as follows (TL):

	Opening January 1, 2011	**Additions**	**Transfers**	**Disposals**	**Closing December 31, 2011**
Cost:					
Land improvements	**1.104.674**	**-**	**-**	**-**	**1.104.674**
Land and buildings	**32.901.387**	**-**	**-**	**-**	**32.901.387**
Machinery and equipments	**82.455.426**	**-**	**8.547.043**	**(118.986)**	**90.883.483**
Motor vehicles	**292.751**	**-**	**-**	**-**	**292.751**
Furniture and fixtures	**7.699.961**	**-**	**298.918**	**-**	**7.998.879**
Construction in progress	**1.767.669**	**10.709.492**	**(8.845.961)**	**-**	**3.631.200**
Total	**126.221.868**	**10.709.492**	**-**	**(118.986)**	**136.812.374**
Accumulated depreciation (-):					
Land improvements	**(255.541)**	**(53.553)**	**-**	**-**	**(309.094)**
Buildings	**(4.661.368)**	**(781.679)**	**-**	**-**	**(5.443.046)**
Machinery and equipments	**(53.040.211)**	**(6.000.213)**	**-**	**30.778**	**(59.009.646)**
Motor vehicles	**(260.848)**	**(19.489)**	**-**	**-**	**(280.338)**
Furniture and fixtures	**(6.275.571)**	**(516.850)**	**-**	**-**	**(6.792.421)**
Total	**(64.493.539)**	**(7.371.784)**	**-**	**30.778**	**(71.834.545)**
Net value	**61.728.329**	**3.337.708**	**-**	**(88.208)**	**64.977.829**

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

10. Tangible assets (continued)

Tangible assets as of December 31, 2010 are as follows:

	Opening January 1, 2010	Additions	Transfers	Disposals	Closing December 31, 2010
Cost:					
Land improvements	1.104.674	-	-	-	1.104.674
Land and buildings	32.830.937	-	361.714	(291.264)	32.901.387
Machinery and equipments	78.298.084	-	4.945.368	(788.026)	82.455.426
Motor vehicles	639.915	-	-	(347.164)	292.751
Furniture and fixtures	7.543.164	-	162.783	(5.986)	7.699.961
Construction in progress	1.443.000	5.794.534	(5.469.865)	-	1.767.669
Total	121.859.774	5.794.534	-	(1.432.440)	126.221.868
Accumulated depreciation (-):					
Land improvements	(201.989)	(53.552)	-	-	(255.541)
Buildings	(3.981.362)	(779.058)	-	99.052	(4.661.368)
Machinery and equipments	(47.591.235)	(6.146.138)	-	697.162	(53.040.211)
Motor vehicles	(485.508)	(39.784)	-	264.444	(260.848)
Furniture and fixtures	(5.653.697)	(627.598)	-	5.724	(6.275.571)
Total	(57.913.791)	(7.646.130)	-	1.066.382	(64.493.539)
Net value	63.945.983	(1.851.596)	-	(366.058)	61.728.329

Land and buildings of the Company were revalued by Lotus Gayrimenkul Ekspertiz Değerleme Anonim Şirketi at 2002 for the first time. Revaluation of assets were made at market value in use.

In case of disposal of revalued assets, the revaluation funds of these assets are transferred to retained earnings. Furthermore, the difference between the depreciation calculated over the revalued asset and the depreciation calculated over the aquisistion value of the asset is transferred from the revaluation fund to the retained earinings account during the course of utilization on annual basis.

Had the Company not made revaluation of the aforementioned assets , net book value of the assets in question would be TL 1.201.447 as of December 31, 2011 (December 31, 2010 – TL 1.466.338).

The Company performed revaluation of its land and buildings in order to determine whether there were any change on the fair value to Lotus Gayrimenkul Ekspertiz Değerleme Anonim Şirketi in 2008. In accordance with the report dated December 26, 2008, since there were not any significant difference occurred between fair value and carrying value of these assets, the Company did not reflect the difference in its records.

As of December 31, 2011 and 2010, tangible and intangible assets which are fully amortized and still in use are amounting to TL 37.014.549 and TL 30.789.965, respectively.

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

10. Tangible assets (continued)

Fixed assets revaluation fund

As of December 31, 2011 and 2010, the items subject to deferred tax stated in equity consist of (TL):

	31 December 2011	31 December 2010
Fixed assets revaluation fund	**6.554.612**	6.758.309

The changes in revaluation fund on land and buildings are set out in the table below (TL):

January 1, 2011	6.554.612
Depreciation difference calculation over the revalued amounts transferred from revaluation fund to retain earnings (with deffered tax effect)	(203.697)
December 31, 2011	6.350.915

The remaining part of depreciation periods of material tangible assets subsequent to acquisition are as follows:

	December 31, 2011	December 31, 2010
	Period (Year)	Period (Year)
Land improvements	**10-40**	20-40
Buildings	**10-40**	10-40
Furniture and fixtures	**4-10**	1-10
Machinery and equipment	**5-25**	5-25
Motor vehicles	**4-8**	4-8

Finance lease

The tangible assets acquired by the Company through finance lease are recorded at commencement of the lease term at the lower of the fair value of the asset and the present value of the minimum lease payments. The net book values of computers purchased through finance lease have been annualled as of December 31, 2008.

Capitalized financial expenses

As of December 31, 2011 and 2010, there are no capitalized financial expenses on tangible assets.

Sureties and mortgages on assets

As of December 31, 2011 and 2010, there are no mortgages or sureties on tangible assets.

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

11. Intangible assets

Intangible assets are as follows as of December 31, 2011 (TL):

	January 1, 2011	Additions	Transfers	December 31, 2011
Cost:				
License	**859.735**	**-**	**-**	**859.735**
Trademark	**3.987.406**	**-**	**-**	**3.987.406**
Industrial design	**71.645**	**-**	**-**	**71.645**
Dealer list	**2.274.223**	**-**	**-**	**2.274.223**
Rights and other	**674.607**	**29.034**	**-**	**703.642**
Total	**7.867.616**	**29.034**	**-**	**7.896.651**
Accumulated amortization (-)				
Industrial design	**(71.645)**	**-**	**-**	**(71.645)**
Dealer list	**(682.267)**	**(113.711)**	**-**	**(795.978)**
Rights and other	**(627.041)**	**(21.307)**	**-**	**(648.348)**
Total	**(1.380.952)**	**(135.018)**	**-**	**(1.515.971)**
Net value	**6.486.664**	**(105.984)**	**-**	**6.380.680**

Intangible assets are as follows as of December 31, 2010 (TL):

	January 1, 2010	Additions	Transfers	December 31, 2010
Cost:				
License	859.735	-	-	859.735
Trademark	3.987.406	-	-	3.987.406
Industrial design	71.645	-	-	71.645
Dealer list	2.274.223	-	-	2.274.223
Rights and other	672.138	2.469	-	674.607
Total	7.865.147	2.469	-	7.867.616
Accumulated amortization (-)				
Industrial design	(71.645)	-	-	(71.645)
Dealer list	(568.555)	(113.712)	-	(682.267)
Rights and other	(602.162)	(24.878)	-	(627.040)
Total	(1.242.362)	(138.590)	-	(1.380.952)
Net value	6.622.785	(136.121)	-	6.486.664

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

11. Intangible assets (continued)

The remaining part of amortization periods of material intagible assets subsequent to acquisition are as follows:

	December 31, 2011	December 31, 2010
	Period (Year)	Period (Year)
Dealer list	**14**	15
Rights and others	**1-3**	1-2

12. Goodwill

As of December 31, 2011 and 2010 goodwill consists of the following (TL):

Transaction Date	**December 31, 2011**	December 31, 2010
October 21, 2004	**655.883**	655.883
	655.883	655.883

As of October 21, 2004, the Company has acquired from Pilsa A.Ş. (Pilsa) the operations realized under the trade name of “Winsa”. The Company has recognized the identifiable assets and liabilities acquired as per the IFRS 3 “Business Combinations” at their fair values on the effective date of the contract, that is on 1 December 2004; and the difference between the acquisition cost and the fair values of the identifiable assets and liabilities are stated as goodwill after deferred tax effect is deducted.

As of December 31, 2011 and 2010, the positive goodwill amounts to TL 655.883.

The Company has performed impairment test on the amounts of goodwill, trademark, industrial software, dealer list, software license right and other rights carried as of December 31, 2011 within the scope of IFRS 3 where the trademark of “Winsa” has been regarded as a separate cash generating unit. As a result, it has been determined that there are no grounds for making provision for impairment on the amounts of goodwill, trademark, industrial software, dealer list, software license right, and other rights related to the operations performed under the trade name of “Winsa”. The Company valued based on which the said impairment test is performed has been calculated taking as basis the Company’s work plan covering a period of ten years which was approved as of November 2008. Cash flows are estimated in EUROs and discount to the relevant currency at a proper rate of exchange. The discount rate used is 6% and subsequent to the ten years period, the growth rate of 3% has been realized taking into account the inflation rate stated in the work plan as well as the estimated economic growth rate of the country. The rate of Weighted Average Cost of Capital (WACC) of Euro cash flows used in cash valuation is 8,37% (December 31, 2010 – 8,69%) tested at a sensitivity of + / - 1%. In the WACC calculation, the beta coefficient advised by Deceuninck NV as 0,76% has been used as an indicator (December 31, 2010 – 0,76 %)

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

13. Provisions, contingent assets and liabilities

Provisions for short-term debt are as follows (TL) :

	December 31, 2011	December 31, 2010
Warranty provision	**514.689**	450.109
Provision for vacation pay liability	**467.008**	294.315
Provision for litigation	**310.670**	370.233
Provision for tax penalty	**536.260**	-
	1.828.627	1.114.657

Warranty provisions consist of the following (TL) :

	December 31, 2011	December 31, 2010
Opening balance	**450.109**	376.652
Charge for the current year	**64.580**	73.457
Closing balance	**514.689**	450.109

Provision for unused leaves consist of the following (TL) :

	December 31, 2011	December 31, 2010
Opening balance	**294.315**	243.534
Charge for the current year (Note 20,21)	**172.693**	50.781
Closing balance	**467.008**	294.315

Provision for litigation consists of the following (TL) :

	December 31, 2011	December 31, 2010
Opening balance	**370.233**	254.591
Charge for the current year	**(59.563)**	115.642
Closing balance	**310.670**	370.233

Taxes on profit for the period consist of the following (TL) :

	December 31, 2011	December 31, 2010
Tax provision for the period (Note 24)	**3.947.803**	4.562.715
Prepaid taxes and funds	**3.325.785**	(3.916.776)
	622.018	645.939

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

13. Provisions, contingent assets and liabilities (continued)

As of December 31, 2011 and December 31, 2010, the Company's guarantees, pledges and mortgages position on the tables are as follows:

	December 31, 2011		December 31, 2010	
	TL	**Foreign currency**	TL	Foreign currency
Letter of guarantees received				
EUR	**219.942**	**90.000**	327.856	160.000
TL	**9.466.000**	**-**	6.090.000	-
	9.685.942		6.417.856	
Guarantee notes received				
EUR	**3.250.254**	**1.330.000**	61.473	30.000
USD	**1.597.213**	**845.578**	1.052.174	680.578
TL	**4.002.330**	**-**	2.255.043	-
	8.849.797	**-**	3.368.690	-
Mortgages received				
EUR	**133.537**	**54.643**	-	-
TL	**111.765.500**	**-**	107.083.500	-
	111.899.037		107.083.500	
Total received	**130.434.776**		116.870.046	
Letters of guarantee given				
EUR	**81.867**	**33.500**	68.645	33.500
USD	**1.079.242**	**571.360**	5.533.343	3.579.135
TL	**6.423.922**	**-**	4.809.921	-
	7.585.031		10.411.909	
Total given	**7.585.031**		10.411.909	

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

13. Provisions, contingent assets and liabilities (continued)

Given by the Company	**December 31, 2011**	December 31, 2010
a. Total amount of guarantees, pledges and mortgages given in the name of legal entity	**7.585.031**	10.411.909
b. Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation	**-**	-
c. Total amount of guarantees, pledges and mortgages given to third parties for their liabilities in the purpose of conducting the ordinary operations.	**-**	-
d. Total amount of other guarantees, pledges and mortgages	**-**	-
Total	**7.585.031**	10.411.909

The Company did not receive or give guarantees, pledges or mortgages from related parties or related parties as of December 31, 2011 and December 31, 2010.

As of December 31, 2011, guarantees, pledges and mortgages given by the Company are equivalent to 6% of the Company's equity (December 31, 2010 – 9%).

14. Commitments

a) The Company's export commitments are as follows:

As of December 31, 2011, the Company doesn't have export commitment related to export incentives (December 31, 2010 – 5.610.000 USD).

b) The Company's operations related to operating leases are as follows:

The operating leases of the Company amounting to EUR 1.670.281, USD 1.575.000, TL 455.637 (December 31, 2010 – Eur 1.328.760, USD 1.246.440, 1.070.730) in total consist of cars, forklifts and warehouse rentals and their maturities varies between 1 – 6 years. The portions of EUR 1.068.601, USD 1.260.000 and TL 233.144 of these amounts will mature in 1 to 2 years.

15. Employee benefits

Employee benefits consist of provisions for termination indemnity as stated in the following (TL):

	December 31, 2011	December 31, 2010
Opening balance	**1.942.072**	1.402.695
Charge for the current period (Note 19,20)	**333.489**	539.377
Closing balance	**2.275.561**	1.942.072

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

16. Other assets and liabilities

Other current assets consist of the following (TL) :

	December 31, 2011	December 31, 2010
Advances given (*)	**7.098.845**	2.513.246
Fair value of forward exchange contracts (**)	**521.350**	606.040
Prepaid insurance expenses	**88.828**	89.100
Prepaid rents	**20.238**	18.378
Job advances	**142.172**	18.030
Other	**644.980**	97.199
	7.995.063	3.341.993

(*) As of December 31, 2011, TL 3.529.005 out of the advances of TL 7.098.845 consist of goods in transit (December 31, 2010 – TL 1.082.788.

(**) During the year, the Company has made forward contracts for foreign exchange hedging.

Other non-current assets consist of the following (TL):

	December 31, 2011	December 31, 2010
Advances given	**1.619.742**	49.770
Other	**2.679**	3.119
	1.622.421	52.889

Other short term liabilities consist of the following (TL) :

	December 31, 2011	December 31, 2010
Other taxes and funds payable	**1.362.483**	1.848.624
Social security premiums payable	**573.287**	361.909
Due to personnel	**808.850**	834.996
Other	**69.116**	293
	2.813.736	3.045.822

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

17. Equity

(a) Paid-in capital :

As of December 31, 2011 and 2010, the capital and shareholding structure of the Company is as follows:

	December 31, 2011		December 31, 2010	
	TL	**Share (%)**	TL	Share (%)
Deceuninck	**58.100.520**	**97,54**	58.100.520	97,54
Public offering	**1.466.380**	**2,46**	1.466.380	2,46
Paid-in capital as per the statutory books	**59.566.900**	**100,00**	59.566.900	100,00
Restatement difference	**7.840.703**		7.840.703	
	67.407.603		67.407.603	

Historical paid-in capital of the Company as of December 31, 2011 and 2010 is TL 59.566.900 consisting of 5.956.690.000 shares of 1 kuruş nominal value each.

As of December 31, 2011 and 2010, change in the number of shares issued for the Company's share capital is set out in the table below:

	December 31, 2011		December 31, 2010	
	# of shares	**TL**	# of shares	TL
January 1	**5.956.690.000**	**59.566.900**	5.956.690.000	59.566.900
Bonus issue transferred from retained earnings	**-**	**-**	-	-
End of period	**5.956.690.000**	**59.566.900**	5.956.690.000	59.566.900

For the purpose of extending the terms of its financial liabilities to 4-5 years and increasing its share capital, Deceuninck NV entered into a Share Pledge Agreement on September 11, 2009 and accordingly created a lien on behalf of Fortis Bank NV/SA acting as the collateral agent, on a total of 16.980.361,712 shares of TL 0,01 nominal value each owned by Deceuninck NV and representing 28,5063% of the Company's share capital as at September 15, 2009 and on total of 41.120.158,313 shares of TL 0,01 nominal value each owned by Deceuninck NV and representing 69,0318% of the Company's share capital as at September 16, 2009. Thus, there is share pledge by Fortis Bank NV/SA on approximately 97,5382% of the Company's share.

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

17. Equity (continued)

(b) Restricted profit reserves :

Legal reserves, which are divided as First Legal Reserve and Second Legal Reserve as per the Turkish Commercial Code, are appropriate as below:

a) First Legal Reserve: Appropriated out of net profit at the rate of 5% until such reserve is equal to 20% of issued and fully paid capital.
b) Second Legal Reserve:Appropriated out of net profit at the rate of 10% of distributions after providing for First Legal Reserve and an amount equal to 5% of capital as dividens.

Legal reserves which do not exceed one half of share capital may only be used to absorb losses or for purposes of continuity of the business in times of business difficulties and to prevent unemployment or lessen its effects.

(c) Retained Earnings / (Accumulated Losses)

Retained earnings / (accumulated losses) for each period are as follows (TL):

	31 Aralık 2011	31 Aralık 2010
Prior year profit	**19.548.851**	10.104.042
Transfer to legal reserves	**(9.644.262)**	(319.478)
Adjustment of fixed asset revaluation *	**203.697**	203.697
Retained earnings / (accumulated losess)	**15.705.005**	9.560.590
	25.813.291	19.548.851

(*) The land and buildings owned by the Company have been subject to revaluation for the first time in 2002. The revaluation of the said tangible assets is made over the market value for current use, and the difference between the carrying values and the market values is stated in the fixed assets revaluation fund under capital reserves. In case of disposal of revalued assets, the revaluation funds of these assets are transferred to retained earnings. Furthermore, the difference between the depreciation calculated over the revalued asset and the depreciation calculated over the aquisistion value of the asset is transferred from the revaluation fund to the retained earinings account during the course of utilization on annual basis.

18. Sales and cost of sales

Sales revenue is as follows (TL):

	December 31, 2011	December 31, 2010
Local sales	**226.539.611**	191.850.368
Exports	**28.252.261**	32.793.116
	254.791.872	224.643.484

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

18. Sales and cost of sales (continued)

Cost of sales are as follows (TL) :

	31 Aralık 2011	31 Aralık 2010
Direct raw materials, semi finished goods and material expenses	**137.842.592**	114.226.619
Direct labor cost	**2.211.448**	2.110.126
Amortization and depreciation expenses	**6.940.166**	7.120.161
Other production costs	**20.153.174**	16.936.010
Total	**167.147.380**	140.392.916
Change of semi-finished goods	**(118.248)**	(1.539.191)
Beginning of the period (Note 9)	**3.734.183**	2.194.992
End of the period (Note 9)	**(3.852.431)**	(3.734.183)
Change of finished goods	**(3.864.586)**	(2.157.823)
Beginning of the period (Note 9)	**8.683.563**	6.525.740
End of the period (Note 9)	**(12.548.149)**	(8.683.563)
Change of commercial goods	**27.309.722**	24.886.555
Beginning of the period (Note 9)	**3.241.986**	2.782.568
Purchases	**28.735.673**	25.345.973
End of the period (Note 9)	**(4.667.937)**	(3.241.986)
	190.474.268	161.582.457

Production and sales quantities are as follows (kg) :

	December 31, 2011		December 31, 2010	
	Production	**Sales**	Production	Sales
PVC (kg)	**52.540.060**	**51.161.395**	51.124.333	49.762.928

19. Marketing, sales and distribution expenses, general administration expenses

Marketing, sales and distribution expenses, general administration expenses consist of the following (TL) :

	December 31, 2011	December 31, 2011
Marketing, sales and distribution expenses	**30.667.451**	24.947.334
General administration expenses	**15.545.019**	16.704.712
	46.212.470	41.652.046

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

19. Marketing, sales and distribution expenses, general administration expenses (continued)

(a) Marketing, sales and distribution expenses:

	December 31, 2011	December 31, 2011
Personnel expenses	**8.258.682**	7.753.082
Customs and transportation expenses	**6.665.787**	5.556.690
Advertisements expenses	**4.109.676**	2.810.526
Fair, exposition, and showroom expenses	**498.134**	1.138.085
Rent expenses	**1.753.885**	1.535.850
Dealer incentive and meeting expenses	**2.477.803**	804.766
Sales premiums and commissions	**2.973.565**	840.980
Amortization and depreciation expenses (Note 20)	**257.400**	335.527
Other	**3.672.519**	4.171.828
	30.667.451	24.947.334

(b) General administration expenses:

	December 31, 2011	December 31, 2010
Personnel expenses	**4.300.887**	4.641.576
Consultancy services	**4.082.705**	2.460.850
Provision for doubtful receivables (Note 7)	**4.088.530**	6.783.812
Bank expenses	**494.989**	502.697
Taxes and similar expenses	**307.707**	350.460
Amortization and depreciation expenses (Note 20)	**309.236**	329.032
Communication expenses	**209.237**	185.235
Insurance expenses	**316.891**	255.393
Termination indemnity and annual leave expenses (Note 20,15)	**506.182**	590.158
Other	**928.655**	605.499
	15.545.019	16.704.712

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

20. Expenses by nature

Depreciation and amortisation expenses consist of the following (TL) :

	December 31, 2011	December 31, 2010
Overhead	**6.940.166**	7.120.161
General administration expenses (Note 19)	**309.236**	329.032
Sales and marketing expenses (Note 19)	**257.400**	335.527
	7.506.802	7.784.720

	December 31, 2011	December 31, 2010
Depreciation (Note10)	**7.371.784**	7.646.130
Amortisation (Note 11)	**135.018**	138.590
	7.506.802	7.784.720

Employee benefits consist of the following (TL) :

	December 31, 2011	December 31, 2010
Wages and salaries	**18.930.100**	16.383.833
Social security premium expenses – employer's share	**1.630.457**	1.559.582
Other social expenses	**3.539.210**	823.130
Provision for termination indemnity and unused leaves, net (Note 19,21)	**506.182**	590.158
	24.605.949	19.356.702

21. Other operating income / (expenses)

Other operating income consists of the following (TL):

	December 31, 2011	December 31, 2010
Scrap sales income, net	**191.381**	164.438
Inventory surplus	**49.284**	43.835
Income from samples free of charge	**27.296**	7.377
Provision for doubtful receivables no longer required (Note 7)	**1.463.824**	1.575.490
Income from fixed assets sales, net	**93.250**	157.482
Insurance damage income	**4.882**	939.478
Other income and profits	**281.255**	569.299
	2.111.172	3.457.399

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

21. Other operating income / (expenses) (continued)

Other operating expenses consist of the following (TL) :

	December 31, 2011	December 31, 2010
Special transaction tax	**(47.699)**	(51.744)
Inventory deficit	**(5.676)**	(1.526)
Special cost expenses	**(2.745)**	(283.337)
Provision expenses for tax penalty	**(536.260)**	-
Renounced receivables	**(31.898)**	(29.757)
	(624.278)	(366.364)

22. Financial income and expense

Financial income is as follws (TL) :

	December 31, 2011	December 31, 2010
Foreign exchange gains	**15.571.319**	82.649.137
Income from forward transactions	**1.094.000**	967.699
Interest income	**1.953.922**	4.329.489
	18.619.241	87.946.325

Financial expense is as follows (TL) :

	December 31, 2011	December 31, 2010
Foreign exchange loss	**(17.553.262)**	(85.041.298)
Expense from forward transactions	**(25.650)**	(471.759)
Interest expense	**(7.190.865)**	(7.013.372)
	(24.769.777)	(92.526.429)

23. Non-current assets held for sale

As of December 31, 2011 and 2010, changes in non-current assets held for sale are set out in the table below (TL):

	December 31, 2011	December 31, 2010
Opening balance	**764.982**	346.033
Acquisition in the period	**205.287**	574.238
Disposals in the period (-)	**(278.923)**	(155.289)
Closing balance	**691.346**	764.982

As of December 31, 2011 and 2010, the non-current assets held for sale represent land, shops and buildings received against receivables whose collection has become doubtful. The Company management intends to dispose of the said real estates in the short run.

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

24. Taxes

a) Corporate tax;

Corporation tax rate is 20% in Turkey.This rate is applicable to the tax base derived upon adding onto the commercial earnings of entities, the disallowable expenses and deducting exemptions and discounts as stated in the tax legistlation.

Tax inspection related to year of 2007 is continuing by Ministry of Finance Revenue Administration.

Tax income and expenses regognized in the statement of comprehensive income and expenses are summarized below (TL):

	December 31, 2011	December 31, 2010
Current period corporation tax	**(3.947.803)**	(4.562.715)
Deferred tax (income)/ expense	**1.243.098**	347.808
Deferred tax in equity	**40.739**	40.739
Total tax (income)/ expense	**2.663.966**	4.174.168

Prepaid taxes are netted off from the taxes payable as of December 31, 2011 and December 31, 2010 and shown below (TL):

	December 31, 2011	December 31, 2010
Current period corporation tax	**3.947.803**	4.562.715
Prepaid taxes for the period	**(3.325.785)**	(3.916.776)
Current tax payable	**622.018**	645.939

As of December 31, 2011 and 2010, reconciliation between tax expense calculated by applying the legal tax rate on profit before tax and total tax provision stated in the statement of comprehensive income is as follows (TL) :

	December 31, 2011	December 31, 2010
Profit/(loss) before tax	**13.441.492**	19.919.912
Income tax (charge)/credit at effective tax rate 20%	**2.688.298**	3.983.982
Effect of nondeductible expenses	**330.655**	523.629
Effect of income exempt from corporation tax	**(342.927)**	(316.422)
Effect of other adjustment items	**28.679**	23.718
Total tax (income)/ expense for the current year	**2.704.705**	4.214.907

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

15. Taxes (continued)

b) Deferred tax assets and liabilities;

Calculated deferred income tax assets and liabilities based upon temporary differences arising between their financial statements are as follows:

	Deferred income tax assets/ (liabilities		Deferred tax income/ (expense)	
	December 31, 2011	December 31, 2010	**December 31, 2011**	December 31, 2010
Accrued expenses	**537.380**	293.205	**244.175**	(299.060)
Provision for doubtful receivables	**1.066.708**	534.430	**532.278**	444.174
Provision for retirement pay	**455.112**	388.414	**66.698**	107.875
Provision for unused vacation	**93.402**	10.156	**83.246**	(38.551)
Provision for litigation	**62.134**	25.483	**36.651**	(22.938)
Rediscount on receivables	**761.917**	413.921	**347.996**	1.083
Rediscount on payables	**(17.897)**	(25.462)	**7.565**	(201)
Depreciation time differences , revaluation of fixed assets and the effect of the valuation of intangible assets in accordance with IFRS 3	**(6.586.160)**	(6.510.649)	**(75.511)**	155.427
Deferred tax liabilities - net	**(3.627.404)**	(4.870.502)	**1.243.098**	347.808

Changes in deferred tax liability for the years ended December 31, 2011 and 2010 are set out in the table below:

	Deferred Tax Liabilities	
	December 31, 2011	December 31, 2010
Balance as of January 1	**4.870.502**	5.218.310
Deferred tax (advantages) / expenses reflected in the statement of income	**(1.243.098)**	(347.808)
Balance	**3.627.404**	4.870.502

25. Earnings per share

Earnings/(loss) per share are calculated as follows:

	December 31, 2011	December 31, 2010
Income/(loss) for the period	**10.736.787**	15.705.005
Weighted average number of ordinary shares beginning of the period *	**5.956.690.000**	5.956.690.000
Weighted average number of ordinary shares at the end of the period *	**5.956.690.000**	5.956.690.000
Earnings per share (TL)	**0,1802**	0,2637

(*) per share of Kr 1 nominal value

Earnings per share is calculated by dividing the net income/loss for the current period by the weighted average number of outstanding shares.

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

25. Earnings per share (continued)

Movements of number of shares as of December 31, 2011 ve December 31, 2010 are as follows:

Number of shares	**December 31, 2011**	December 31, 2010
Beginning of period/year	**5.956.690.000**	5.956.690.000
Free of charge shares issued from internal sources during the period,	**-**	-
End of the period/year	**5.956.690.000**	5.956.690.000

As of the reporting date and until the preparation of the financial statements, there is no transaction other than the above in relations to the ordinary shares or shares planned to be issued.

In Turkey, entities are allowed to increase their share capitals through transfers from various internal sources and make pro rata distribution of free of charge shares to the shareholders. In calculating earnings per share, the free of charge shares are regarded as shares distributed as dividends. For that reason, in calculating the average number of shares, these shares are deemed to be outstanding during the entire year.

26. Transactions and balances with related parties

i. Due from related parties are as follows(TL) :

	December 31, 2011	December 31, 010
Deceuninck (Parent)	**3.021.106**	854.468
Other Deceuninck affiliates	**8.048.764**	5.299.974
Total (Note 7)	**11.069.870**	6.154.442

ii. Due to related parties are as follows(TL) :

	December 31, 2011	December 31, 010
Ege Pen A.Ş. (Ege Pen)	**52.726**	139.760
Other	**578**	578
Total (Note 7)	**53.304**	140.338

iii. Purchases of goods and services from related parties are as follows (TL)

	December 31, 2011	December 31, 010
Deceuninck (Parent)	**13.372.142**	9.994.260
Other Deceuninck affiliates	**1.968.084**	1.124.899
	15.340.226	11.119.159

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

26. Transactions and balances with related parties (continued)

iv. Sales of goods and services from related parties are as follows (TL):

	December 31, 2011	December 31, 010
Deceuninck (Parent)	**3.485.748**	3.563.289
Other Deceuninck affiliates	**7.318.403**	5.442.457
	10.804.151	9.005.746

v. Purchases of tangible assets from related parties are as follows (TL):

	December 31, 2011	December 31, 010
Deceuninck (Parent)	**4.361.404**	1.365.768
Other Deceuninck affiliates	**-**	93.677
	4.361.404	1.459.445

vi. Other purchases from related parties are as follows (TL):

	December 31, 2011	December 31, 010
Deceuninck (Parent)*	**4.573.876**	3.327.652
Other Deceuninck affiliates	**602**	463.193
Egepen	**180.137**	160.500
	4.754.615	3.951.345

(*) As of December 31, 2011, the amount consists of management service fee amounting to TL 3.659.181 (December 31, 2010 – TL 2.247.988) and foreign representative office expenses amounting to TL 878.881 (December 31, 2010 – TL 1.071.953).

Transactions with other Deceuninck affiliates consisits of other expenses, and the amount related to Egepen consists of trademark expense.

vii. Salaries and similar benefits provided to top management such as CEO, Board Members,General Manager, General Coordinator, and Assistant General by the Company for the year ended December 31, 2011 amounted to TL 3.429.983 (December 31, 2010 – TL 2.932.026).

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

27. Nature and level of risks arising from financial instruments

Owing to its activities, the Company is exposed to various financial risks in debt and capital markets, namely, price risk, foreign exchange risk, interest rate risk, credit risk, and liquidity risks. The overall risk management program of the Company focuses on the unpredictable and flexible nature of the financial markets and its objective is to minimize their negative effects on the financial performance of the Company.

Some of the Company's main financial instruments comprise bank loans, cash, and short and long term bank deposits. The main purpose in using these instruments is financing of the Company operations. Furthermore, the Company has financial instruments such as trade receivables and trade payables that arise directly from the operations.

The Company manages these risks as stated below and also follows up on potential market risks that may arise from using financial statements.

i. Price Risk

Price risk is a combination of foreign currency exchange, interest, and market risks. It is monitored per as the payables and receivables denominated in the same currency and the assets and the liabilities subject to interest compensate for each other. Market risk is closely monitored by the Company management by regular review of current market information and applying proper valuation methods.

ii. Interest Rate Risk

The Company does not have a significant amount of interest-sensitive assets. The income and cashflows of the Company are mostly independent of the fluctuations in market interest rates.

The Company's interest rate risk arises from its short and long term borrowings. The loans to be received to continue the Company operations are affected by the future interest rates.

Interest Position Chart and Relevant Sensitivity Analysis

As of December 31, 2011 and 2010, the interest position of the Company is set out in the table below (TL):

Interest position chart		**Current period**	Prior period
		December 31, 2011	December 31, 2010
	Financial instruments with fixed interest		
Financial assets	Assets with fair value differences reflected to profit / loss	**-**	-
	Financial assets available for sale	**-**	-
Financial liabilities (Note 5)		**88.284.863**	7.823.716
	Financial instruments with variable interest		
Financial assets		**-**	-
Financial liabilities (Note 5)		**85.153**	66.295.584

The Company does not have any financial instruments with variable interest.

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

27. Nature and level of risks arising from financial instruments (continued)

iii. Liquidity Risk

A prudent liquidity risk management requires retaining sufficient amount of cash and marketable securities, sufficient amount of loan operations and utilization of fund resources and the power to close market positions.

The funding risk of current and future loan requirements is monitored through maintaining continous access to a sufficient number of high quality commercial credit companies.

As of December 31, 2011 and 2010, the liquid assets of the Company (current assets – inventories) exceed its short term liabilities by TL 43.762.410 and TL 44.716.936, respectively.

As of December 31, 2011 and 2010, the maturity of distribution of the Company's trade and financial payables is as follows:

Current Period

Expected maturities or maturities per contract	Book Value	Total cash outflows per contract (=I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	Longer than 5 years (IV)
Non-derivative financial liabilities						
Bank Loans	**88.370.016**	**93.100.108**	**20.859.442**	**52.895.722**	**19.344.944**	**-**
Other Financial Liabilities	-	-	-	-	-	**-**
Notes Payable	4.122.412	4.122.412	4.122.412	-	-	**-**
Trade Payables	25.309.590	25.309.590	21.556.828	3.752.762	-	**-**
Other Payables	26.710.522	26.710.522	13.608.755	13.101.768	-	**-**
Expected maturities or maturities per contract						
Derivative financial liabilities (net)	-	-	-	-	-	-

Prior Period

Expected maturities or maturities per contract	Book Value	Total cash outflows per contract (=I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	Longer than 5 years (IV)
Non-derivative financial liabilities						
Bank Loans	74.289.999	78.508.621	16.677.236	48.347.410	13.483.975	-
Other Financial Liabilities	-	-	-	-	-	-
Notes Payable	7.913.624	7.923.201	7.159.972	763.229	-	-
Trade Payables	19.129.650	19.247.384	1.082.069	18.165.315	-	-
Other Payables	24.322.875	24.322.875	10.024.980	14.297.895	-	-
Expected maturities or maturities per contract						
Derivative financial liabilities (net)	110.100	110.100	110.100	-	-	-

27. Nature and level of risks arising from financial instruments (continued)

iv. Credit Risk

Holding financial instruments may lead to failure of counterparty to fulfill the terms and conditions of the agreement. The Company management takes measures to prevent such risks through limiting the average risk for the counterparty (except for the related parties) at each agreement, and the receiving collaterals if necessary. The Company's collection risk is basically arises from its trade receivables. This risk may arise from dealers or other customers, and the Company monitors this risk by keeping the credit limits equal to collaterals received and by working with advance payments. The Company management continuously monitors the utilization of credit limits and evaluates the customer's financial position and by taking into considerating the past experiences and other relevant factors.

Trade receivables are valued by the Company management taking into account the past experiences and the current economic outlook, and they are recognised in the statement of financial position, net, after making provisions for doubtful receivables if deemed necessary.

The Company tries to monitor its credit risk through extending its sales operations to a large region instead of concentrating on specific persons or groups in a single sector or region. Furthermore, the Company receives collaterals from customers if deemed necessary.

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

27. Nature and level of risks arising from financial instruments (continued)

iv. Credit Risk (continued)

The following table discloses information regarding the terms overrun and warranty structure of the Company's receivables and cash and cash equivalents (TL):

	Receivables				
December 31, 2011	**Trade Receivables (Note 7)**	**Trade Receivables from related parties (Note 7)**	**Other receivables (Note 8)**	**Cheque Float (Note 4)**	**Cash and Banks (Note 4)**
Maximum credit risk incurred as of the reporting date (A+B+C+D+E) (1)	**140.998.567**	**11.069.870**	**410.738**	**5.321.120**	**9.310.060**
- Part of the maximum risk taken under guarantee with collaterals (2)	(130.434.776)	-	-	-	-
A. Net book value of financial assets that are neither overdue nor impaired.	130.255.315	11.069.870	410.738	5.321.120	9.310.060
B. Book value of financial assets whose conditions are revised, and which otherwise would be considered as overdue and impaired	-	-	-	-	-
C. Net book value of overdue assets that are not impaired	10.743.252	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	13.324.291	-	-	-	-
- Impairment (-) (Note 7)	(13.324.291)	-	-	-	-
- Part of the net book value taken under guarantee with collaterals	-	-	-	-	-
- Net overdue (gross book value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Part of the net book value taken under guarantee with collaterals	-	-	-	-	-
E. Derecognized items bearing credit risk	-	-	-	-	-

1) In determining the amount of credit risk to be incurred, factors that increase credit liability, i.e. the guarantees received, are not taken into consideration.
2) Collaterals received from customers comprise guarantee notes, guarantee cheques and mortgages

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

27. Nature and level of risks arising from financial instruments (continued)

iv. Credit Risk (continued)

	Receivables				
December 31, 2010	**Trade Receivables (Note 7)**	**Trade Receivables from related parties (Note 7)**	**Other receivables (Note 8)**	**Cheque Float (Note 4)**	**Cash and Banks (Note 4)**
Maximum credit risk incurred as of the reporting date (A+B+C+D+E) (1)	**116.932.585**	**6.154.442**	**264.964**	**1.137.594**	**33.944.285**
- Part of the maximum risk taken under guarantee with collaterals (2)	(116.870.046)	-	-	-	-
A. Net book value of financial assets that are neither overdue nor impaired.	107.005.216	6.154.442	264.964	1.137.594	33.944.285
B. Book value of financial assets whose conditions are revised, and which otherwise would be considered as overdue and impaired	-	-	-	-	-
C. Net book value of overdue assets that are not impaired	9.927.369	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	10.699.585	-	-	-	-
- Impairment (-) (Note 7)	(10.699.585)	-	-	-	-
- Part of the net book value taken under guarantee with collaterals	-	-	-	-	-
- Net overdue (gross book value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Part of the net book value taken under guarantee with collaterals	-	-	-	-	-
E. Derecognized items bearing credit risk	-	-	-	-	-

1) In determining the amount of credit risk to be incurred, factors that increase credit liability, i.e. the guarantees received, are not taken into consideration.
2) Collaterals received from customers comprise guarantee notes, guarantee cheques and mortgages.

27. Nature and level of risks arising from financial instruments (continued)

v. Foreign Exchange Risk

Foreign exchange risk arises from the Company's assets and liabilities denominated in USD and Euro.

In addition to the above, the Company is exposed to foreign exchange risk arising from its operations. These risks arise from the trade operations of the Company realized in a currency other than its valuation currency and from using foreign currency bank loans.

The Company manages foreign exchange risk through balancing its foreign currency assets and liabilities, updating its pricing policy in accordance with the foreign exchange fluctuations, and continuously analyzing its foreign currency position. The net foreign currency position of the Company as of December 31, 2011 and 2010 is set out below:

	December 31, 2011 (TL equivalent)	December 31, 2010 (TL equivalent)
A. Assets in foreign currency	**28.652.229**	23.613.342
B. Liabilities in foreign currency	**(41.630.916)**	(42.767.401)
Net foreign currency position (A+B)	**(12.978.687)**	(19.154.059)

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

27. Nature and level of risks arising from financial instruments (continued)

v. Foreign Exchange Risk (continued)

The Company's foreign currency position as of December 31, 2011 are as follows:

December 31, 2011	TL equivalent (functional currency)	USD	EUR	AUD
1. Trade Receivables	22.307.198	672.826	6.702.995	2.429.051
2a. .Monetary Financial Assets (Cash, Bank accounts included)	2.396.469	1.000.786	207.089	-
2b. Non-Monetary Financial Assets	-	-	-	-
3.Other	3.948.562	1.896	1.614.281	-
4. Current Assets (1+2+3)	**28.652.229**	**1.675.508**	**8.524.365**	**2.429.051**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7.Other	-	-	-	-
8. Non-Current Assets (5+6+7)	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**28.652.229**	**1.675.508**	**8.524.365**	**2.429.051**
10. Trade Payables	(11.798.800)	(4.030.720)	(1.712.568)	-
11. Financial Liabilities	(11.240.380)	(5.610.327)	(263.129)	-
12a. Monetary Other Liabilities	(18.856)	(10.020)	(29)	-
12b. Non-Monetary Other Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**(23.058.036)**	**(9.651.068)**	**(1.975.667)**	**-**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	(18.572.880)	-	(7.600.000)	-
16a. Monetary Other Liabilities	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**(18.572.880)**	**-**	**(7.600.000)**	**-**
18. Total Liabilities (13+17)	**(41.630.916)**	**(9.651.067)**	**(9.575.668)**	**-**
19. Net Asset/(Liability) Position of Off-Balance Sheet Derivative Instruments (19a-19b)	13.222.300	7.000.000	-	-
19a. Amount of Hedged Asset	-	-	-	-
19b. Amount of Hedged Liability	13.222.300	7.000.000	-	-
20. Net Foreign Asset/(Liability) Position (9-18+19)	**243.613**	**(975.559)**	**(1.051.303)**	**2.429.051**
21.Net Foreign Currency Asset/(Liability) Position of Monetary Items (=1+2a+5+6a-10-11-12a-14-15-16a)	**(16.927.249)**	**(7.977.455)**	**(2.665.584)**	**2.429.051**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	13.222.300	7.000.000	-	-
23.Export *	27.732.281	1.151.896	10.722.005	352.865
24.Import *	107.507.550	36.984.156	20.502.561	68.201

(*) Average exchange rate is used.

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

27. Nature and level of risks arising from financial instruments (continued)

v. Foreign Exchange Risk (continued)

The Company's foreign currency position as of December 31, 2010 are as follows:

		Schedule for foreign currency position		
				Current period
December 31, 2010	**TL equivalent (functional currency)**	**USD**	**EUR**	**AUD**
1. Trade Receivables	20.988.643	848.922	8.458.005	1.495.003
2a. Monetary Financial Assets (Cash, Bank accounts included)	1.376.746	-	671.878	-
2b. Non-Monetary Financial Assets	-	-	-	-
3.Other	1.247.953	784.926	16.816	-
4. Current Assets (1+2+3)	**23.613.342**	**1.633.848**	**9.146.699**	**1.495.003**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7.Other	-	-	-	-
8. Non-Current Assets (5+6+7)	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**23.613.342**	**1.633.848**	**9.146.699**	**1.495.003**
10. Trade Payables	(21.770.874)	(12.771.845)	(988.531)	-
11. Financial Liabilities	(9.178.297)	-	(4.479.185)	-
12a. Monetary Other Liabilities	(196.573)	(18.707)	(81.818)	-
12b. Non-Monetary Other Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**(31.145.744)**	**(12.790.552)**	**(5.549.534)**	**-**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	(11.621.657)	-	(5.671.591)	-
16a. Monetary Other Liabilities	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**(11.621.657)**	**-**	**(5.671.591)**	**-**
18. Total Liabilities (13+17)	**(42.767.401)**	**(12.790.552)**	**(11.221.125)**	**-**
19. Net Asset/(Liability) Position of Off-Balance Sheet Derivative Instruments (19a-19b)	14.634.900	9.000.000	1.500.000	(1.500.000)
19a. Amount of Hedged Asset	16.987.650	9.000.000	1.500.000	
19b. Amount of Hedged Liability	2.352.750			(1.500.000)
20. Net Foreign Asset/(Liability) Position (9-18+19)	**(4.519.159)**	**(2.156.704)**	**(574.426)**	**(4.997)**
21.Net Foreign Currency Asset/(Liability) Position of Monetary Items (=1+2a+5+6a-10-11-12a-14-15-16a)	**(20.402.012)**	**(11.941.630)**	**(2.091.242)**	**1.495.003**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	19.340.400	9.000.000	1.500.000	1.500.000
23.Export *	31.828.851	1.037.789	15.373.508	313.255
24.Import *	91.680.428	35.416.498	19.355.663	-

(*) Average exchange rate is used.

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

27. Nature and level of risks arising from financial instruments (continued)

v. Foreign Exchange Risk (continued)

The Company is exposed to foreign currency risk due to exchange rate fluctuations in translating to Turkish Lira the debited / credited totals denominated in foreign currency in relation to the Company's trade operations. The said foreign exchange risk is monitored by continuous analysis of the foreign currency position. The Company has adopted the policy of diversifying to the extent possible its currency basket for the purpose of managing the foreign exchange risk arising from future trade operations as well as the recognized assets and liabilities.

If the USD, Euro, and AUD were to gain / lose value by 10% against TL with all other variables remaining constant, the sensitivity analysis on the Company's profit before tax would be as follows:

December 31, 2011				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation of USD against TL:				
1- USD net asset/liability	(1.506.503)	1.506.503	-	-
2- Amount hedged for USD risk (-)	1.322.230	(1.322.230)	-	-
3- USD net effect (1+2)	**(184.273)**	**184.273**	**-**	**-**
In case 10% appreciation of EUR against TL:				
4- EUR net asset/liability	(256.917)	256.917	-	-
5- Amount hedged for EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	**(256.917)**	**256.917**	-	-
In case 10% appreciation of AUD against TL:				
7- AUD net asset/liability	465.552	(465.552)	-	-
8- Amount hedged for AUD risk (-)	-	-	-	-
9- AUD net effect (7+8)	**465.552**	**(465.552)**	-	-
Total (3+6+9)	**24.362**	**(24.362)**	-	-

December 31, 2010				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation of USD against TL:				
1- USD net asset/liability	(1.724.826)	1.724.826	-	-
2- Amount hedged for USD risk (-)	1.391.400	(1.391.400)	-	-
3- USD net effect (1+2)	**(333.426)**	**333.426**	**-**	**-**
In case 10% appreciation of EUR against TL:				
4- EUR net asset/liability	(425.071)	425.071	-	-
5- Amount hedged for EUR risk (-)	307.365	(307.365)	-	-
6- EUR net effect (4+5)	**(117.706)**	**117.706**	**-**	**-**
In case 10% appreciation of AUD against TL:				
7- AUD net asset/liability	234.491	(234.491)	-	-
8- Amount hedged for AUD risk (-)	(235.275)	235.275	-	-
9- AUD net effect (7+8)	**(784)**	**784**	**-**	**-**
			-	**-**
Total (3+6+9)	**(451.916)**	**451.916**	-	-

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

27. Nature and level of risks arising from financial instruments (continued)

vi. Capital management:

The Company's objectives when managing capital to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as the total liability (including borrowings, trade payables, due to related parties and other payables, as shown in the balance sheet) less cash and cash equivalents.Total share capital is the sum of all equity items stated in the statement of financial position.

	December 31, 2011	December 31, 2010
Total debt	**156.352.068**	137.385.240
Cash and cash equivalents (-) (Note 4)	**(14.631.180)**	(35.081.879)
Net debt	**141.720.888**	102.303.361
Total equity	**123.839.779**	113.102.992
Debt/ equity ratio	**114%**	% 90

28. Financial instruments

Fair value is the amount for which a financial instrument could be exchanged between willing parties excluding mandatory sales or liquidation transactions and it is determined by the market price of the instrument, if any.

The Company estimates the fair values of financial instruments by reviewing current market information and using relevant valuation methods. The fair value estimates and interpretation of market data depend on assumptions. Accordingly, the assumptions presented may not indicate the correct amounts that the Company may obtain within a current market operation.

The Company assumes that the carrying values of financial instruments represent their fair values.

Financial assets-

These assets are stated at cost and include cash and cash equivalents, their interest accruals and other short term financial assets. These are short term assets; hence, their fair values are assumed to approximate their carrying values. The carrying values of trade receivables after provision for rediscount and doubtful receivables are assumed to approximate their fair values.

(Currency - in Turkish Lira ("TL") unless otherwise indicated)

28. Financial instruments (continued)

Financial liabilities-

Monetary liabilities whose fair values approximate their carrying values:

Due to the short term nature of the trade payables and other monetary liabilities, their fair values are assumed to approximate their carrying values. Bank loans are stated at their discounted cost values and the transaction costs are added to their initial recognition value. As the interest rates on loans are updated with respect to the changing market conditions, their fair values are assumed to approximate their carrying values. The fair value of a fixed-interest loan whose carrying value is TL 89.477.805 amounts to TL 88.284.863. The fair values of trade receivables after provision for rediscount are assumed to approximate their carrying values.

Fair Value Inputs Hierarchy

The Company classifies its financial instruments recognized at fair value at a three-step hierarchy as per the sources of valuation inputs of each class of financial instruments as stated below.

Level 1: Valuation techniques where prices are quoted in active markets for identified assets and liabilities are used.

Level 2: Other valuation techniques which include directly or indirectly observable inputs.

Level 3: Valuation techniques that do not include observable market inputs.

As of December 31, 2011, the hierarchy diagram of the financial assets and liabilities followed up by the relevant fair values is as follows:

	Level 1	Level 2 (*)	Level 3
Financial assets carried at fair value	**-**	**-**	**-**
Financial liabilities carried at fair value	-	13.222.300	-
Fair value of forward operation	-	13.222.300	-

* The fair value is calculated taking into consideration the market interest rates of the original forward exchange in the remaining part of the contract.

29. Events after the reporting date

The upper limit of termination indemnity which stood at TL 2.731,85 as of December 31, 2011 has been increased to TL 2.805,04 with effect from January 1, 2012 (December 31, 2010 – TL 2.517,01)

30. Other issues materially affecting the financial statements or requiring disclosure for a proper interpretation and understanding of the financial statements.

Insurance totals of assets with respect to the periods are as follows (TL);

December 31, 2011	220.622.343
December 31, 2010	181.152.673