**YAZICILAR HOLDİNG ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2010 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

**(ORIGINALLY ISSUED IN TURKISH)**

**CONVENIENCE TRANSLATION INTO ENGLISH OF AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH**

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Yazıcılar Holding A.Ş.

1. We have audited the accompanying consolidated balance sheet of Yazıcılar Holding A.Ş., its subsidiaries and joint ventures (the "Group") as at 31 December 2010, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The consolidated financial statements of the Group as at 31 December 2009 and for the year then ended, prior to income statement and balance sheet reclassifications discussed in Note 2 which do not impact the reported net income, were audited by another auditor whose audit report dated 2 April 2010 expressed an unqualified opinion on those statements.

*Management's Responsibility for the Consolidated Financial Statements*

2. The Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting standards issued by the Capital Markets Board ("CMB"). This responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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*

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the generally accepted auditing principles and standards endorsed by the CMB. 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 the 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*

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Yazıcılar Holding A.Ş. as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards endorsed by the CMB (Note 2).

*Other Matter*

5. We have also audited the income statement and balance sheet reclassifications in the consolidated financial statements as of 31 December 2009 discussed in Note 2 which do not impact the reported net income. Based on our audit, such reclassifications are proper and applied as appropriately.

*Additional Paragraph for Convenience Translation into English*

6. The accounting principles described in Note 2 to the consolidated financial statements (defined as the "CMB Financial Reporting Standards") differ from International Financial Reporting Standards IFRSs issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005 and presentation of basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Burak Özpoyraz, SMMM
Partner

Istanbul, 1 April 2011

## YAZICILAR HOLDİNG ANONİM ŞİRKETİ

**Consolidated Financial Statements as of December 31, 2010**

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**CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2010**

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

| | Notes | **Audited December 31, 2010** | Restated Audited December 31, 2009 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | **3.836.404** | 3.631.801 |
| Cash and Cash Equivalents | 6 | **509.836** | 381.593 |
| Financial Instruments | 7 | **116.060** | 303.638 |
| Banking Loans (net) | 41.1 | **2.788.932** | 2.420.744 |
| Trade Receivables (net) | 10.1 | **90.948** | 143.914 |
| Financial Lease Receivables (net) | 12.1 | **119.463** | 139.148 |
| Derivative Financial Instruments | 41.4 | **4.485** | 7.237 |
| Due From Related Parties (net) | 37.2 | **15.046** | 11.812 |
| Other Receivables (net) | 11.1 | **34.573** | 46.109 |
| Biological Assets (net) | 14 | **10.708** | 9.453 |
| Inventories (net) | 13 | **87.637** | 123.023 |
| Receivables from Construction Contracts in Progress (net) | 15 | **-** | - |
| Other Current Assets | 26.1 | **58.716** | 45.130 |
| **Non-Current Assets** | | **2.816.167** | 2.153.546 |
| Financial Instruments | 7 | **492.216** | 237.685 |
| Banking Loans (net) | 41.1 | **434.995** | 295.835 |
| Trade Receivables (net) | 10.1 | **-** | - |
| Financial Lease Receivables (net) | 12.1 | **122.850** | 113.177 |
| Derivative Financial Instruments | 41.4 | **404** | - |
| Due from Related Parties (net) | 37.2 | **5.205** | 5.651 |
| Other Receivables (net) | 11.2 | **18.398** | 10.682 |
| Investments Accounted Through Equity Method | 16 | **1.228.063** | 1.090.393 |
| Goodwill (net) | 20 | **35.344** | 35.344 |
| Assets Held For Sale (net) | 34 | **32.787** | 28.966 |
| Property, Plant and Equipment (net) | 18 | **356.214** | 276.293 |
| Intangible Assets (net) | 19 | **12.943** | 7.191 |
| Deferred Tax Assets | 35.1 | **34.498** | 29.500 |
| Other Non-Current Assets | 26.2 | **42.250** | 22.829 |
| **TOTAL ASSETS** | | **6.652.571** | 5.785.347 |

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

**YAZICILAR HOLDİNG ANONİM ŞİRKETİ**

**CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2010**

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

| | Notes | **Audited December 31, 2010** | Restated Audited December 31, 2009 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current Liabilities** | | **3.799.609** | 3.479.480 |
| Short-Term Borrowings (net) | 8 | **103.892** | 216.276 |
| Current Portion of Long-Term Borrowings (net) | 8 | **100.705** | 50.796 |
| Financial Lease Obligations (net) | 12.2 | **-** | - |
| Other Financial Liabilities (net) | 9 | **-** | - |
| Trade Payables (net) | 10.2 | **70.121** | 46.316 |
| Banking Customer Deposits | 41.2 | **2.658.295** | 2.528.901 |
| Funds Borrowed | 41.3 | **624.604** | 460.320 |
| Blocked Accounts | | **94.285** | 40.922 |
| Due to Related Parties (net) | 37.3 | **1.005** | 2.402 |
| Other Payables | 11.3 | **27.307** | 39.903 |
| Deferred Income from Construction Contracts in progress (net) | 15 | **-** | - |
| Provisions | 22 | **15.501** | 22.745 |
| Income Tax Payable | 35.3 | **1.792** | 2.544 |
| Derivative Financial Instruments | 41.4 | **11.913** | 8.687 |
| Provisions for the Employee Benefits | 24 | **16.867** | 12.932 |
| Other Current Liabilities (net) | 26.3 | **73.322** | 46.736 |
| **Non-Current Liabilities** | | **551.870** | 232.664 |
| Long-Term Borrowings (net) | 8 | **105.272** | 24.521 |
| Financial Lease Obligations (net) | 12.2 | **-** | - |
| Other Financial Liabilities (net) | 9 | **-** | - |
| Trade Payables (net) | 10.2 | **-** | - |
| Banking Customer Deposits | 41.2 | **6.788** | - |
| Funds Borrowed | 41.3 | **404.422** | 180.736 |
| Blocked Accounts | | **-** | - |
| Due to Related Parties (net) | 37.3 | **-** | - |
| Other Payables | 11.3 | **334** | 348 |
| Provisions | 22 | **-** | - |
| Derivative Financial Instruments | 41.4 | **3.255** | - |
| Provisions for the Employee Benefits | 24 | **16.417** | 14.012 |
| Deferred Tax Liability | 35.1 | **15.153** | 12.717 |
| Other Liabilities (net) | 26.3 | **229** | 330 |
| **EQUITY** | | **2.301.092** | 2.073.203 |
| **Equity Attributable to Equity Holders of the Parent** | | **1.786.051** | 1.597.438 |
| Paid-in Share Capital | 27 | **160.000** | 160.000 |
| Adjustment to Share Capital and Equity Instruments | 27 | **-** | - |
| Share Premium | | **9.474** | 9.474 |
| Revaluation Surplus | 27 | **8.907** | 8.266 |
| Restricted Reserves Allocated from Net Profit | 27 | **16.063** | 14.080 |
| Currency Translation Differences | | **(955)** | (6.292) |
| Other Reserves | | **(3.864)** | - |
| Net Income | | **221.699** | 230.336 |
| Retained Earnings | 27 | **1.374.727** | 1.181.574 |
| **Minority Interest** | | **515.041** | 475.765 |
| **TOTAL LIABILITIES AND EQUITY** | | **6.652.571** | 5.785.347 |

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

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

**YAZICILAR HOLDİNG ANONİM ŞİRKETİ**

**CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

| | Notes | **Audited 01.01.2010 – 31.12.2010** | Restated Audited 01.01.2009 – 31.12.2009 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue (net) | 28 | **1.047.914** | 1.022.759 |
| Cost of Sales (-) | 28 | **(865.266)** | (821.436) |
| Service Income (net) | 28 | **44.645** | 39.005 |
| **Gross Profit from Trading Operations** | | **227.293** | 240.328 |
| Interest and Other Income | 28 | **408.602** | 532.683 |
| Interest and Other Expense (-) | 28 | **(170.240)** | (226.960) |
| **Gross Profit from Financial Operations** | | **238.362** | 305.723 |
| **GROSS PROFIT** | | **465.655** | 546.051 |
| Marketing, Selling and Distribution Expenses (-) | 29 | **(69.556)** | (67.354) |
| General Administrative Expenses (-) | 29 | **(228.078)** | (189.266) |
| Research and Development Expenses (-) | 29 | **(465)** | (646) |
| Other Operating Income | 31.1 | **22.574** | 33.051 |
| Other Operating Expense (-) | 31.2 | **(59.085)** | (90.889) |
| **OPERATING INCOME** | | **131.045** | 230.947 |
| Gain/(Loss) from Investments Accounted Through Equity Method | 16 | **191.155** | 151.800 |
| Financial Income | 32 | **55.474** | 77.647 |
| Financial Expense (-) | 33 | **(85.495)** | (138.850) |
| **INCOME BEFORE TAX FROM CONTINUING OPERATIONS** | | **292.179** | 321.544 |
| Tax Income/(Expense) from Continuing Operations | | **(14.920)** | (10.553) |
| - Current Period Tax Expense (-) | 35.2 | **(17.410)** | (32.883) |
| - Deferred Tax Income/(Expense) | 35.2 | **2.490** | 22.330 |
| **NET INCOME FOR THE PERIOD FOR CONTINUING OPERATIONS** | | **277.259** | 310.991 |
| **Attributable to:** | | | |
| - Minority Interests | | **55.560** | 80.655 |
| - Equity Holders of the Parent | | **221.699** | 230.336 |
| Earnings per share (full TRL) | 36 | **1,39** | 1,44 |

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

## YAZICILAR HOLDİNG ANONİM ŞİRKETİ

## CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

| | **Audited 01.01.2010 – 31.12.2010** | Audited 01.01.2009 – 31.12.2009 |
|---|---|---|
| **Net Income from Continuing Operations** | **277.259** | 310.991 |
| Change in revaluation surplus of available for sale financial assets, net of tax | **(287)** | (5.578) |
| Currency translation difference | **419** | 69 |
| Group's share in other comprehensive income of investments accounted through equity method, net of tax | **6.267** | (6.338) |
| **Other Comprehensive Income/(Loss), (net of tax)** | **6.399** | (11.847) |
| **Total Comprehensive Income** | **283.658** | 299.144 |
| **Attributable to:** | | |
| Minority interests | **55.981** | 79.142 |
| Equity holders of the parent | **227.677** | 220.002 |

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

**YAZICILAR HOLDİNG ANONİM ŞİRKETİ**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED DECEMBER 31, 2010**

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

| | Paid-in Share Capital | Share Premium | Revaluation Surplus | Restricted Reserves Allocated from Net Profit | Currency Translation Differences | Other Reserves | Net Income | Retained Earnings | Attributable to Equity Holders of the Parent | Minority Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| As of January 1, 2009 | 160.000 | 9.474 | 4.940 | 12.110 | 7.368 | - | 159.833 | 1.057.499 | 1.411.224 | 392.448 | 1.803.672 |
| Transfer of net income to the retained earnings | - | - | - | 1.970 | - | - | (159.833) | 157.863 | - | - | - |
| Capital increase of minority shareholders | - | - | - | - | - | - | - | - | - | 9.191 | 9.191 |
| Dividend paid | - | - | - | - | - | - | - | (34.000) | (34.000) | (4.925) | (38.925) |
| Effect of change in subsidiary consolidation rate | - | - | - | - | - | - | - | 212 | 212 | (91) | 121 |
| Other comprehensive income/(expense) | - | - | 3.326 | - | (13.660) | - | - | - | (10.334) | (1.513) | (11.847) |
| Net income | - | - | - | - | - | - | 230.336 | - | 230.336 | 80.655 | 310.991 |
| Total comprehensive income/(expense) | - | - | 3.326 | - | (13.660) | - | 230.336 | - | 220.002 | 79.142 | 299.144 |
| As of December 31, 2009 | 160.000 | 9.474 | 8.266 | 14.080 | (6.292) | - | 230.336 | 1.181.574 | 1.597.438 | 475.765 | 2.073.203 |

| | Paid-in Share Capital | Share Premium | Revaluation Surplus | Restricted Reserves Allocated from Net Profit | Currency Translation Differences | Other Reserves | Net Income | Retained Earnings | Attributable to Equity Holders of the Parent | Minority Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **As of January 1, 2010** | **160.000** | **9.474** | **8.266** | **14.080** | **(6.292)** | **-** | **230.336** | **1.181.574** | **1.597.438** | **475.765** | **2.073.203** |
| Transfer of net income to the retained earnings | - | - | - | 1.983 | - | - | (230.336) | 228.353 | - | - | - |
| Dividend paid | - | - | - | - | - | - | - | (35.200) | (35.200) | (16.438) | (51.638) |
| Minority share purchase of investments accounted through equity method (Note 3) | - | - | - | - | - | (3.864) | - | - | (3.864) | (267) | (4.131) |
| Other comprehensive income/(expense) | - | - | 641 | - | 5.337 | - | - | - | 5.978 | 421 | 6.399 |
| Net income | - | - | - | - | - | - | 221.699 | - | 221.699 | 55.560 | 277.259 |
| Total comprehensive income | - | - | 641 | - | 5.337 | - | 221.699 | - | 227.677 | 55.981 | 283.658 |
| **As of December 31, 2010** | **160.000** | **9.474** | **8.907** | **16.063** | **(955)** | **(3.864)** | **221.699** | **1.374.727** | **1.786.051** | **515.041** | **2.301.092** |

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

## YAZICILAR HOLDİNG ANONİM ŞİRKETİ

## CONSOLIDATED CASH FLOW STATEMENT
## FOR THE YEAR ENDED DECEMBER 31, 2010

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

| | Notes | Audited 01.01.2010 – 31.12.2010 | Restated Audited 01.01.2009 – 31.12.2009 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Income before tax from continuing operations | | **292.179** | 321.544 |
| **Adjustments for:** | | | |
| (Gain)/loss from disposal of property, plant and equipment, and intangible assets | | **(12.590)** | (4.804) |
| Depreciation and amortization | 18, 19 | **42.886** | 35.337 |
| Provision for possible loan losses and impairment in receivables | 10.1, 12.1, 41.1 | **83.979** | 117.799 |
| Provision for warranty | 22 | **(5.480)** | 3.036 |
| Provision for vacation pay liability | 24 | **707** | 232 |
| Provision for employee termination benefits | 24 | **6.878** | 5.110 |
| Provision for bonus | 24 | **3.049** | 4.436 |
| Other provisions | | **(1.870)** | 1.866 |
| Provision for inventories/(reversal) | 13 | **(470)** | (1.428) |
| Foreign exchange loss/(gain) | | **(1.101)** | (704) |
| Interest expenses | | **20.695** | 64.395 |
| Gain from investments accounted through equity method | | **(191.155)** | (151.800) |
| Gain on sale of share in subsidiary | 31.1 | **-** | (11.811) |
| Net decrease/(increase) in derivative financial instruments – assets | 41.4 | **2.348** | 21.675 |
| Net (decrease)/increase in derivative financial instruments – liabilities | 41.4 | **6.481** | (18.698) |
| Other non-cash income | | **496** | (561) |
| **Operating profit before changes in operating assets and liabilities** | | **247.032** | 385.624 |
| Net increase in financial assets | | **(67.239)** | (236.911) |
| Net (increase)/decrease in reserve deposits at Central Bank | 6 | **(37.237)** | 26.971 |
| Net increase in banking loans | | **(586.707)** | (451.985) |
| Net decrease in trade and other receivables and due from related parties | | **55.569** | 14.945 |
| Net decrease in inventories | | **34.601** | 32.617 |
| Net (increase)/decrease in other assets | | **(29.187)** | 9.900 |
| Net increase/(decrease) in trade and other payables and due to related parties | | **36.391** | (30.581) |
| Net increase/(decrease) in banking customer deposits | | **136.181** | (3.432) |
| Net increase in blocked accounts | | **53.363** | 11.317 |
| Net increase in assets held for sale | | **(3.821)** | (16.239) |
| Purchase of motor vehicles for operational fleet leasing business | 18 | **(92.007)** | (43.170) |
| Proceeds from resale of motor vehicles for operational fleet leasing business | | **31.605** | 15.991 |
| Employee termination benefits paid | 24 | **(4.294)** | (2.864) |
| Taxes paid | 35.3 | **(18.162)** | (30.776) |
| **Net cash used in by operating activities** | | **(243.912)** | (318.593) |
| **Cash flows used in investing activities** | | | |
| Purchase of property, plant and equipment, investment property and intangible asset | 18, 19 | **(64.447)** | (29.844) |
| Proceeds from sale of property, plant and equipment, and intangible asset | | **8.603** | 1.415 |
| Purchase of financial assets and participation in capital increase | | **(9.541)** | (16.965) |
| **Net cash used in investing activities** | | **(65.385)** | (45.394) |
| **Cash flows (used in)/provided by financing activities** | | | |
| Dividends and other cash flows from equity participations | | **65.162** | 51.594 |
| Capital increase of minority shareholders | | **-** | 9.191 |
| Dividends paid to minority interests | | **(16.438)** | (4.925) |
| Dividends paid | | **(35.200)** | (34.000) |
| Proceeeds from borrowings from banks and other institutions | | **1.966.890** | 2.611.674 |
| Repayments of borrowings and interest from banks and other institutions | | **(1.571.200)** | (2.832.772) |
| Interest paid (-) | | **(9.036)** | (50.603) |
| **Net cash provided/(used in) by financing activities** | | **400.178** | (249.841) |
| Currency translation on cash and cash transaction | | **125** | 69 |
| Net increase/(decrease) in cash and cash equivalents | | **91.006** | (613.759) |
| Cash and cash equivalent at the beginning of the period | 6 | **311.651** | 925.410 |
| **Total cash and cash equivalent at the end of the period** | | **402.657** | 311.651 |
| Interest income | | **19.215** | 6.062 |
| Dividend income | | **3** | 2 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 1. ORGANIZATION AND NATURE OF ACTIVITIES

Yazıcılar Holding A.Ş., a company incorporated in Istanbul, Turkey ( "Yazıcılar" or the "Company") is a holding company of which majority shares are owned by three Yazıcı families. Three Yazıcı families consist of Mr. Kamil Yazıcı, his two deceased brothers, their wives and children. The Company controls its subsidiaries through Anadolu Endüstri Holding (AEH) in which it has 68.00% stake. Certain shares of the Company are listed on the Istanbul Stock Exchange (ISE). The Company was incorporated in 1976.

The registered office address of the Company is Umut Sokak No:12, İçerenköy, Ataşehir, İstanbul, Turkey.

The consolidated financial statements as of December 31, 2010 are authorized for issue by the Board of Directors on April 1, 2011, and are approved by the General Manager Sezai Tanrıverdi and the Finance Manager Yusuf Ovnamak on behalf of Board of Directors. General Assembly and other regulatory institutions have the right to change the financial statements after the consolidated financial statements are issued.

**Activities of the Group**

The Company and its subsidiaries will be referred as the "Group" henceforth for the purposes of the consolidated financial statements.

The Group is organized and primarily managed in four principal segments: Automotive (including passenger vehicles, commercial vehicles, generators, spare and component parts, consumer durables); financial services (including banking, leasing, brokerage and investment banking services); retailing (stationery, chain restaurant management, food, information technologies and tourism) and other (trade, asset management, energy).

The average number of personnel of the Group is 6.249 (December 31, 2009: 6.007).

**List of Shareholders**

As of December 31, 2010 and December 31, 2009 the composition of shareholders and their respective percentage of shareholding rates can be summarized as follows:

| | **December 31, 2010** | | December 31, 2009 | |
|---|---|---|---|---|
| | **Amount** | **%** | Amount | % |
| Yazıcı Families | **62.481** | **39,05** | 62.567 | 39,10 |
| Kamil Yazıcı Yönetim ve Danışma A.Ş. | **53.600** | **33,50** | 53.600 | 33,50 |
| Publicly traded (*) | **43.919** | **27,45** | 43.833 | 27,40 |
| **Paid-in share capital** | **160.000** | **100,00** | 160.000 | 100,00 |

(*) TRL 2.906 of the publicly traded portion, which is 1,816% of the paid-in share capital, is owned by Kamil Yazıcı Yönetim ve Danışma A.Ş.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 1. ORGANIZATION AND NATURE OF ACTIVITIES (cont'd)

**List of Subsidiaries**

The subsidiaries included in consolidation and their shareholding percentages at December 31, 2010 and December 31, 2009 are as follows:

| | Place of incorporation | Principal activities | Segment | Effective shareholding and voting rights % December 31, 2010 | December 31, 2009 |
|---|---|---|---|---|---|
| Anadolu Endüstri Holding A.Ş. (AEH) | Turkey | Holding company | Other | **68,00** | 68,00 |
| Alternatifbank A.Ş. (ABank) (1) | Turkey | Banking services | Finance | **61,75** | 61,75 |
| Alternatif Yatırım A.Ş. (A Yatırım) | Turkey | Brokerage company | Finance | **61,75** | 61,75 |
| Alternatif Finansal Kiralama A.Ş. (ALease) | Turkey | Leasing company | Finance | **64,94** | 64,94 |
| Alternatif Yatırım Ortaklığı A.Ş. (AYO) (1) (3) | Turkey | Investment company | Finance | **32,48** | 32,48 |
| Çelik Motor Ticaret A.Ş. (Çelik Motor) | Turkey | Import, distribution and marketing of Lada and Kia motor vehicles and operating lease | Automotive | **68,00** | 68,00 |
| Anadolu Motor Üretim ve Pazarlama A.Ş. (Anadolu Motor) | Turkey | Production of industrial engines, sale of tractors | Automotive | **67,93** | 67,93 |
| Anadolu Otomotiv Dış Ticaret ve Sanayi A.Ş. | Turkey | Import of Kia and Lada motor vehicles | Automotive | **67,38** | 67,38 |
| Anadolu Elektronik Aletler Pazarlama ve Ticaret A.Ş. (Anadolu Elektronik) (4) | Turkey | Distribution of Samsung-branded consumer durables in Turkey | Automotive | **34,65** | 34,65 |
| Adel Kalemcilik Ticaret ve Sanayi A.Ş. (Adel) (1) (2) | Turkey | Production of writing instruments under Adel, Johann Faber and Faber Castell brand names | Retailing | **38,68** | 38,68 |
| Ülkü Kırtasiye Ticaret ve Sanayi A.Ş. (Ülkü) (2) | Turkey | Distribution of the products of Adel, and other imported stationery products | Retailing | **49,76** | 49,76 |
| Efes Turizm İşletmeleri A.Ş. (Efestur) | Turkey | Arrangement of travelling and organization facilities of the Group | Retailing | **51,60** | 51,60 |
| Anadolu Bilişim Hizmetleri A.Ş. (ABH) | Turkey | IT, internet and e-commerce services | Retailing | **65,53** | 65,53 |
| Oyex Handels GmbH (Oyex) | Germany | Trading of various materials used in the Group | Other | **67,32** | 67,32 |
| Anadolu Endüstri Holding A.S. und Co. KG (AEH und Co.) | Germany | Provides necessary market research of products abroad | Other | **67,32** | 67,32 |
| Anadolu Restoran İşletmeleri Limited Şirketi (McDonald's) | Turkey | Restaurant chain management, ranch management | Retailing | **68,00** | 68,00 |
| Hamburger Restoran İşletmeleri A.Ş. (Hamburger) | Turkey | Restaurant chain management | Retailing | **68,00** | 68,00 |
| Anadolu Varlık Yönetim A.Ş. (Anadolu Varlık) | Turkey | Asset management | Other | **67,99** | 67,99 |
| Anadolu Taşıt Ticaret A.Ş. (Anadolu Taşıt) | Turkey | Industrial and commercial operations in automotive sector | Other | **68,00** | 68,00 |
| Anadolu Araçlar Ticaret A.Ş. (Anadolu Araçlar) | Turkey | Import, distribution and marketing of Geely motor vehicles | Automotive | **68,00** | 68,00 |
| Anadolu Termik Santralleri A.Ş. (Anadolu Termik) | Turkey | Production of electricity (Investment in progress) | Other | **68,00** | 68,00 |
| AES Toptan Elektrik Tic. A.Ş. (AES Elektrik) | Turkey | Whole sale and retail sale of electricity and/or its capacity (Investment in progress) | Other | **68,00** | 68,00 |
| AEH Sigorta Acenteliği A.Ş. (AEH Sigorta) | Turkey | Insurance agency | Other | **68,00** | 68,00 |
| Anatolia Energy B.V. (Anatolia Energy) | Netherlands | Inactive | Other | **68,00** | 68,00 |
| Anelsan Anadolu Elektronik Sanayi ve Ticaret A.Ş. (Anelsan) (5) | Turkey | Inactive | Retailing | **48,94** | 48,94 |
| Anadolu Kafkasya Enerji Yatırımları A.Ş. (Anadolu Kafkasya) | Turkey | Production and transmission of electricity, and establishment and operation of distribution facilities (Investment in progress) | Other | **68,00** | 67,94 |
| Antek Teknoloji Ürünleri Pazarlama ve Ticaret A.Ş. (Antek Teknoloji) (6) | Turkey | Whole sale and retail sale of electronic devices | Automotive | **68,00** | - |
| Georgian Urban Energy LLC (GUE) (7) | Georgia | Production and sale of electricity (Investment in progress) | Other | **68,00** | - |

(1) Shares of ABank, Adel and AYO are quoted on the Istanbul Stock Exchange (ISE).
(2) AEH controls Adel and Ülkü through its shareholding of 56,89% and 68,78%, respectively. Moreover, Adel has 7,67% stake at Ülkü. As a result, Adel and Ülkü are controlled by Yazıcılar Holding A.Ş.
(3) Shareholding rate changes in ABank's effective consolidation rate of AYO.
(4) Anadolu Motor and AEH have 50,00% and 1,00% shareholding at Anadolu Elektronik, respectively. As a result, Anadolu Elektronik is controlled by Yazıcılar.
(5) Ülkü controls Anelsan through its shareholding of 96,50%. As a result, Anelsan is controlled by Yazıcılar.
(6) AEH has 99,99% shareholding rate at Antek Teknoloji established on March 5, 2010. The indirect shareholding rate of Yazıcılar is 68,00%.
(7) Anadolu Kafkasya has 100,00% shareholding rate at GUE acquired on March 4, 2010. The indirect shareholding rate of Yazıcılar is 68,00%.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 1. ORGANIZATION AND NATURE OF ACTIVITIES (cont'd)

### Investment in Associate

The associate included in consolidation by equity method and its shareholding percentages at December 31, 2010 and December 31, 2009 are as follows:

| | Country of incorporation | Main activities | Effective shareholding and voting rights % | |
|---|---|---|---|---|
| | | | **December 31, 2010** | December 31, 2009 |
| Anadolu Efes Biracılık ve Malt San. A.Ş. (Anadolu Efes) | Turkey | Production of beer | **36,27** | 36,27 |

### Joint Ventures

The investments in joint ventures included in consolidation by equity method and their shareholding percentages at December 31, 2010 and December 31, 2009 are as follows:

| | Country of incorporation | Main activities | Effective shareholding and voting rights % | |
|---|---|---|---|---|
| | | | **December 31, 2010** | December 31, 2009 |
| Anadolu Isuzu Otomotiv San. ve Tic. A.Ş. (Anadolu Isuzu) | Turkey | Manufacturing and selling of Isuzu brand commercial vehicles | **37,56** | 37,56 |
| Ana Gıda İhtiyaç Maddeleri Sanayi ve Ticaret A.Ş. (Ana Gıda) | Turkey | Production and marketing of olive oil under Kırlangıç, Komili and Madra brands | **37,57** | 37,57 |
| Aslancık Elektrik Üretim A.Ş. (Aslancık) | Turkey | Electricity production (Investment in progress) | **22,67** | 17,00 |
| D Tes Elektrik Enerjisi Toptan Satış A.Ş. (D Tes) | Turkey | Electricity wholesale (Investment in progress) | **17,00** | 17,00 |

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### Basis of Preparation of Financial Statements

The Company and its subsidiaries incorporated in Turkey maintains its books of account and prepares its statutory financial statements in Turkish Lira (TRL) in accordance with Turkish Commercial Code and Banking Legislation, Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

The subsidiaries incorporated outside of Turkey maintain their books of account and prepare their statutory financial statements in accordance with the regulations of the countries in which they operate. The consolidated financial statements have been prepared from the statutory financial statements of the Company's subsidiaries' in accordance with Turkish Capital Market Board (CMB) Accounting Standards with certain adjustments and reclassifications for the purpose of fair presentation.

The financial statements of the Company and its subsidiaries until 31 December 2007 have been prepared in accordance with the Communiqué No: XI-25 'Communiqué on Accounting Standards in Capital Markets'. In this Communiqué is stated that alternatively, the application of accounting standards prescribed by the International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC) will be also considered to be compliant with the CMB Accounting Standards. Accordingly, the consolidated financial statements of the Company until 31 December 2007 had been prepared in accordance with the alternative methods allowed by the CMB.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

### Basis of Preparation of Financial Statements (cont'd)

In accordance with the CMB's "Communiqué on Financial Reporting in Capital Market" No: XI-29, published in the Official Gazette dated 9 April 2008, effective 1 January 2008, listed companies are required to prepare their financial statements in compliance with International Accounting/Financial Reporting Standards (IAS/IFRS) as prescribed in the CMB Communiqué. Since, there are not any difference between the accounting policies of the alternative method of Communiqué No: XI-25 (previously applied) and the Communiqué Serial No: XI-29, there is no change in the accounting policies applied in preparation of the financial statements of the current and prior period.

The consolidated financial statements at December 31, 2010 have been prepared in accordance with compulsory reporting formats of CMB's.

### Convenience Translation into English of Consolidated Financial Statements

The accounting principles described in Note 2 to the consolidated financial statements ("CMB Financial Reporting Standards") differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January and 31 December 2005 as described in detailed in Note 2. Accordingly, the accompanying financial statements are not intended to present the financial position and the results of operations and cash flows of the Group in accordance with IFRS.

### Functional and Presentation Currency

The functional and presentation currency of the Company and subsidiaries, joint ventures and associates incorporated in Turkey is TRL.

In accordance with CMB announcement No.11/367 dated March 17, 2005; since the objective conditions for the application of restatement is no longer available and since CMB foresees that the probability of the re-occurrence of the conditions is remote, lastly the financial statements as of December 31, 2004 have been subject to the restatement.

### Functional and Local Currencies of Foreign Subsidiaries

The foreign subsidiaries maintain their books of accounts in accordance with the laws and regulations in force in the countries in which they are registered and necessary adjustments and reclassifications made for the fair presentation in accordance with IFRS. The assets and liabilities of foreign subsidiaries are translated into Turkish Lira using the relevant foreign exchange rates prevailing at the balance sheet date.

The incomes and expenses of the foreign subsidiaries are translated into Turkish Lira using average exchange rate for the period. Exchange differences arising from using year-end and average exchange rates are included in the shareholders' equity as currency translation differences. Functional and local currency of foreign subsidiaries are as follows:

| | | **December 31, 2010** | December 31, 2009 |
|---|---|---|---|
| | Local Currency | **Functional Currency** | Functional Currency |
| AEH und Co. | EUR | **EUR** | EUR |
| Oyex | EUR | **EUR** | EUR |
| Anatolia Energy | EUR | **EUR** | EUR |
| GUE | Georgian Lari (GEL) | **GEL** | - |

Foreign subsidiaries are established as foreign corporate entities.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

**Reclassification Made to 2009 Consolidated Financial Statements**

In order to be consistent with the current period's presentation, reclassifications have been made in the consolidated balance sheet and consolidated income statement as of December 31,2009 are as follows;

a) Real estates amounting to TRL 28.966 in "Banking loans" account has been classified into "Assets held for sale" account and loan loss provision (net) for non-cash loans amounting to TRL 10.906 in "Banking loans" account has been classified into "Provisions" account.
b) Real estates amounting to TRL 12.355 in "Investment properties" account has been classified into "Other non-current assets account".
c) Personnel loans amounting to TRL 286 in "Other current assets" account and amounting to TRL 276 in "Other non-current assets" account has been classified into "Banking loans" account.
d) "Reserve deposits at Central Bank" amounting to TRL 69.942 has been classified into "Cash and cash equivalents" account.
e) Tax stamp payable to Turkish National Broadcasting Corporation amounting to TRL 10.508 in "Provisions" account, has been classified into "Other payables" account.
f) Sales bonus amounting to TRL 41.029 in "Marketing, Selling and Distribution Expenses" account has been classified into "Revenue" account, and expenses related to operational fleet leasing business amounting to TRL 34.344 in "Marketing, selling and distribution expenses" account has been classified into "Cost of sales" account.
g) Gain on sale of property, plant and equipment related to operational fleet leasing business amounting to TRL 4.680 in "Revenue" account has been classified into "Cost of sales" account.
h) Tax stamp expense related to Turkish National Broadcasting Corporation amounting to TRL 30.367 in "Provisions" account, has been classified into "Other payables" account.
i) Foreign exchange gain amounting to TRL 9.462 in "Interest and other income" account, foreign exchange loss amounting to TRL 5.719 in "Interest and other expense" account, and foreign exchange loss amounting to TRL 33.097 in "General administrative expenses" account have been classified into "Financial expense" account.
j) Gain on sale of property plant and equipment amounting to TRL 1.783 in "General administrative expenses" account has been classified into "Other operating income" account.
k) Provision for loan losses amounting to TRL 72.208 in "General administrative expenses" account has been classified into "Other operating expense" account.

**Changes in Accounting Policies**

**New standards and interpretations**

The accounting policies adopted in the preparation of the consolidated financial statements as at December 31, 2010 are consistent with those followed in the preparation of the consolidated financial statements of the prior year and for the year ended 31 December 2009, except for the adoption of new standards and IFRIC interpretations summarized below.

**The new standards, amendments and interpretations which are effective for the year end and interim periods after January 1, 2010 (These standards have an affect on the Group's financial statements and adopted by the Group):**

- IAS 27 (Revised), "Consolidated and separate financial statements" (Effective for annual periods beginning on or after July 1, 2009)
- IFRS 3 (Revised), "Business combinations" (Effective for annual periods beginning on or after July 1, 2009)
- IAS 28, "Investments in associates" (Effective for annual periods beginning on or after July 1, 2009)

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

- IAS 31, "Interests in joint ventures" (Effective for annual periods beginning on or after July 1, 2009)
- IAS 38 (Revised), "Intangible asset" (Effective for annual periods beginning on or after July 1, 2009)
- IFRS 5 (Revised), "Assets held for sale or discontinued oparetions" (Effective for annual periods beginning on or after January 1, 2010)
- IAS 1 (Revised), "Presentation of financial statements" (Effective for annul periods beginning on or after January 1, 2010)

**The new standards, amendments and interpretations which are effective for the year end and interim periods after January 1, 2010 (These standards do not have an affect on the Group's financial statements):**

- IFRIC 17, "Distribution of non-cash assets owners " (Effective for annual periods beginning on or after July 1, 2009)
- UFRS 2 (Revised), "Group cash-settled share-based payment transactions" (Effective for annul periods beginning on or after January 1, 2010)
- IFRIC 18, "Transfers of assets from customers" (Effective for annual periods beginning on or after July 1, 2009)
- IFRIC 9 "Reassessment of embedded derivatives" (Effective for annual periods beginning on or after July 1, 2009)
- IFRIC 16 "Hedges of a net investment in a foreign operation" (Effective for annual periods beginning on or after July 1, 2009)
- IAS 36 (Revised), "Impairment of assets" (Effective for annul periods beginning on or after January 1, 2010)
- IFRIC 19 "Extinguishing financial liabilities with equity instruments" (Effective for annual periods beginning on or after July 1, 2010)

**The new standards which are not issued as of December 31, 2010 and not early adopted by the Group:**

- IFRS 9 "Financial Instruments" (Effective for annual periods beginning on or after Janury 1, 2013)
- IAS 24 (Revised), "Related Party Disclosures" (Effective for annual periods beginning on or after Janury 1, 2011)
- IAS 32 (Revised) "Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements" (Effective for annual periods beginning on or after February 1, 2010)
- UFRYK 14 (Revised), "The limit on a defined benefit asset, minimum funding requirements and their interaction" (Effective for annual periods beginning on or after January 1, 2011)
- Improvements to IFRS 2010

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

### Basis of Consolidation

The principal accounting policies adopted in preparing the consolidated financial statements of the Group are as follows:

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The consolidated financial statements of the Group include Yazıcılar Holding A.Ş. and subsidiaries under its control. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

Minority interests in the net assets of the subsidiaries included in consolidation, appears as a seperate item in Group's equity. Minority interest consists of minority's amount that already exists as of the first acquisition date and the amounts take place during the changes in the parent company's equity related to minority interest after the first acquisition date. Losses exceeding the shares belonging to minority interest are distributed to the shares of the Group, unless there is a mandatory obligation to compensate the recognized losses and an opportunity to make additional investments to cover the stated losses of the minority interest. The equity and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and income statement, respectively.

Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for transactions and other events in similar circumstances.

### Investments in Associates

The Group's investments in associates are accounted under the equity method of accounting. Investments in associates are undertakings over which the Group generally has between 20% and 50% of the voting rights and the Group has significant influence and which are not subsidiaries or joint ventures of the Group. The investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The income statement reflects the Group's share of the results of operations of the associates.

The Group's investments in associates which the Group has direct interest or indirect interest by its subsidiaries are accounted under the equity method of accounting considering direct or indirect shareholding rate in total. Minority interest is calculated regarding the effective shareholding rate through its subsidiaries.

The investments valued accounted through equity method are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the associates. The effect of the amounts that has not reflected to the profit or loss of the associate on the equity of the associate, may require an adjustment on the book value of the associate. Group's share in these changes is directly being recorded in Group's equity.

Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

### Joint Ventures

Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Group and its subsidiaries together with one or more other parties. The Group's interest in joint ventures are accounted for under the equity method of accounting.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

### Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated financial statements when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a basis or realize the assets and settle the liabilities simultaneously.

### Use of Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of balance sheet date. Actual results may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

The source of the risk carrying estimates, assumptions and calculation indefinitions which may cause to significant adjustments at assets and liabilities at following periods as of balance sheet date are; actuarial assumptions used for employee termination benefits, impairment of assets and useful lives of tangibles and intangibles.These estimates and assumptions are explained at related disclosure in detail.

*Impairment of goodwill*

According to the determined accounting policies, the Group performs impairment test for goodwill annually or when circumstances indicate that the carrying value may be impaired. As of December 31, 2010, impairment test for goodwill is generated by comparing its carrying amount with the recoverable amount. The recovarable amount is determined taking the value in use calculation as basis. In these calculations, estimated free cash flows before tax from financial budgets covering a six-year period and approved by Board of Directors are used. Estimated free cash flows before tax after a six-year period are calculated for six years period by using expected growth rates.

Estimated free cash flows before tax are discounted to expected present value for future cash flows. Key assumptions such as growth rate in the sector are used by taking into consideration the banking business segments plans. Main estimates such as working capital requirements and capital expenditures were based on the Group's key assumptions, historical operating data and planned investments. The enterprise value used as a base for the impairment test has been calculated using cash flow projections from the strategic business plan approved by the Board of Directors and no impairment has been detected on goodwill. Perpetuity growth rate used in impairment test in the operating units is subject to change according to years and it is used based on the inflation and GDP growth rate for corporate loans and based on assumptions in the retailing loans regarding it is a new segment. In this context, for loans in TRL basis a growth rate within 17% and 30% , and after tax discount rate 15% is used. (December 31, 2009: 9% - 15%)

*Provision for doubtful receivables*

Allowance for doubtful receivables reflect the future loss that the Group anticipates to incur from the trade receivables as of the balance sheet date which are subject to collection risk considering the current economical conditions. During the impairment test for the receivables, the debtors, other than the key accounts and related parties, are assessed with their prior year performances, their credit risk in the current market, their performance after the balance sheet date up to the issuing date of the financial statements; and also the renegotation conditions with these debtors are considered. The provision for doubtful receivables are followed in the Note 10.1.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

*Provision for inventories*

During the assessment of the provision for inventory the following are considered; analyzing the inventories physically and historically, considering the employment and usefulness of the inventories respecting to the technical personnel view. Sales prices listed, average discount rates given for sale and expected cost incurred to sell are used to determine the net realizable value of the inventories. As a result of this, the inventories with the net realizable values below the costs are written down in the Note 13.

*Employee termination benefit*

Discount rates are determined using actuarial valuations which involve making assumptions about future salary increases and employee turnover rates The details related with the defined benefit plans are stated in Note 24.

*Warranty provision*

Group has determined the warranty provision by considering the realized warranty expense per vehicle in previous years for each vehicle model and the warranty period left per each vehicle.

**Summary of Significant Accounting Policies**

### 2.1 Revenue Recognition

***Non-Banking***

Revenue is recognized on accrual basis based on the assumptions that delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Group is probable. Net sales are calculated after deducting sales returns and sales discounts.

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

- The Group transfers the significant risks and rewards of ownership of the goods to the buyer,
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recorded as revenue according to it's percentage of completion when it is calculated reliably. In the case that it can not be calculated reliably, the revenue is recognized only to the extent of the associated expenses that are recoverable.

Interest income is recorded on the basis of effective interest rate method and dividend income is recorded when the right of dividend income is arisen.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

### Summary of Significant Accounting Policies (cont'd)

***Banking***

Interest income and expense are recognized in the income statement in fair value for all interest bearing instruments on an accrual basis using the effective interest method (a method of calculating the amortized cost of a financial asset or a financial liability to reach net present value).

According to the related regulations, the interest accrual and discount of non-performing loans and other receivables are not considered and included in interest income till they are collected.

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Commission and fees arising from cash and non-cash loans are recognized as revenue in the related period by discounting using the effective interest method.

Fees and commission expense related with financial borrowings and paid to third parties are recognized as prepaid expenses in the balance sheet. Commission and fees are recognized as expense in the related period by discounting using the effective interest method.

### 2.2 Inventories

Inventories are valued at the lower of cost and net realizable value after provision for obsolete and slow moving. Overheads that have been incurred in bringing the inventories to their present location and condition are accounted as stated below:

Costs are accounted for weighted average method for other companies. Finished goods and semi-finished goods include cost of direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs incurred in order to realize sale.

### 2.3 Property, Plant and Equipment

Property, plant and equipment are carried with their cost after subtracting accumulated depreciation and impairment. Property, plant and equipment are depreciated principally on a straight-line basis. Motor vehicles in operational fleet leasing business are depreciated over the residual value which is determined as 50% of its cost (December 31, 2009: 50%). Land is not depreciated as it is deemed to have an indefinite life. The estimated useful lives of assets, are as follows:

| | |
|---|---|
| Land improvements | 5-50 years |
| Buildings | 20-50 years |
| Machinery and equipment | 5-10 years |
| Motor vehicles | 3-5 years |
| Furniture and fixtures | 5 years |
| Leasehold improvements | Lease period |

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

### Summary of Significant Accounting Policies (cont'd)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the income statement.

The profit or loss as a result of selling property, plant and equipment is calculated as the difference between the carrying amount and proceeds and included in income statement in the period the asset is disposed.

### 2.4 Intangible Assets

**(i) Goodwill and amortization**

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary, associate or joint venture at the date of acquisition. The carrying values of goodwill is annually reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. In accordance with IFRS 3, goodwill is tested for impairment at least annually.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

**(ii) Other intangible assets**

Intangible assets acquired separately from a business are capitalized at cost. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the period in which it is incurred.

Useful lives of intangible assets are determined as either finite or infinite.

Intangible assets are amortized on a straight line basis over the estimated useful lives which are between 3 and 20 years. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

**Summary of Significant Accounting Policies (cont'd)**

### 2.5 Impairment of Assets

All assets other than goodwill are tested whether there is an indication of impairment of asset or not for each periods of the balance sheet. If such an indication exists, recoverable amount of that asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Impairment of goodwill is not reversed.

### 2.6 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset. Capitalisation of borrowing costs should be ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs shall be recognised as an expense when incurred.

### 2.7 Financial Instruments

The Group recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion financial asset. The Group derecognizes a financial liability when and only when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expired.

**Cash and Cash Equivalents**

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash at bank and in hand, deposits at the Central Bank of Turkey, which are easily convertible into cash and do not carry any material value changes, have high liquidity, with an original maturity of three months or less. The amounts paid under the reverse repurchase agreements are included in cash and cash equivalents.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

**Summary of Significant Accounting Policies (cont'd)**

***Repurchase (repo) and Resale (reverse repo) Transactions***

The Group enters into sales of securities under agreements to repurchase such securities at a fixed price at a fixed future date. Such securities, which have been sold subject to a repurchase agreement ('repos'), are recognized in the balance sheet and are measured in accordance with the accounting policy of the security portfolio which they are part of. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreement using the effective interest method. Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as loaned securities when the transferee has the right by contract or custom to sell or re-pledge the collateral. The counterparty liability for amounts received under these agreements is included in "Other Money Market Deposits".

Securities purchased with a corresponding commitment to resell at a fixed price at a specified future date ('reverse repos') are not recognized in the balance sheet, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in other money market placements. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement using the effective interest method.

**Accounting as of Transaction and Delivery Dates**

All acquisitions and sales of financial assets are recorded in the transaction date, as of the date Group commits to perform the transaction. Regular acquisitions or sales are generally transactions which the delivery dates of assets are determined due to the legislations or arrangements in the market.

**Financial assets**

All investments are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. All regular way purchases and sales of financial assets are recognized on the date the asset delivered to or by the Group. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets i.e. for assets carried at cost or amortized cost, change in value is not recognized; for assets classified as trading or as available for sale, the change in value is recognized to profit and loss, and in equity respectively. The Group maintains three separate financial assets portfolio, as follows:

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are securities, which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit exists. After initial recognition, financial assets at fair value through profit or loss are remeasured at fair value based on quoted bid prices. All related realized and unrealized gains or losses are recognized in trading income/(loss).

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

**Summary of Significant Accounting Policies (cont'd)**

***Held-to-Maturity Financial Assets***

Financial assets with fixed or determinable payments and fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Management determines the appropriate classification of its investments at the time of the purchase.

After initial recognition, held-to-maturity financial assets are carried at amortized cost using the effective yield method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

Interest earned whilst holding held-to-maturity financial assets is included in interest income.

***Available-for-Sale Financial Assets***

After initial recognition, available-for-sale financial assets are remeasured at fair value. Gains or losses on remeasurement to fair value are recognized as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

Interest earned on available-for-sale financial assets is included in interest income. Dividends received are included in dividend income.

For financial assets at fair value through profit or loss or available-for-sale financial assets investments that are actively traded in organized financial markets, fair value is determined by reference to ISE quoted market bid prices at the close of business on the balance sheet date. For financial assets where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment. Equity securities for which fair values can not be measured reliably are recognized at cost less impairment.

**Trade Receivables and Payables**

Trade receivables from the supply of products and services to a buyer, are carried at net of deferred finance income. Trade receivables net of deferred finance income, which are initially recorded at original invoice amounts, are measured at amortized cost of the amounts that will be collected in the subsequent periods with the effective interest rate. Short term trade receivables which do not have a determined interest rate, when the interest accrual effect is immaterial, are measured at the original invoice values.

The Group provides allowance for doubtful receivables when there is an indication that the collections are not probable. Related provision amount is the difference between the book value of the receivable and the probable collection amount. The probable collection amount is the cash flows, including collections from guarantees, which are discounted at the effective interest rate of the original receivable.

Subsequent to provide allowance for doubtful receivable, when all or a portion of the doubtful receivable is collected, the collection is deducted from the allowance and recorded as other income.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

**Summary of Significant Accounting Policies (cont'd)**

**Banking Loans and Advances to Customers**

Loans and receivables are non-derivative financial assets whose payments are fixed and can be determined, are unquoted in an active market and held for purchase or sale, financial assets at the fair value through profit or loss or financial assets held for resale. Counterparty expenses such as legal fees and deductions are considered as the part of transaction cost.

Loans and advances are reflected in financial statements when amount in cash is given to the customers.

**Funds Borrowed, Banking Customer Deposits and Borrowings**

All deposits and borrowings are initially recognized at the fair value of consideration received less directly attributable transaction costs. After initial recognition interest-bearing deposits and borrowings are subsequently measured at amortized cost using the effective interest method. Gains or losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

**Derivative Financial Instruments**

The Group enters into transactions with derivative instruments including forwards, swaps and options in the foreign exchange and capital markets. These derivative transactions are considered as effective economic hedges under the Group's risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IAS 39, they are treated as derivatives held for trading. Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are remeasured at their fair values.

Fair values are obtained from quoted market prices, to the extent publicly available, discounted cash flows and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For derivatives that do not qualify for special hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

### 2.8 Foreign Currency Transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRL, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the Company and its Turkish subsidiaries, transactions in currencies other than TRL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The foreign currency income or expenses incurred from the translation of foreign currency denominated transaction or restatement of monetary items is reflected within the statement of income in the related period.

Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings are recognized in profit or loss in the period in which they arise.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

**Summary of Significant Accounting Policies (cont'd)**

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TRL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 2.9 Earnings per Share

Earnings per share disclosed in the consolidated statement of income are determined by dividing net income by the weighted average number of shares in existence during the period concerned.

In Turkey, companies can raise their share capital by distributing shares ("Bonus Shares") to shareholders in their retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

### 2.10 Subsequent Events

Subsequent events cover all events between the balance sheet date and authorization date of balance sheet for issue even if subsequent event has occurred after any announcement about the profit or any other selected financial information made public.

The Group; reflects the effect of such post-period-end adjusting events to the consolidated financial statements.

### 2.11 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are assessed continuously to determine whether the possibility of an outflow of resources embodying economic benefits is probable. When the possibility of an outflow of resources embodying economic benefits is probable for the accounts classified as contingent liabilities, provision is provided in the financial statements for related contingent liabilities except for the situations there is not a reliable estimation.

The Group discloses the contingent liabilities that are probable but there is not a reliable estimation for the amount of resources embodying economic benefits.

Assets that result from previous events that can not be controlled fully by the Group and depend on the realization of one or more uncertain events, is considered as a contingent asset. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

**Summary of Significant Accounting Policies (cont'd)**

### 2.12 Changes in Accounting Policies, Accounting Estimates and Errors

Changes in accounting policies or accounting errors are applied retrospectively and the consolidated financial statements of the comparative period are restated. If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes are for the following periods, changes are applied both on the current and following years prospectively.

### 2.13 Leases

The Group as a Lessee

*Finance Lease*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the estimated useful life of the asset. If there is no reasonable certainity that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

*Operating Lease*

Leases where the lesser retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. These include rent agreements of premises, which are cancellable subject to a period of notice. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

The Group as a Lessor

*Finance Lease*

The Group presents leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognized over the lease term.

*Operating Lease*

The Group presents assets subject to operating leases in the balance sheets according to their nature. Lease income from operating leases is recognized in income on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental income over the lease term on a straight-line basis. Operating leases are amortized based on their cost after deducting their residual values.

IAS 16 "Property, Plant and Equipment", items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

**Summary of Significant Accounting Policies (cont'd)**

### 2.14 Related Parties

Parties are considered related to the Group if;

(a) directly, or indirectly through one or more intermediaries, the party:
  (i) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
  (ii) has an interest in the Company that gives it significant influence over the Company; or
  (iii) has joint control over the Company;
(b) the party is an associate of the Company;
(c) the party is a joint venture in which the Company is a venture;
(d) the party is member of the key management personnel of the Company or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) 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);
(g) the party has a defined benefit plan for the employees of the Company or a related party of the Company.

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged.

### 2.15 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group Management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group is organized and primarily managed in four principal segments: Automotive (including passenger vehicles, commercial vehicles, generators, spare and component parts, consumer durables); financial services (banking, leasing, brokerage and investment banking services); retailing (stationery, chain restaurant management, food, information technologies, and tourism) and other (trade, asset management and energy).

### 2.16 Government Incentives and Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to such grants, and that the grants will be received. They are recognized as income over the period to match them with the related costs that they are intended to compensate. Income relating to government grants is recognized as a deduction from the appropriate expense.

### 2.17 Taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

**Summary of Significant Accounting Policies (cont'd)**

*Current Tax*

The current income tax payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

*Deferred Tax*

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

### 2.17 Taxes

*Deferred Tax (cont'd)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### 2.18 Employee Termination Benefits

**Defined Benefit Plan**

In accordance with existing social legislation in Turkey, the Group companies operating in Turkey are required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the consolidated financial statements, the Group has reflected a liability using the Projected Unit Credit Method and based upon estimated inflation rates and factors derived using the Group's experience of personnel terminating their services and being eligible to receive such benefits and discounted by using the current market yield at the balance sheet date on government bonds.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

**Summary of Significant Accounting Policies (cont'd)**

**Defined Contribution Plan**

The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are accrued.

### 2.19 Cash Flow Statement

Cash flows are classified according to operating, investmenting and financing activities in the statement of cash flow. Cash and cash equivalents are presented including interest accruals and acquisition costs.

Cash and cash equivalents are consist of cash on hand, check, demand deposits, time deposit with original maturity less than three months and other short-term highly liquid investments, whose maturities equal or less than three months, are easily convertible into cash and are subject to an insignificant risk of changes in value.

### 2.20 Provisions for Loans, Non-Performing Receivables and Lease Receivable

Based upon its evaluation of credits granted, management estimates the total credit risk provision that it believes is adequate to cover uncollectible amounts in the Group's loan and receivable portfolio and losses under guarantees and commitments. If there is objective evidence that the Group will not be able to collect all amounts due (principle and interest) according to original contractual terms of the loan, such loans are considered impaired and classified as "loans in arrears". The amount of the loss is measured as the difference between the loan's carrying amount and the present value of expected future cash flows discounted at the loan's original effective interest rate or as the difference between the carrying value of the loan and the fair value of collateral, if the loan is collateralized and foreclosure is probable.

The Group reviews its individually significant loans and advances in each balance sheet date to assess whether an impairement loss should be recorded in the income statement. In particular, judgement of management is required in the estimation of the amount and timing of future cash flows when determining the imparement loss. In estimating these cash flows, the Group makes judgements about the borrower's financial situation and the net realizable value of the colleteral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Impairment and uncollectibility are measured and recognized individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired.

Interest accrual for "loans in arrears" are not calculated and the recoverable amount of these loans is determined primarily in reference to fair value of collateral.

The carrying amount of the asset is reduced to its estimated recoverable amount through use of an allowance for impairment account. A write off is made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. In the case that a loan is written off, the provision which has already been booked is reversed and the loan is net-off from the assets. If the principle amount of the loan written off at the earlier period is collected, the collected amount is booked as income.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for loan losses expense. Unwinding of the discount is treated as income and remaining provision is then reassessed.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

**Summary of Significant Accounting Policies (cont'd)**

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets are collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

### 2.21 Biological Assets

Cattle grown up in farms belonging to McDonald's, are classified under biological assets and reflected at fair value as of balance sheet dates. The fair values are determined with the expected market rate according to IAS 41 "Biological Assets".

## 3. BUSINESS COMBINATIONS

**Transactions for the year of 2010**

Anadolu Efes , an associate of the Company, acquired 11.219.811 GDRs of Efes Breweries International N.V. (EBI), a subsidiary of Anadolu Efes, representing approximately 26,53% of the issued share capital of EBI from a group of shareholders at a price of USD 17,00 per GDR (each GDR representing 5 shares) at a total consideration of TRL 290.456. According to IAS 27, difference amounting to TRL 1.955 between the net asset value of EBI and the acquisition cost has been reflected by the Group to 'Other reserves' under the equity.

In November 2010, Efes Technical and Management Consultancy N.V. (AETMC), one of the subsidiary of Anadolu Efes which is an associate of the Company, acquired 15,10% shares of OAO Knyaz Rurik (Knyaz Rurik), which owns 80,02% of ZAO Mutena Maltery (Mutena Maltery) shares for a cash consideration of TRL 5.786. According to IAS 27, difference amounting to TRL 745 between the net asset value of Knyaz Rurik and the acquisition cost has been reflected by the Group to 'Other reserves' under the equity.

Anadolu Kafkasya, a subsidiary of the Company, purchased 100% shares of GUE, which will perform the Paravani Hydroelectric Power Plant Project in Georgia, amounting to USD 3.500.000 from Energon International Ltd. (Energon) on March 4, 2010. Since GUE has not been operating at the acquisition date, the acquisition is not subject to IFRS 3 "Business Combinations". The acquired net assets except for electricity production license are accounted with their carrying values (Note 19).

**Transactions for year of 2009**

In January 2009, Coca Cola Içecek A.Ş (CCI), has increased its existing shareholding in Turkmenistan Coca-Cola Bottlers Ltd. (Turkmenistan CC) with the acquisition of 13,75% shares of Turkmenistan CC which previously owned by The Coca-Cola Export Corporation (TCCEC) and 12,50% shares from Day Investments Ltd. which had 25% shares in total of Turkmenistan CC, for a cash consideration of TRL 7.026. Following the completion of the acquisitions, CC's share in Turkmenistan CC reached to 59,5% and it is included in consolidation by using the full consolidation method. In accordance with the change in the scope of consolidation and in conformity with IFRS 3, TRL 1.784 fair value difference occurred from the financial statements of Turkmenistan CC prepared according to fair value basis was recorded by the Group as "Group's share in other comprehensive income of investments accounted through equity method" in consolidated comprehensive income statement.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 4. JOINT VENTURES

**Joint Ventures**

| | | | **December 31, 2010** | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|---|---|
| **Entity** | **Principle activities** | **Country of business** | **Carrying value** | **Effective shareholding and voting rights %** | **Group's share of (loss)** | Carrying value | Effective shareholding and voting rights % | Group's share of income/ (loss) |
| Anadolu Isuzu (*) | Manufacturing and selling of Isuzu brand commercial vehicles | Turkey | **62.711** | **37,56** | **(1.751)** | 64.465 | 37,56 | (7.347) |
| Ana Gıda | Production and marketing of olive oil under Kırlangıç, Komili and Madra Brands, sunflower and corn oil | Turkey | **45.668** | **37,57** | **(1.704)** | 47.372 | 37,57 | (4.963) |
| Aslancık | Production of electricity | Turkey | **13.481** | **22,67** | **(668)** | 4.328 | 17,00 | 286 |
| D Tes | Wholesale of electricity | Turkey | **57** | **17,00** | **(34)** | - | 17,00 | (56) |
| | | | **121.917** | | **(4.157)** | 116.165 | | (12.080) |

(*) Shares of Anadolu Isuzu are quoted on the ISE.

AEH, a subsidiary of the Company, purchased 96.000 Aslancık shares at a nominal value of TRL 0,025 amounting to TRL 1.105 from Unit Investment N.V. As a consequence of this transaction, the shareholding rate of the Group in Aslancık has increased to 22,67% by increasing 5,67 point.

Summary financial information of the Group's investment in joint venture Anadolu Isuzu are as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Anadolu Isuzu** | | |
| Total assets | **330.028** | 279.315 |
| Total liabilities | **168.235** | 112.963 |
| Net assets | **161.793** | 166.352 |
| **Group's interest in net assets** | **62.711** | 64.465 |

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Anadolu Isuzu** | | |
| Revenues | **339.928** | 256.420 |
| Net income/(loss) for the period | **(4.558)** | (19.122) |
| **Group's share in net income/(loss) of the joint venture** | **(1.751)** | (7.347) |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 4. JOINT VENTURES (cont'd)

Summary financial information of the Group's investment in other joint ventures are as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Other joint ventures** | | |
| Total assets | **192.279** | 156.200 |
| Total liabilities | **61.511** | 45.639 |
| Net assets | **130.768** | 110.561 |
| **Group's interest in net assets** | **59.206** | 51.700 |

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Other joint ventures** | | |
| Revenues | **138.953** | 157.791 |
| Net income/(loss) for the period | **(5.224)** | (10.415) |
| **Group's share in net income/(loss) of the joint ventures** | **(2.406)** | (4.733) |

## 5. SEGMENT REPORTING

The Group is organized and primarily managed in four principal segments: Automotive (including passenger vehicles, commercial vehicles, generators, spare and component parts, consumer durables); financial services (including banking, leasing, brokerage and investment banking services); retailing (stationery, chain restaurant management, food, information technologies and tourism) and other (trade, asset management, energy).

Since segment reporting and information used in the Group management reporting is consistent with consolidated balance sheet and consolidated income statement the Group does not need to perform reconciliation between the consolidated income statement, consolidated balance sheet and the segment reporting disclosure.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 5. SEGMENT REPORTING (cont'd)

| December 31, 2010 | Financial institutions | Automotive | Retailing | Other | Unallocated | Consolidated |
|---|---|---|---|---|---|---|
| Sales | 408.602 | 600.543 | 440.744 | 51.272 | - | 1.501.161 |
| Inter-segment sales | 961 | 3.503 | 8.198 | 9.801 | (22.463) | - |
| **Total Sales** | **409.563** | **604.046** | **448.942** | **61.073** | **(22.463)** | **1.501.161** |
| **GROSS PROFIT** | **236.593** | **116.443** | **93.217** | **33.394** | **(13.992)** | **465.655** |
| Marketing, selling, and distribution expenses (-) | - | (38.561) | (32.416) | (90) | 1.511 | (69.556) |
| General administrative expenses (-) | (130.554) | (43.805) | (31.150) | (43.653) | 21.084 | (228.078) |
| Research and development expenses (-) | - | (465) | (8) | - | 8 | (465) |
| Other operating income | 11.527 | 9.711 | 717 | 3.181 | (2.562) | 22.574 |
| Other operating expense (-) | (47.308) | (2.476) | (6.990) | (3.116) | 805 | (59.085) |
| **OPERATING INCOME** | **70.258** | **40.847** | **23.370** | **(10.284)** | **6.854** | **131.045** |
| Gain/Loss from the investments accounted through equity method (*) | - | - | - | - | 191.155 | 191.155 |
| Financial income | 12.363 | 15.611 | 2.959 | 27.270 | (2.729) | 55.474 |
| Financial expense (-) | (44.864) | (24.650) | (3.422) | (13.560) | 1.001 | (85.495) |
| **INCOME BEFORE TAX FROM CONTINUING OPERATIONS** | **37.757** | **31.808** | **22.907** | **3.426** | **196.281** | **292.179** |
| **Tax Income/(Expense) from Continuing Operations** | **(4.145)** | **(5.531)** | **(4.961)** | **(281)** | **(2)** | **(14.920)** |
| - Current period tax expense (-) | (8.822) | (2.486) | (5.731) | (371) | - | (17.410) |
| - Deferred tax income / (expense) | 4.677 | (3.045) | 770 | 90 | (2) | 2.490 |
| **NET INCOME FOR THE PERIOD** | **33.612** | **26.277** | **17.946** | **3.145** | **196.279** | **277.259** |
| **Attributable to:** | | | | | | |
| - Minority interest | 2.314 | 4.835 | - | - | 48.411 | 55.560 |
| - Equity holders of the parent | 31.298 | 21.442 | 17.946 | 3.145 | 147.868 | 221.699 |
| **Total Assets** (**) | **4.549.219** | **482.262** | **256.724** | **1.540.929** | **(176.563)** | **6.652.571** |
| Investments accounted through equity method | - | - | - | - | 1.228.063 | 1.228.063 |
| **Total Liabilities** | **3.986.773** | **269.831** | **61.395** | **119.165** | **(85.685)** | **4.351.479** |
| Property, plant and equipment and intangible asset purchases | 9.837 | 95.084 | 34.210 | 17.323 | - | 156.454 |
| Depreciation and amortization | 6.254 | 24.935 | 11.077 | 860 | (240) | 42.886 |

(*) Income recognized from Anadolu Efes amounting to TRL 195.312 and expense recognized from Anadolu Isuzu, Anagıda, Aslancık and D Tes amounting to TRL 4.157 are recorded to gain/loss from the investments accounted through equity method in 'unallocated' segment.

(**) Unallocated segment includes goodwill amounting to TRL 35.344 (Note 20).

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 5. SEGMENT REPORTING (cont'd)

| December 31, 2009 | Financial institutions | Automotive | Retailing | Other | Unallocated | Consolidated |
|---|---|---|---|---|---|---|
| Sales | 532.683 | 627.090 | 385.874 | 48.800 | - | 1.594.447 |
| Inter-segment sales | 3.079 | 3.467 | 5.789 | 8.477 | (20.812) | - |
| Total Sales | 535.762 | 630.557 | 391.663 | 57.277 | (20.812) | 1.594.447 |
| GROSS PROFIT | 301.493 | 131.391 | 88.415 | 30.319 | (5.567) | 546.051 |
| | | | | | | |
| Marketing, selling, and distribution expenses (-) | - | (42.175) | (25.960) | (95) | 876 | (67.354) |
| General administrative expenses (-) | (102.666) | (38.352) | (27.440) | (39.393) | 18.585 | (189.266) |
| Research and development expenses (-) | - | (652) | - | - | 6 | (646) |
| Other operating income | 6.300 | 11.736 | 1.347 | 4.797 | 8.871 | 33.051 |
| Other operating expense (-) | (82.706) | (2.777) | (4.103) | (2.076) | 773 | (90.889) |
| | | | | | | |
| OPERATING INCOME | 122.421 | 59.171 | 32.259 | (6.448) | 23.544 | 230.947 |
| | | | | | | |
| Gain/Loss from the investments accounted through equity method (*) | - | - | - | - | 151.800 | 151.800 |
| Financial income | 50.591 | 13.853 | 4.174 | 16.339 | (7.310) | 77.647 |
| Financial expense (-) | (93.961) | (32.284) | (3.645) | (12.069) | 3.109 | (138.850) |
| | | | | | | |
| INCOME BEFORE TAX FROM CONTINUING OPERATIONS | 79.051 | 40.740 | 32.788 | (2.178) | 171.143 | 321.544 |
| Tax Income/(Expense) from Continuing Operations | 4.325 | (7.180) | (6.881) | 808 | (1.625) | (10.553) |
| - Current period tax expense (-) | (20.599) | (7.126) | (4.349) | (809) | - | (32.883) |
| - Deferred tax income / (expense) | 24.924 | (54) | (2.532) | 1.617 | (1.625) | 22.330 |
| | | | | | | |
| NET INCOME FOR THE PERIOD | 83.376 | 33.560 | 25.907 | (1.370) | 169.518 | 310.991 |
| Attributable to: | | | | | | |
| - Minority interest | 3.989 | 12.431 | 6 | - | 64.229 | 80.655 |
| - Equity holders of the parent | 79.387 | 21.129 | 25.901 | (1.370) | 105.289 | 230.336 |
| | | | | | | |
| Total Assets (**) | 3.938.095 | 454.739 | 230.743 | 1.477.189 | (315.419) | 5.785.347 |
| Investments accounted through equity method | - | - | - | - | 1.090.393 | 1.090.393 |
| Total Liabilities | 3.408.972 | 247.841 | 46.031 | 122.914 | (113.614) | 3.712.144 |
| Property, plant and equipment and intangible asset purchases | 2.446 | 47.278 | 22.565 | 725 | - | 73.014 |
| Depreciation and amortization | 6.010 | 19.697 | 9.444 | 948 | (762) | 35.337 |

(*) Income recognized from Anadolu Efes and Aslancık amounting to TRL 164.166 and expense recognized from Anadolu Isuzu, Anagıda, and D Tes amounting to TRL 12.366 recorded to gain/loss from the investments accounted through equity method in 'unallocated' segment.

(**) Unallocated segment includes goodwill amounting to TRL 35.344.

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(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 5. SEGMENT REPORTING (cont'd)

Substantially all of the consolidated revenues are obtained from operations located in Turkey.

Associate: The Group's effective shareholding rate for Anadolu Efes is 36,27% (December 31, 2009: 36,27%). The operations of Anadolu Efes and its subsidiaries consist of production, distribution and marketing of beer under a number of trademarks and selling and distribution of sparkling and still beverages with The Coca-Cola Company trademark principally in Turkey, Central Asia and Middle East. The result of these operations, as of December 31, 2010 and December 31, 2009 are reflected in "gain/loss from the investments accounted through equity method" line of the consolidated income statement as gain amounting to TRL 195.312 and gain amounting to TRL 163.880 respectively.

## 6. CASH AND CASH EQUIVALENTS

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Non-Banking | **207.412** | 87.284 |
| Banking | **195.245** | 224.367 |
| **Cash and cash equivalents in the consolidated cash flow statement** | **402.657** | 311.651 |
| Banking | | |
| -Reserve deposits at Central Bank | **107.179** | 69.942 |
| | **509.836** | 381.593 |

**Non-Banking**

The details of cash and cash equivalents are as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Cash on hand | **1.142** | 1.294 |
| Cash in banks | **204.007** | 84.676 |
| Other | **2.263** | 1.314 |
| | **207.412** | 87.284 |

| | **December 31, 2010** | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|
| | **Amount** | **Maturity** | **Interest rate %** | Amount | Maturity | Interest rate % |
| **Cash in banks** | | | | | | |
| **Demand deposit** | **11.860** | - | - | 10.190 | - | - |
| -EUR | **699** | - | - | 1.396 | - | - |
| -USD | **415** | - | - | 77 | - | - |
| -GBP | **239** | - | - | 8.627 | - | - |
| -TRL | **10.507** | - | - | 90 | - | - |
| **Time deposit** | **192.147** | | | 74.486 | | |
| -EUR | **61.432** | **1 – 31 days** | **1,90 – 4,75** | 22.926 | 1 – 12 days | 3,10 |
| -USD | **26.275** | **1 – 31 days** | **3,00 – 4,75** | 768 | 7 days | 4,00 |
| -TRL | **104.437** | **3 – 45 days** | **6,75 – 9,20** | 50.792 | 5 – 42 days | 7,00 – 10,75 |
| -GEL | **3** | **1 days** | **5,25 – 5,50** | | | |
| | **204.007** | | | 84.676 | | |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 6. CASH AND CASH EQUIVALENTS (cont'd)

**Banking**

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Cash on hand** | **28.791** | 30.394 |
| -Foreing currency | **18.191** | 18.663 |
| -TRL | **10.600** | 11.731 |
| **Demand deposits at Central Bank** | **94.389** | 113.371 |
| -Foreing currency | **40.281** | 34.101 |
| -TRL | **54.108** | 79.270 |
| **Reserve deposits at Central Bank** | **107.179** | 69.942 |
| -Foreing currency | **107.179** | 69.942 |
| -TRL | **-** | - |
| **Cash and balances with the Central Bank** | **230.359** | 213.707 |
| **Deposits with banks and other financial institutions** | **72.065** | 80.602 |
| | **302.424** | 294.309 |

## 7. FINANCIAL INSTRUMENTS

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Non-Banking | **9.473** | 7.146 |
| Banking | **598.803** | 534.177 |
| | **608.276** | 541.323 |

**Non-Banking**

| | **December 31, 2010** | | December 31, 2009 | |
|---|---|---|---|---|
| | **Amount** | **Effective interest rate %** | Amount | Effective interest rate % |
| Investment funds | **3.014** | **-** | 687 | - |
| Non-current financial assets | **6.459** | | 6.459 | |
| - Polinas Plastik ve Ticaret A.Ş. (Polinas) | **6.276** | **10,57** | 6.276 | 10,57 |
| - Doğu Yatırım Holding A.Ş. (Doğu Yatırım) | **95** | **0,48** | 95 | 0,48 |
| - Other | **88** | | 88 | |
| | **9.473** | | 7.146 | |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 7. FINANCIAL INSTRUMENTS (cont'd)

**Banking**

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Financial assets at fair value through profit and loss | **207.632** | 27.235 |
| Available for sale financial assets | **12** | 31.605 |
| Held to maturity financial assets | **391.159** | 475.337 |
| | **598.803** | 534.177 |

**Financial assets at fair value through profit and loss**

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Financial assets at fair value through profit and loss | | |
| Debt instruments | | |
| -Government bonds and treasury bills | **21.881** | 2.746 |
| -Government bonds and treasury bills sold under repurchase agreements | **164.547** | 5.508 |
| -Other | **202** | - |
| | **186.630** | 8.254 |
| Other | | |
| -Listed on the ISE | **21.002** | 18.981 |
| | **21.002** | 18.981 |
| **Total financial assets at fair value through profit and loss** | **207.632** | 27.235 |

**Available for sale financial assets**

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Available-for-sale financial assets at fair value | | |
| -Government bonds and treasury bills | **12** | 31.605 |
| **Total available-for-sale financial assets** | **12** | 31.605 |

**Held to maturity financial assets**

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Held to maturity financial assets | | |
| Debt instruments | | |
| -Government bonds and treasury bills | **243.440** | 375.324 |
| -Government bonds and treasury bills sold under repurchase agreements | **147.719** | 100.013 |
| **Total held to maturity financial assets** | **391.159** | 475.337 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 7. FINANCIAL INSTRUMENTS (cont'd)

**Banking (cont'd)**

Movement of financial assets is as follows:

| | **December 31, 2010** | | |
|---|---|---|---|
| | **Available for sale financial assets** | **Held to maturity financial assets** | **Total** |
| Balance at January 1, 2010 | 31.605 | 475.337 | 506.942 |
| Additions | - | 232.472 | 232.472 |
| Disposals (Sale and/or redemption) | (31.593) | (310.384) | (341.977) |
| Change in fair value | - | (6.266) | (6.266) |
| **Balance at the end of the period** | **12** | **391.159** | **391.171** |

| | December 31, 2009 | | |
|---|---|---|---|
| | Available for sale financial assets | Held to maturity financial assets | Total |
| Balance at January 1, 2009 | 74.734 | 189.271 | 264.005 |
| Additions | 329.191 | 324.514 | 653.705 |
| Disposals (Sale and/or redemption) | (369.735) | (28.092) | (397.827) |
| Change in fair value | (2.585) | (10.356) | (12.941) |
| Balance at the end of the period | 31.605 | 475.337 | 506.942 |

As of December 31, 2010, the carrying value of government securities kept in the Central Bank of Turkey and in ISE Clearing and Custody Incorporation for legal requirements and as a guarantee for stock exchange and money market operations are TRL 60.753 and the cost of it is TRL 55.447 (December 31, 2009: TRL 49.180 and TRL 46.004).

Current financial assets is TRL 116.060 (December 31, 2009: TRL 303.638) and non-current financial assets is TRL 492.216 (December 31, 2009: TRL 237.685).

## 8. BORROWINGS

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Bank borrowings | **103.892** | 216.276 |
| Current portion of long term borrowings | **100.705** | 50.796 |
| **Short term borrowings** | **204.597** | 267.072 |
| Bank borrowings | **105.272** | 24.521 |
| **Long term borrowings** | **105.272** | 24.521 |
| **Total borrowings** | **309.869** | 291.593 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 8. BORROWINGS (cont'd)

As of December 31, 2010, the Group does not have any secured bank borrowings (December 31, 2009: None).

| | **December 31, 2010** | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|
| **Short term** | **Amount** | **Fixed interest rate** | **Floating interest rate** | Amount | Fixed interest rate | Floating interest rate |
| Borrowing in Turkish Lira | **75.862** | **7,2% - 10,0 %** | **-** | 139.481 | 6,9% -12,5 % | - |
| Borrowing in foreign currency (EUR) | **92.877** | **2,9% - 5,3%** | **Euribor + (1,0%)** | 94.637 | 3,1% - 11,0% | Euribor + (0,9% - 1,3%) |
| Borrowing in foreign currency (USD) | **35.858** | **3,0% - 4,0 %** | **Libor + (1,6%)** | 32.954 | 6,8% - 8,5% | - |
| | **204.597** | | | 267.072 | | |
| **Long term** | **Amount** | **Fixed interest rate** | **Floating interest rate** | Amount | Fixed interest rate | Floating interest rate |
| Borrowing in Turkish Lira | **3.000** | **-** | **-** | | | |
| Borrowing in foreign currency (EUR) | **86.812** | **2,9 % - 4,2%** | **-** | 24.521 | 3,3% - 3,5% | Euribor + (1,3%) |
| Borrowing in foreign currency (USD) | **15.460** | **-** | **Libor + (2,3%)** | - | - | - |
| | **105.272** | | | 24.521 | | |
| | **309.869** | | | 291.593 | | |

Repayments schedules of long-term borrowings are as follows :

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| 2011 | **-** | 24.521 |
| 2012 | **66.455** | - |
| 2013 | **35.889** | - |
| 2014 | **1.464** | - |
| 2015 and thereafter | **1.464** | - |
| | **105.272** | 24.521 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 9. OTHER FINANCIAL LIABILITIES

None (December 31, 2009: None).

## 10. TRADE RECEIVABLES AND TRADE PAYABLES

### 10.1 Trade Receivables

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Trade receivables, net | **50.107** | 112.025 |
| Notes receivable and post-dated cheques, net | **42.251** | 33.232 |
| Less: provision for doubtful trade receivables | **(1.410)** | (1.343) |
| | **90.948** | 143.914 |

As of December 31, 2010, the Group has no long term trade receivables (December 31, 2009: None).

Movement of provision for doubtful trade receivables is as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Balance at January 1 | **1.343** | 4.612 |
| Provisions | **481** | 535 |
| Reversal of provision (collections) | **(414)** | (411) |
| Change in scope of consolidation (*) | **-** | (3.393) |
| **Balance at the end of the period** | **1.410** | 1.343 |

(*) Change in scope of consolidation is consist of the effects of the change in Ana Gıda's consolidation method in the prior year (Note 30).

The aging table of trade receivables as of December 31, 2010 and December 31, 2009 is as follows:

| | Total | Neither past due nor impaired trade receivables | Past due but not impaired trade receivables | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 - 30 day | 1 - 3 month | 3 - 12 month | 1 - 5 years | More than 5 years |
| **2010** | **90.948** | **89.734** | **496** | **472** | **156** | **90** | **-** |
| 2009 | 143.914 | 133.847 | 7.409 | 2.348 | 77 | 60 | 173 |

The amount of collaterals taken for the past due but not impaired trade receivables is TRL 323 (December 31, 2009 : 2.235). Collaterals consist of letters of guarantee and mortgages.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 10. TRADE RECEIVABLES AND TRADE PAYABLES (cont'd)

### 10.1 Trade Receivables (cont'd)

The total minimum collection of the receivables from non-cancelable operational leases of Çelik Motor, a subsidiary of the Group, for subsequent periods is as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| (i) Less than one year | **61.491** | 33.115 |
| (ii) Between one year and five years | **63.477** | 26.246 |
| | **124.968** | 59.361 |

### 10.2 Trade Payables

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Non-Banking | **66.931** | 44.770 |
| Banking | **3.190** | 1.546 |
| | **70.121** | 46.316 |

As of December 31, 2010, the Group has no long term trade payables (December 31, 2009: None).

## 11. OTHER RECEIVABLES AND PAYABLES

### 11.1 Other Short Term Receivables

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Non-Banking | **34.507** | 46.109 |
| -Receivables from loans (*) | **31.070** | 42.903 |
| -Other | **3.437** | 3.206 |
| Banking | **66** | - |
| | **34.573** | 46.109 |

(*) Receivables from loans consist of the loans carried at ABank that are transferred to Anadolu Varlık, a subsidiary of the Group. The amount of provision for the related receivable at the end of period is TRL 5.437 (December 31, 2009: TRL 5.902).

### 11.2 Other Long Term Receivables

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Non-Banking | **2.470** | 2.369 |
| Banking | | |
| -Collaterals given for derivatives and financial assets | **15.928** | 8.313 |
| | **18.398** | 10.682 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 11. OTHER RECEIVABLES AND PAYABLES (cont'd)

### 11.3 Other Short Term Payables

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Non-Banking | **15.425** | 25.514 |
| Banking | **11.882** | 14.389 |
| | **27.307** | 39.903 |

**Non-Banking**

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Taxes payable | **12.454** | 22.770 |
| Due to personnel | **1.972** | 1.487 |
| Deposits and collaterals taken | **903** | 1.112 |
| Other | **96** | 145 |
| | **15.425** | 25.514 |

**Banking**

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Taxes payable | **8.310** | 8.534 |
| Collaterals given for financial assets | **3.572** | 5.855 |
| | **11.882** | 14.389 |

As of December 31, 2010 the non-current portion of other liabilities is amounting to TRL 334 (December 31, 2009: TRL 348).

## 12. FINANCIAL LEASE RECEIVABLES AND OBLIGATIONS

### 12.1 Financial Lease Receivables

Gross investments in finance lease receivables are as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Not later than one year | **156.062** | 173.468 |
| Later than one year and not later than five years | **143.108** | 137.565 |
| **Minimum lease payment receivables, gross** | **299.170** | 311.033 |
| Less: Unearned interest income | **(41.522)** | (46.610) |
| **Net investment in finance leases** | **257.648** | 264.423 |
| Less: Reserve for doubtful financial lease receivables | **(15.335)** | (12.098) |
| **Minimum lease payment receivables, net** | **242.313** | 252.325 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 12. FINANCIAL LEASE RECEIVABLES AND OBLIGATIONS (cont'd)

### 12.1 Financial Lease Receivables (cont'd)

Maturities of net investment in finance leases:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Not later than one year | **119.463** | 139.148 |
| Later than one year and not later than five years | **122.850** | 113.177 |
| | **242.313** | 252.325 |

| | **December 31, 2010** | | December 31, 2009 | |
|---|---|---|---|---|
| | **Amount** | **Interest rate %** | Amount | Interest rate % |
| EUR | **120.992** | **7,89-14,19** | 151.030 | 7,05 – 23,13 |
| USD | **68.439** | **5,84-14,96** | 60.511 | 7,36 – 21,37 |
| TRL | **52.882** | **16,05-23,07** | 40.784 | 17,80 – 36,39 |
| | **242.313** | | 252.325 | |

Movement of provision for doubtful financial lease receivables is as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Balance at January 1 | **12.098** | 5.447 |
| Provision | **15.005** | 7.381 |
| Collections (-) | **(902)** | (730) |
| Write-off (-) | **(10.866)** | - |
| **Balance at the end of the period** | **15.335** | 12.098 |

### 12.2 Financial Lease Obligations

None (December 31, 2009: None).

## 13. INVENTORIES

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Raw materials | **13.387** | 14.870 |
| Semi-finished goods | **3.268** | 3.487 |
| Finished goods | **18.249** | 13.253 |
| Merchandise | **52.947** | 88.797 |
| Others | **122** | 3.422 |
| Provision for inventories (-) | **(336)** | (806) |
| | **87.637** | 123.023 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 13. INVENTORIES (cont'd)

The movement of provision for inventories is as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Balance at January 1 | **806** | 2.403 |
| Provision | **26** | 129 |
| Reversal (-) | **(496)** | (1.557) |
| Change in scope of consolidation (*) | **-** | (169) |
| **Balance at the end of the period** | **336** | 806 |

(*) Change in scope of consolidation is consist of the effects of the change in Ana Gıda's consolidation method in the prior year (Note 30).

Provision for inventories amount has been recorded in cost of sales account.

## 14. BIOLOGICAL ASSETS

Biological assets amounting to TRL 10.708 (December 31, 2009: TRL 9.453) consist of cattles in the farm carried out at fair value.

The movement of biological assets is as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Balance at January 1 | **9.453** | 6.209 |
| Additions | **12.418** | 10.448 |
| Effect arising from physical and price changes | **(264)** | 1.205 |
| Disposals (-) | **(10.899)** | (8.409) |
| **Balance at the end of the period** | **10.708** | 9.453 |

## 15. RECEIVABLES AND DEFERRED INCOME FROM CONSTRUCTION CONTRACTS IN PROGRESS

None (December 31, 2009 : None).

## 16. INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Investment in associate | **1.106.146** | 974.228 |
| Interest in joint ventures (Note 4) | **121.917** | 116.165 |
| | **1.228.063** | 1.090.393 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 16. INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (cont'd)

### 16.1 Associate

| | | | **December 31, 2010** | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|---|---|
| Entity | Principle Activities | Country of business | **Carrying value** | **Effective shareholding and voting rights %** | **Group's share of income/(loss)** | Carrying value | Effective shareholding and voting rights % | Group's share of income/(loss) |
| Anadolu Efes (*) | Production of beer | Turkey | **1.106.146** | **36,27** | **195.312** | 974.228 | 36,27 | 163.880 |
| | | | **1.106.146** | | **195.312** | 974.228 | | 163.880 |

(*) Shares of Anadolu Efes are currently quoted on the ISE.

Summary financial information of associate is as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Anadolu Efes** | | |
| Total assets | **5.588.831** | 5.430.041 |
| Total liabilities | **2.773.826** | 2.695.863 |
| Net assets | **2.815.005** | 2.734.178 |
| **Group's interest in net assets** | **1.106.146** | 974.228 |

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Anadolu Efes** | | |
| Revenues | **4.168.793** | 3.811.067 |
| Net income for the period | **503.640** | 422.588 |
| **Group's share in net income of the associate** | **195.312** | 163.880 |
| - Minority Interests | **12.635** | 10.602 |
| - Equity Holders of the Parent | **182.677** | 153.278 |

The movement of carrying value of the associate in the consolidated financial statements as of December 31, 2010 and December 31, 2009 is as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Balance at January 1 | **974.228** | 866.748 |
| Additions | **-** | 1.693 |
| Gain from investments accounted through equity method | **195.312** | 163.880 |
| Currency translation differences | **5.402** | (14.654) |
| Revaluation surplus | **865** | 8.316 |
| Other reserves | **(4.131)** | - |
| Dividend received | **(65.530)** | (51.755) |
| **Balance at the end of the period** | **1.106.146** | 974.228 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 16. INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (cont'd)

### 16.2 Joint Ventures

| | | | December 31, 2010 | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|---|---|
| **Entity** | **Principle activities** | **Country of business** | **Carrying value** | **Effective shareholding and voting rights %** | **Group's share of income/ (loss)** | Carrying value | Effective shareholding and voting rights % | Group's share of income/ (loss) |
| Anadolu Isuzu (*) | Manufacturing and selling of Isuzu brand commercial vehicles | Turkey | **62.711** | **37,56** | **(1.751)** | 64.465 | 37,56 | (7.347) |
| Ana Gıda | Production and marketing of olive, sun flower and corn oils under Kırlangıç, Komili and Madra brands | Turkey | **45.668** | **37,57** | **(1.704)** | 47.372 | 37,57 | (4.963) |
| Aslancık | Production of electricity | Turkey | **13.481** | **22,67** | **(668)** | 4.328 | 17,00 | 286 |
| D Tes | Wholesale of electricity | Turkey | **57** | **17,00** | **(34)** | - | 17,00 | (56) |
| | | | **121.917** | | **(4.157)** | 116.165 | | (12.080) |

(*) Shares of Anadolu Isuzu are quoted on the ISE.

## 17. INVESTMENT PROPERTY

None (December 31,2009: None).

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 18. PROPERTY, PLANT AND EQUIPMENT (PP&E)

Movements of property, plant and equipment for the year ended on December 31, 2010 are as follows:

| | Land and land improvements | Buildings | Machinery and equipment | Motor vehicles(*) | Furniture and fixtures | Other tangible assets | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| **At January 1, 2010** | 43.591 | 76.509 | 188.631 | 105.301 | 38.713 | 14.506 | 82.120 | 2.417 | 551.788 |
| **Additions** | 8.363 | 124 | 6.689 | 92.968 | 5.355 | 186 | 5.300 | 29.752 | 148.737 |
| **Disposals (-)** | - | (2.676) | (6.372) | (34.239) | (12.139) | (155) | (4.670) | (487) | (60.738) |
| **Currency translation differences** | 104 | - | 1 | 5 | 1 | - | - | 100 | 211 |
| **Transfers (**)** | 37 | 563 | 12.242 | 224 | 1.314 | 249 | 11.487 | (26.116) | - |
| **December 31, 2010** | 52.095 | 74.520 | 201.191 | 164.259 | 33.244 | 14.786 | 94.237 | 5.666 | 639.998 |
| **Accumulated depreciation** | | | | | | | | | |
| **At January 1, 2010** | 1.853 | 17.422 | 145.230 | 26.466 | 26.767 | 12.655 | 45.102 | - | 275.495 |
| **Depreciation charge for the period** | 253 | 1.493 | 8.376 | 20.312 | 3.742 | 300 | 6.536 | - | 41.012 |
| **Disposals (-)** | - | (345) | (5.497) | (15.071) | (8.583) | (87) | (3.140) | - | (32.723) |
| **December 31, 2010** | 2.106 | 18.570 | 148.109 | 31.707 | 21.926 | 12.868 | 48.498 | - | 283.784 |
| **Net carrying amount** | 49.989 | 55.950 | 53.082 | 132.552 | 11.318 | 1.918 | 45.739 | 5.666 | 356.214 |

(*) The carrying amount of motor vehicles in operational fleet leasing business at December 31, 2010 is TRL 130.939.

### Property, Plant and Equipment (PP&E) held under finance lease

The carrying amount of PP&E held under finance leases at December 31, 2010 is TRL 17.362. According to the finance lease law, PP&E under finance lease are owned by the finance lease company during the lease term. Hence, these PP&E are regarded as colleterals by the finance lease company.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 18. PROPERTY, PLANT AND EQUIPMENT (PP&E) (cont'd)

Movements of property, plant and equipment for the year ended on December 31, 2009 are as follows:

| | Land and land improvements | Buildings | Machinery and equipment | Motor vehicles(*) | Furniture and fixtures | Other tangible assets | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | |
| January 1, 2009 | 43.730 | 76.456 | 178.664 | 80.139 | 34.758 | 14.450 | 75.686 | 5.535 | 509.418 |
| Additions | 184 | 44 | 3.568 | 43.724 | 3.443 | 82 | 823 | 18.747 | 70.615 |
| Disposals (-) | - | - | (826) | (18.648) | (8) | (4) | (209) | (1.936) | (21.631) |
| Change in scope of consolidation (**) | (323) | - | (815) | (140) | (297) | (22) | (854) | (4.033) | (6.484) |
| Transfers | - | 9 | 8.040 | 226 | 817 | - | 6.674 | (15.896) | (130) |
| December 31, 2009 | 43.591 | 76.509 | 188.631 | 105.301 | 38.713 | 14.506 | 82.120 | 2.417 | 551.788 |
| Accumulated depreciation | | | | | | | | | |
| January 1, 2009 | 1.631 | 15.617 | 139.044 | 20.293 | 24.042 | 12.453 | 39.099 | - | 252.179 |
| Depreciation charge for the period | 222 | 1.805 | 7.642 | 14.409 | 2.936 | 217 | 6.384 | - | 33.615 |
| Disposals (-) | - | - | (764) | (8.115) | (1) | (1) | (151) | - | (9.032) |
| Change in scope of consolidation (**) | - | - | (692) | (121) | (210) | (14) | (230) | - | (1.267) |
| December 31, 2009 | 1.853 | 17.422 | 145.230 | 26.466 | 26.767 | 12.655 | 45.102 | - | 275.495 |
| Net carrying amount | 41.738 | 59.087 | 43.401 | 78.835 | 11.946 | 1.851 | 37.018 | 2.417 | 276.293 |

(*) The carrying amount of motor vehicles in operational fleet leasing business at December 31, 2009 is TRL 77.627.
(**) Change in scope of consolidation involves the effects of the change of in Ana Gıda's consolidation method in the prior year (Note 30).

### Property, plant and equipment held under finance lease

The carrying amount of PP&E held under finance leases at December 31, 2009 is TRL 24.683. According to the finance lease law, PP&E under finance lease are owned by the finance lease company during the lease term. Hence, these PP&E are regarded as colleterals by the finance lease company.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 19. INTANGIBLE ASSETS

Movements of intangible assets for the year ended on December 31, 2010 are as follows:

| | Rights | Patents and licenses | Franchise | Other intangible assets | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **January 1, 2010** | 41.821 | 5.529 | 1.051 | 1.380 | 49.781 |
| **Additions (*)** | 7.617 | 12 | - | 88 | 7.717 |
| **Disposals** | (104) | - | - | - | (104) |
| **December 31, 2010** | **49.334** | **5.541** | **1.051** | **1.468** | **57.394** |
| **Accumulated amortization** | | | | | |
| **January 1, 2010** | 36.126 | 5.380 | 617 | 467 | 42.590 |
| **Amortization charge for the period** | 1.596 | 1 | 236 | 41 | 1.874 |
| **Disposals** | (13) | - | - | - | (13) |
| **December 31, 2010** | **37.709** | **5.381** | **853** | **508** | **44.451** |
| **Net carrying amount** | **11.625** | **160** | **198** | **960** | **12.943** |

(*) As a result of the acquisiton of GUE by Anadolu Kafkasya, a subsidiary of the Company, the difference amounting to TRL 6.138, between the acquisiton cost and the net book value of the acquired assets is associated with the electricity production licence and accounted for as intangible assets.

Movements of intangible assets for the year ended on December 31, 2009 are as follows:

| | Rights | Patents and licenses | Franchise | Other intangible assets | Total |
|---|---|---|---|---|---|
| Cost | | | | | |
| January 1, 2009 | 76.226 | 10.677 | 1.051 | 1.381 | 89.335 |
| Additions | 2.315 | - | - | 84 | 2.399 |
| Disposals | (6) | - | - | - | (6) |
| Change in scope of consolidation (**) | ( 36.844) | (5.148) | - | (85) | (42.077) |
| Transfers | 130 | - | - | - | 130 |
| December 31, 2009 | 41.821 | 5.529 | 1.051 | 1.380 | 49.781 |
| Accumulated amortization | | | | | |
| January 1, 2009 | 35.291 | 9.307 | 378 | 496 | 45.472 |
| Amortization charge for the period | 1.438 | - | 239 | 45 | 1.722 |
| Disposals | - | - | - | - | - |
| Change in scope of consolidation (**) | (603) | (3.927) | - | (74) | (4.604) |
| December 31, 2009 | 36.126 | 5.380 | 617 | 467 | 42.590 |
| Net carrying amount | 5.695 | 149 | 434 | 913 | 7.191 |

(**) Change in scope of consolidation is consist of the effects of the change of in Ana Gıda's consolidation method in the prior year (Note 30).

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 20. GOODWILL

As of December 31, 2010, the goodwill amount of the Group is TRL 35.344 (December 31, 2009: TRL 35.344).

The details related with the imparment test for goodwill are stated in Note 2.

## 21. GOVERNMENT INCENTIVES AND GRANTS

As of December 31, 2010, research, development and support premiums received from Tübitak amounting to TRL 117 are accounted under other expenses (December 31, 2009: TRL 265). As of December 31, 2010, the Group has investment incentives amounting to TRL 112.828 (December 31, 2009: TRL 106.540).

## 22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

The provisions as of December 31, 2010 and December 31, 2009 are as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Non-Banking | **4.630** | 10.257 |
| Banking | **10.871** | 12.488 |
| | **15.501** | 22.745 |

**Non-Banking**

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Warranty provisions (*) | **3.292** | 8.772 |
| Provision for litigations | **1.338** | 876 |
| Other provisions | **-** | 609 |
| | **4.630** | 10.257 |

(*) Warranty provisions are resulting from sales of Çelik Motor, Anadolu Motor and Anadolu Elektronik which are subsidiaries of the Company.

**Banking**

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Loan loss provision | **9.502** | 10.906 |
| Provision for litigations | **826** | 519 |
| Others | **543** | 1.063 |
| | **10.871** | 12.488 |

As of December 31, 2010, the Group has no long term provisions (December 31, 2009: None ).

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 23. COMMITMENTS

***Non-Banking***

As of December 31, 2010 and December 31, 2009 letter of guarantees, pledges and mortgages (GPMs) given in favor of the parent company and non-banking subsidiaries included in full consolidation are as follows:

| 31.12.2010 | **Total TRL Equivalent** | **Original Currency TRL** | **Original Currency USD** | **Original Currency EUR** |
|---|---|---|---|---|
| Letter of guarantees, pledge and mortgages provided by the Company | | | | |
| A. Total amount of GPMs given on behalf of the Company's legal personality | **67.131** | 57.835 | 1.545.863 | 3.370.443 |
| B. Total amount of GPMs given in favor of subsidiaries included in full consolidation | **52.571** | 46.424 | - | 3.000.000 |
| C. Total amount of GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business | - | - | - | - |
| D. Total amount of other GPM's | - | - | - | - |
| i. Total amount of GPMs given in favor of the parent Company | - | - | - | - |
| ii. Total amount of GPMs given in favor of other group companies not in the scope of B and C above | **482** | - | 311.449 | - |
| iii. Total amount of GPMs given in favor of third party companies not in the scope of C above | - | - | - | - |
| | **120.184** | 104.259 | 1.857.312 | 6.370.443 |

| 31.12.2009 | **Total TRL Equivalent** | **Original Currency TRL** | **Original Currency USD** | **Original Currency EUR** |
|---|---|---|---|---|
| Letter of guarantees, pledge and mortgages provided by the Company | | | | |
| A. Total amount of GCPMs given on behalf of the Company's legal personality | 68.254 | 49.988 | 10.760.104 | 955.849 |
| B. Total amount of GPMs given in favor of subsidiaries included in full consolidation | 149.585 | 120.387 | 11.500.000 | 5.500.000 |
| C. Total amount of GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business | - | - | - | - |
| D. Total amount of other GPM's | - | - | - | - |
| i. Total amount of GPMs given in favor of the parent Company | - | - | - | - |
| ii. Total amount of GPMs given in favor of other group companies not in the scope of B and C above | 938 | - | 622.898 | - |
| iii. Total amount of GPMs given in favor of third party companies not in the scope of C above | - | - | - | - |
| | 218.777 | 170.375 | 22.883.002 | 6.455.849 |

As of December 31, 2010, the ratio of other GPMs over the Company's equity is 0%. (December 31, 2009: 0%).

GPM tables prepared as of December 31, 2010 and December 31, 2009 have been presented according to the CMB bulletin, number 2010/45, which was published on October 28, 2010.

ABH has service agreement liabilities for 1 to 5 years with its customers.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 23. COMMITMENTS (cont'd)

***Non-Banking (cont'd)***

The Group's letter of guarantees, letters of guarantee, cheques and notes of guarantee, mortgage and other guarantees received from its customers in consideration of its receivables amount to TRL 77.821, TRL 2.125, TRL 17.592 and TRL 1.136, respectively (December 31, 2009: TRL 53.022, TRL 2.155, TRL 15.140 and TRL 1.256).

The tax authority and other authorities (Social Security Institution) can inspect tax returns and the related accounting records for a retrospective maximum period of five years. Group has not provided any tax provision regarding prior years.

AEH, one of the subsidiary of the Company, has undertaken the obligation of preserving the corporate presence of McDonald's within the period of its license contract and the obligation of supporting to fulfill the financial and fiscal liabilities.

Çelik Motor, the subsidiary, operates in the operational fleet leasing business for the rental periods changing between 1 to 3 years.

Based on the Subscription and Shareholders Agreeement, AEH, one of the subsidiary of the Company, has granted a put option to SEEF Foods regarding its joint venture in Ana Gıda which may be exercisable between 2012 and 2014. As it is granted to the other shareholder of the joint venture, such put option is considered as derivative instrument with respect to IAS 39.

***Banking***

In the normal course of business activities, ABank and its consolidated subsidiaries undertake various commitments. Commitments that are not presented in the financial statements including:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Letters of guarantees and letters of credit | **1.703.699** | 1.442.833 |
| Acceptance credits | **197.129** | 117.084 |
| Other | **22.053** | 13.227 |
| Total non-cash loans | **1.922.881** | 1.573.144 |
| Other commitments (*) | **686.237** | 999.010 |
| | **2.609.118** | 2.572.154 |

(*) Other commitments include commitments for reserve deposits requirements, loan granting commitments and asset purchase and sale commitments.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 23. COMMITMENTS (cont'd)

***Banking** (cont'd)*

The maturity analysis of contingent liabilities and commitments is as follows;

| **December 31, 2010** | **Indefinite** | **Up to 1 year** | **1-5 years** | **More than 5 years** | **Total** |
|---|---|---|---|---|---|
| Letters of guarantees and letters of credit | 1.351.843 | 319.297 | 32.559 | - | **1.703.699** |
| Acceptance credits | - | 45.798 | 151.331 | - | **197.129** |
| Other | - | 5.447 | 16.606 | - | **22.053** |
| | **1.351.843** | **370.542** | **200.496** | **-** | **1.922.881** |

| December 31, 2009 | Indefinite | Up to 1 year | 1-5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| Letters of guarantees and letters of credit | 1.197.207 | 190.844 | 54.782 | - | 1.442.833 |
| Acceptance credits | 1.473 | 37.878 | 77.733 | - | 117.084 |
| Other | - | - | 13.227 | - | 13.227 |
| | 1.198.680 | 228.722 | 145.742 | - | 1.573.144 |

As of December 31, 2010, ALease has no letters of guarantees given for funds borrowed from banks and various leasing transactions (December 31, 2009: None).

**Blocked Assets**

As of December 31, 2010, the fair values of the TRL denominated assets held by ABank in fiduciary, agency or custodian capacities amounted to TRL 971.266 (December 31, 2009: TRL 939.360) and foreign currency denominated assets amounted to TRL 151.323 (December 31, 2009: TRL 29.451).

There were a number of legal proceedings outstanding against ABank as of December 31, 2010 amount to TRL 6.307 (December 31, 2009: TRL 6.333). These mainly include matters relating to personal claims of customers and former employees of ABank. Although the outcome of these matters can not always be ascertained with precision, the Management, based on professional advice, has provided provision amounting to TRL 826 (December 31, 2009: TRL 519).

**Other**

ABank manages six open-ended investment funds which were established under the regulations of the CMB of Turkey. In accordance with the funds' charters, ABank purchases and sells marketable securities on behalf of funds, markets their participation certificates and provides other services in return for a management fee and undertakes management responsibility for their operations.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 23. COMMITMENTS (cont'd)

***Banking** (cont'd)*

Assets pledged as collateral as of December 31, 2010 and December 31, 2009 are as follows:

| | **December 31, 2010** | | December 31, 2009 | |
|---|---|---|---|---|
| | **Assets** | **Related Liability** | Assets | Related Liability |
| Financial assets at fair value through profit and loss | **164.547** | **159.564** | 5.508 | 5.480 |
| Financial assets | **147.719** | **147.500** | 100.013 | 88.335 |
| Other assets pledged | **15.934** | **-** | 8.844 | - |
| | **328.200** | **307.064** | 114.365 | 93.815 |

## 24. PROVISIONS FOR THE EMPLOYEE BENEFITS

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Short term** | **16.867** | 12.932 |
| Bonus provisions | **11.846** | 8.797 |
| Vacation pay liability | **4.842** | 4.135 |
| Employee termination benefits | **179** | - |
| **Long term** | **16.417** | 14.012 |
| Employee termination benefits | **16.417** | 14.012 |
| | **33.284** | 26.944 |

**Provision for Employee Termination Benefits**

In accordance with the existing social legislation, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay (limited to a maximum of TRL 2,5170 /year at December 31, 2010 and TRL 2,3652/year December 31, 2009, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination.

In the consolidated financial statements as of December 31, 2010 and December 31, 2009 the Group reflected a liability calculated using the Projected Unit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds.

The principal actuarial assumptions used at the balance sheet dates are as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Discount rate – yearly | **10%** | 11% |
| Expected rates of salary / limit increases (inflation rate) | **5,1%** | 4,8% |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 24. PROVISIONS FOR THE EMPLOYEE BENEFITS (cont'd)

In addition, the principal assumption that the maximum liability, TRL 2,5170, for each year of service will increase in line with inflation is taken into consideration in the calculation of retirement pay liability provision as of December 31, 2010.

The movement of provision for employee termination benefits is as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Balance at January 1 | **14.012** | 12.828 |
| Interest cost | **1.401** | 1.294 |
| Charge for the period (net) | **5.477** | 3.816 |
| Paid (-) | **(4.294)** | (2.864) |
| Change in scope of consolidation (*) | **-** | (1.062) |
| **Balance at the end of the period** | **16.596** | 14.012 |

(*) Change in scope of consolidation is consist of the effects of the change in Ana Gıda's consolidation method in the prior year (Note 30).

## 25. PENSION PLANS

None (December 31, 2009 : None).

## 26. OTHER ASSETS AND LIABILITIES

### 26.1 Other Current Assets

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Non-Banking | **36.291** | 30.875 |
| Banking | **22.425** | 14.255 |
| | **58.716** | 45.130 |

**Non-Banking**

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| VAT receivable | **15.277** | 5.005 |
| Prepaid expenses | **11.585** | 20.280 |
| Advances given | **4.535** | 1.401 |
| Prepaid taxes | **3.404** | 2.909 |
| Other current assets | **1.490** | 1.280 |
| | **36.291** | 30.875 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 26. OTHER ASSETS AND LIABILITIES

### 26.1 Other Current Assets (cont'd)

**Banking**

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Prepaid expenses and others | **11.991** | 3.717 |
| VAT receivable | **10.079** | 8.655 |
| Receivables from insurance policies | **348** | 1.873 |
| Prepaid tax | **7** | 10 |
| | **22.425** | 14.255 |

### 26.2 Other Non-Current Assets

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Non-Banking | **3.933** | 1.090 |
| VAT receivable | **843** | 253 |
| Other | **3.090** | 837 |
| Banking | **38.317** | 21.739 |
| Assets held for sale | **28.189** | 12.355 |
| Prepaid expenses | **6.551** | 3.468 |
| VAT receivable | **-** | 2.892 |
| Other | **3.577** | 3.024 |
| | **42.250** | 22.829 |

### 26.3 Other Current Liabilities

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Non-Banking | **8.993** | 6.773 |
| Banking | **64.329** | 39.963 |
| | **73.322** | 46.736 |

**Non-Banking**

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Advances taken | **8.859** | 5.709 |
| Deferred income | **132** | 1.064 |
| Other payables | **2** | - |
| | **8.993** | 6.773 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 26. OTHER ASSETS AND LIABILITIES (cont'd)

### 26.3 Other Current Liabilities (cont'd)

**Banking**

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Cheques in collection | **29.959** | 16.502 |
| Collections regarding assets held for sale | **13.295** | 10.694 |
| Advances taken from customers | **5.289** | 3.392 |
| Other | **15.786** | 9.375 |
| | **64.329** | 39.963 |

As of December 31, 2010, other non-current liability amounts to TRL 229 (December 31, 2009: TRL 330).

## 27. EQUITY

**Shared Capital / Adjustments to Share Capital and Equity Instruments**

| | **December 31, 2010** | | December 31, 2009 | |
|---|---|---|---|---|
| | **Amount** | **%** | Amount | % |
| Yazıcı Families | **62.481** | **39,05** | 62.567 | 39,10 |
| Kamil Yazıcı Yönetim ve Danışma A.Ş. | **53.600** | **33,50** | 53.600 | 33,50 |
| Publicly traded (*) | **43.919** | **27,45** | 43.833 | 27,40 |
| **Paid-in share capital - historical** | **160.000** | **100,00** | 160.000 | 100,00 |
| Inflation adjustment to share capital | **-** | | - | |
| **Total share capital - historical** | **160.000** | | 160.000 | |

(*) TRL 2.906 amount of the publicly traded portion, which is 1,816% of the paid-in capital is owned by Kamil Yazıcı Yönetim ve Danışma A.Ş.

Movement of paid in share capital as at December 31, 2010 and December 31, 2009 is as follows (historical amounts):

| | **December 31, 2010** | | December 31, 2009 | |
|---|---|---|---|---|
| | **Number of shares** | **Amount** | Number of shares | Amount |
| Balance at January 1 | **160.000.000** | **160.000** | 160.000.000 | 160.000 |
| -Inflation adjustment to share capital | **-** | **-** | - | - |
| **Balance at the end of the period** | **160.000.000** | **160.000** | 160.000.000 | 160.000 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 27. EQUITY (cont'd)

Kamil Yazıcı Yönetim ve Danışma A.Ş. (henceforth as Management Company) is a professional management company established by members of the Kamil Yazıcı Family to manage their investments. With the special board nomination rights granted to Class A and Class B shares (1 + 3) which it owns, it is entitled to appoint four of the six directors to the Company's board of directors. Namely;

Yazıcılar's common shares are divided into four classes, with each class of shares having equal voting rights on all matters except for the election of directors. Classes B, C and D consist of registered shares and are owned by the members of the three Yazıcı Families. Class A shares are all bearer type shares; shares belonging to two Yazıcı Families and publicly traded shares are included in Class A.

| Class | Number of shares | Percentage of capital % | Number of members on Board |
|---|---|---|---|
| A (Bearer) | 87.818.037 | 54,89 | 1 |
| B (Registered) | 31.999.964 | 20,00 | 3 |
| C (Registered) | 19.235.049 | 12,02 | 1 |
| D (Registered) | 20.946.950 | 13,09 | 1 |
| | **160.000.000** | **100,00** | **6** |

**Restricted Reserves Assorted from Net Profit, Revaluation Funds**

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory net income (inflation-restated income in accordance with CMB) at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's issued capital (inflation-restated issued capital in accordance with the communiqués and announcements of CMB). The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's issued capital (inflation-restated capital in accordance with CMB). In accordance with Turkish Commercial Code, the legal reserves are not available for distribution unless they exceed 50% of the issued capital, other than that legal reserves can not be used.

In accordance with the Communiqué No. XI-25, items of statutory shareholders' equity such as "share capital, share premium, legal reserves, statutory reserves and extraordinary reserves", were presented at their historical amounts. The difference between the inflated and historical amounts of these items was presented in shareholders' equity as "adjustment to equity".

According to the CMB Communiqué No. XI-29, which is effective as of January 1, 2008 and explanatory announcements of CMB related with the communiqué, "paid in capital", "restricted reserves allocated from net profit" and "share premiums" have to be presented as the amounts in the statutory financial statements. The valuation differences appeared during the application of the communiqué (like the differences resulting from the inflation adjustments) are associated with the "adjustment to issued capital" which is presented after the "paid in capital", if they result from the "paid in capital" and have not been added to the capital yet; they are associated with the "retained earnings" if they result from the "restricted reserves allocated from net profit" and the "share premium" and have not been subject to dividend distribution or capital increase yet. Other equity items are presented with the amounts valued within the framework of CMB Financial Reporting Standards.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 27. EQUITY (cont'd)

Quoted companies are subject to dividend requirements regulated by the CMB as follows:

Based on the CMB Decree 7/242, dated February 25, 2005, if the amount of profit distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the whole amount of distributable profit should be distributed. If it exceeds the statutory net distributable profit, the whole amount of the statutory net distributable profit should be distributed. There will be no profit distribution whether loss of the period is recognized either in the financial statements in accordance with CMB regulations or in the statutory financial statements.

Based on the CMB Decree 1/6, dated January 9, 2009, the principles regarding to the distribution of the profit of 2008 operations of quoted companies subject to capital market is as follows: the minimum dividend distribution rate is 20% in accordance with the article 5 of Communiqué Serial: IV, No:27; the distribution may be made by either as cash or bonus shares to be issued to the shareholders by including the dividend in capital or a certain amount as cash and a certain amount as bonus shares in accordance with the resolution taken in general assembly meeting.

Also, in accordance with the above mentioned Decree, companies that take their consolidated financial statements as basis for their distributable profit, shall consider the profits of their subsidiaries, joint ventures and associates to the extent that such profits do not exceed the amount recorded in the statutory financial statements of these companies and without considering whether a profit distribution resolution is taken at their annual general meetings. Such profits as reported in the financial statement as per CMB Communiqué Serial XI, No: 29 "Financial Reporting Standards in Capital Market" shall be subject to distributable dividend computations.

As a result of the decision of CMB on January 27, 2010, there are no obligations for the minimum dividend payments subject to public incorporated companies whose shares are traded in the stock exchange.

Inflation adjustment to shareholders' equity can only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' loss and used in the distribution of bonus shares and dividends to shareholders. Inflation adjustment to shareholders' equity, in the case of cash used for profit distribution will be subject to corporate income tax.

As of December 31, 2010, the total amount of the distributable profit from the net income of the Company is amounting to TRL 44.045 consisting of net statutory distributable profit of the period TRL 95.268 and other resources subject to profit distribution of TRL 139.313

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Revaluation surplus | **8.907** | 8.266 |
| -Available for sale financial assets | **7.123** | 6.482 |
| -Business combinations (Note 3) | **1.784** | 1.784 |

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Restricted reserves allocated from net profit | **16.063** | 14.080 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 27. EQUITY (cont'd)

**Retained Earnings**

As of December 31, 2010 and December 31, 2009 the summary of equity reserves, extraordinary reserves, other profit reserves, and retained earnings are as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Equity reserves | **1.166** | 1.166 |
| Extraordinary reserves | **115.376** | 112.900 |
| Other profit reserves | **2.558** | 2.558 |
| Retained earnings | **1.255.627** | 1.064.950 |
| | **1.374.727** | 1.181.574 |

**Minority Interest**

Minority interests are separately classified in consolidated financial statements.

## 28. CONTINUING OPERATIONS

| **GROSS PROFIT** | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Non-Banking | **227.293** | 240.328 |
| Revenue net off cost of sales | **182.648** | 201.323 |
| Service Income (*) | **44.645** | 39.005 |
| Banking – Gross profit from financial sector operations | **238.362** | 305.723 |
| | **465.655** | 546.051 |

(*) Service income consists of ABH and AEH's service income.

The details of cost of sales realized in years 2010 and 2009 are as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Cost of inventories and merchandises | **651.729** | 635.309 |
| Payroll expenses | **68.795** | 59.157 |
| Rent expenses | **35.448** | 29.435 |
| Depreciation and amortization expense | **30.921** | 23.301 |
| Other expenses | **78.373** | 74.234 |
| | **865.266** | 821.436 |

## 29. OPERATING EXPENSES

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Non-Banking | **174.734** | 160.488 |
| Banking | **123.365** | 96.778 |
| | **298.099** | 257.266 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 29. OPERATING EXPENSES (cont'd)

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Marketing, selling and distribution expenses | **69.556** | 67.354 |
| General administrative expenses | **228.078** | 189.266 |
| Research and development expenses | **465** | 646 |
| | **298.099** | 257.266 |

**Non-Banking**

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Marketing, selling and distribution expenses | **69.556** | 67.354 |
| General administrative expenses | **104.713** | 92.488 |
| Research and development expenses | **465** | 646 |
| | **174.734** | 160.488 |

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Marketing, selling and distribution expenses** | | |
| Domestic sales and marketing expenses | **34.391** | 32.616 |
| Payroll expenses | **10.852** | 10.624 |
| Advertisement expenses | **13.531** | 9.182 |
| Contribution to dealers' selling expenses | **4.199** | 4.848 |
| Depreciation and amortisation expenses | **1.174** | 1.174 |
| Transportation expenses | **833** | 767 |
| Services rendered expenses | **534** | 2.762 |
| Exportation expenses | **693** | 772 |
| Other expenses | **3.349** | 4.609 |
| | **69.556** | 67.354 |

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **General administrative expenses** | | |
| Payroll expenses | **70.117** | 63.556 |
| Consultancy and services rendered expenses | **8.300** | 7.224 |
| Depreciation and amortisation expenses | **4.496** | 4.622 |
| Taxes and duties | **3.791** | 1.594 |
| Rent expenses | **2.859** | 2.257 |
| Maintenance and repair expenses | **1.478** | 1.055 |
| Utility expenses | **1.382** | 1.254 |
| Transportation expenses | **1.226** | 1.234 |
| Insurance expenses | **1.121** | 1.195 |
| Communication expenses | **1.074** | 1.006 |
| Other expenses | **8.869** | 7.491 |
| | **104.713** | 92.488 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 29. OPERATING EXPENSES (cont'd)

**Banking**

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **General administrative expenses** | | |
| Payroll expenses | **85.115** | 82.100 |
| Depreciation and amortisation expenses | **6.254** | 6.023 |
| Other expenses | **31.996** | 8.655 |
| | **123.365** | 96.778 |

## 30. EXPENSES BY NATURE

The amounts of depreciation and amortization expenses recorded in the consolidated income statement accounts are as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Depreciation and amortization expenses** | | |
| Cost of sales | **30.921** | 23.301 |
| General administrative expenses | **10.750** | 10.645 |
| Marketing, selling and distribution expenses | **1.174** | 1.174 |
| Research and development expenses | **41** | 217 |
| | **42.886** | 35.337 |

The amounts of payroll expenses recorded in the consolidated income statement accounts are as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Payroll expenses** | | |
| General administrative expenses | **155.232** | 145.656 |
| Cost of sales | **68.795** | 59.157 |
| Marketing, selling and distribution expenses | **10.852** | 10.624 |
| Research and development expenses | **293** | 278 |
| | **235.172** | 215.715 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 31. OTHER OPERATING INCOME/EXPENSE

### 31.1 Other Operating Income

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Income from agreements-financial leasing | **6.433** | 3.870 |
| Gain on sale of property, plant and equipment | **5.232** | 2.136 |
| Reversal of provision for loan losses and other provisions | **4.773** | 2.171 |
| Commission income | **982** | 879 |
| Insurance compensation income | **333** | 2.892 |
| Gain on sale of share in subsidiary (*) | **-** | 11.811 |
| Other | **4.821** | 9.292 |
| | **22.574** | 33.051 |

(*) On February 20, 2009, a Subscription and Shareholders Agreement was signed between AEH and Ana Gıda, subsidiaries of the Company, and SEEF Foods S.A.R.L (Seef Foods) - owned by Southeast Europe Equity Fund II (B) L.P. and controlled by Bedminster Capital Management LLC- regarding SEEF Foods' EUR 25 million capital contribution to Ana Gıda - in addition AEH's contribution of 5 million Euros – in return for 44,75% shares. The closing transactions regarding this agreement were completed on March 4, 2009. According to the new shareholding structure and the articles of agreement, the Group has classified Ana Gıda as joint venture and included in consolidation through equity method.

### 31.2 Other Operating Expense

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Financial leasing-provision for doubtful receivables | **14.103** | 6.652 |
| Financial leasing-agreement expenses | **2.943** | 3.315 |
| Donation | **2.454** | 2.738 |
| Other provisions for loan losses and doubtful receivables | **29.822** | 72.705 |
| Other | **9.763** | 5.479 |
| | **59.085** | 90.889 |

## 32. FINANCIAL INCOME

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Foreign exchange gain | **35.291** | 62.254 |
| Interest income | **19.215** | 6.062 |
| Gain on sale of financial assets | **859** | 9.329 |
| Other income | **109** | 2 |
| | **55.474** | 77.647 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 33. FINANCIAL EXPENSE

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Foreign exchange loss | **31.396** | 67.117 |
| Capital markets transactions loss | **27.285** | 22.833 |
| Interest expense | **25.967** | 48.014 |
| Other expense | **847** | 886 |
| | **85.495** | 138.850 |

## 34. ASSETS HELD FOR SALE

The carrying amount of assets held for sale at December 31, 2010 is TRL 32.787 (December 31, 2009: TRL 28.966).

## 35. TAX ASSETS AND LIABILITIES

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in the countries in which the Group companies operate.

The corporation tax rate for the fiscal year is 20% in Turkey (2009: 20%). Corporate tax returns are required to be filed until the twentyfifth of the fourth month following the balance sheet date and paid in one installment until the end of the related month. The tax legislation provides for a provisional tax of 20% (2009: 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the fiscal year.

According to the Turkish Tax Law, corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

In Turkey, the tax legislation does not permit to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

### 35.1 Deferred Tax Assets and Liabilities

The distribution of deferred tax assets and liabilities is as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Deferred tax asset | **34.498** | 29.500 |
| Deferred tax liability (-) | **(15.153)** | (12.717) |
| **Total deferred tax asset / (liability), net** | **19.345** | 16.783 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 35. TAX ASSETS AND LIABILITIES (cont'd)

### 35.1 Deferred Tax Assets and Liabilities (cont'd)

The movement of net deferred tax asset as of the year ended on December 31, 2010 is as follows:

| | **Balance December 31, 2009** | **Recorded to income statement** | **Balance December 31, 2010** |
|---|---|---|---|
| Property, plant and equipment, and intangibles | **(15.455)** | **(8.631)** | **(24.086)** |
| Tax loss carried forward (**) | **3.499** | **5.170** | **8.669** |
| Employee termination benefit | **2.798** | **521** | **3.319** |
| Financial leases | **(1.136)** | **27** | **(1.109)** |
| Investment incentive | **18.109** | **977** | **19.086** |
| Other | **8.968** | **4.498** | **13.466** |
| **Net deferred tax (liability)/asset** | **16.783** | **2.562** | **19.345** |
| Reclassification to revaluation surplus | **-** | **(72)** | **-** |
| | **16.783** | **2.490** | **19.345** |

The movement of net deferred tax asset as of the year ended on December 31, 2009 is as follows:

| | Balance December 31, 2008 | Change in scope of consolidation (*) | Recorded to income statement | Balance December 31, 2009 |
|---|---|---|---|---|
| Property, plant and equipment, and intangibles | (17.564) | 1.539 | 570 | (15.455) |
| Tax loss carried forward (**) | 9.861 | (4.695) | (1.667) | 3.499 |
| Employee termination benefit | 2.565 | (212) | 445 | 2.798 |
| Financial leases | (1.162) | - | 26 | (1.136) |
| Investment incentive | - | - | 18.109 | 18.109 |
| Other | 4.713 | (519) | 4.774 | 8.968 |
| Net deferred tax (liability)/asset | (1.587) | (3.887) | 22.257 | 16.783 |
| Reclassification to revaluation surplus | - | - | 73 | - |
| | (1.587) | (3.887) | 22.330 | 16.783 |

(*) Change in scope of consolidation involves the effects of the change in Ana Gıda's consolidation method in the prior year (Note 30).
(**) As of December 31, 2010, carry forward tax losses for which no deferred taxes calculated amounting to TRL 4.930 (December 31, 2009: TRL 14.632)

### 35.2 Tax Expense

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Income tax expense (-) | **(17.410)** | (32.883) |
| Deferred tax (expense)/income | **2.490** | 22.330 |
| | **(14.920)** | (10.553) |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 35. TAX ASSETS AND LIABILITIES (cont'd)

### 35.2 Tax Expense (cont'd)

| | December 31, 2010 | December 31, 2009 |
|---|---|---|
| **Profit before tax from continuing operations** | **292.179** | 321.544 |
| Tax ratio used by the parent company %20 (2009: %20) | **(58.436)** | (64.309) |
| Non-deductible expenses | **(14.172)** | (26.429) |
| Non-taxable income (-) | **15.161** | 21.677 |
| Investment incentive | **977** | 18.109 |
| Donation and other deductables (-) | **476** | 272 |
| Effect of investments accounted through equity method | **38.231** | 30.360 |
| Other | **2.843** | 9.767 |
| | **(14.920)** | (10.553) |

### 35.3 Tax Provision

| | December 31, 2010 | December 31, 2009 |
|---|---|---|
| Balance at January 1 | **2.544** | 437 |
| Income tax expense | **17.410** | 32.883 |
| Prepaid tax (-) | **(18.162)** | (30.776) |
| **Balance at the end of the period** | **1.792** | 2.544 |

## 36. EARNINGS PER SHARE

| | December 31, 2010 | December 31, 2009 |
|---|---|---|
| Net profit (full TRL) | **221.699.000** | 230.336.000 |
| Weighted average number of shares | **160.000.000** | 160.000.000 |
| **Earning per share (full TRL)** | **1,39** | 1,44 |

## 37. RELATED PARTY BALANCES AND TRANSACTIONS

### 37.1 Bank Balances with Related Parties

| | December 31, 2010 | December 31, 2009 |
|---|---|---|
| Anadolu Efes (1) | **144.388** | 195.891 |
| Coca-Cola Satış ve Dağıtım A.Ş. (3) | **59.407** | 856 |
| Tarbes Tarım Ürünleri ve Besicilik San. Tic. A.Ş. (Tarbes) (3) | **26.669** | 20.477 |
| Özilhan Sınai Yatırım A.Ş. (5) | **18.872** | 12.430 |
| Other | **24.154** | 49.766 |
| | **273.490** | 279.420 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 37. RELATED PARTY BALANCES AND TRANSACTIONS (cont'd)

### 37.2 Due from Related Parties

| | **December 31, 2010** | December 31, 2009 |
|---|---:|---:|
| Anadolu Etap Tarım ve Gıda A.Ş. (3) | **6.094** | 2.589 |
| Anadolu Eğitim ve Sosyal Yardım Vakfı Sağlık Tes. İkt. İşl. (5) | **3.953** | 6.744 |
| Anadolu Efes (1) | **2.060** | 841 |
| OAO Amstar (3) | **1.714** | 1.659 |
| Efes Pazarlama Ticaret A.Ş. (Efpa) (3) | **889** | 469 |
| Coca-Cola Satış ve Dağıtım A.Ş. (3) | **859** | 1.013 |
| Krasny Vostok Group (3) | **793** | 1.290 |
| JSC Efes Karaganda Brewery (Efes Karaganda) (3) | **601** | 378 |
| Anadolu Isuzu (2) | **472** | 385 |
| Coca-Cola İçecek A.Ş. (3) | **298** | 130 |
| Other | **2.518** | 1.965 |
| | **20.251** | 17.463 |

As of December 31, 2010, there is no loan amount given to related parties (December 31, 2009: TRL 1.691). As of December 31, 2010, TRL 623 due from related parties is included in other liabilities and blocked accounts at the financial statement of the bank (December 31, 2009: TRL 1.610). As of December 31, 2010, the non-cash loan amount given by the bank to related parties is TRL 49.511 (December 31, 2009: TRL 30.238).

As of December 31, 2010 the short term portion of due from related parties is amounting to TRL 15.046 (December 31, 2009: TRL 11.812), and the long term portion is TRL 5.205 (December 31, 2009: TRL 5.651).

### 37.3 Due To Related Parties

| | **December 31, 2010** | December 31, 2009 |
|---|---:|---:|
| Ana Gıda (2) | **457** | 1.586 |
| Anadolu Isuzu (2) | **365** | 467 |
| Efpa (3) | **148** | 305 |
| Ortaklara ödenecek kar payı | **26** | 21 |
| Other | **9** | 23 |
| | **1.005** | 2.402 |

There is no long term amount of due to related parties as of December 31, 2010 (December 31, 2009: None).

(1) An associate
(2) A joint venture
(3) A Company controlled by an associate
(4) Shareholder of the Company
(5) Other

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 37. RELATED PARTY BALANCES AND TRANSACTIONS (cont'd)

### 37.4 Related Party Transactions

**Terms and conditions of transactions with related parties**

Outstanding balances at the end of the period are unsecured, interest free and settlement occurs in cash. There have been no quarantees provided or received for any related party receivables or payables. For the year ended December 31, 2010, the Group has not recorded any impairment of receivables, relating to amounts owned by related parties (December 31, 2009: None). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related parties operate.

Significant transactions with related parties during the year ended as of December 31, 2010 and December 31, 2010 are as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Sales of goods and services, net** | | |
| Anadolu Efes (1) | **21.480** | 17.053 |
| Efpa (3) | **19.586** | 17.164 |
| Coca-Cola Satış ve Dağıtım A.Ş. (3) | **10.932** | 8.765 |
| Anadolu Isuzu (2) | **7.045** | 6.287 |
| Tarbes (3) | **3.456** | 3.258 |
| Anadolu Eğitim ve Sosyal Yardım Vakfı Sağlık Tes. İkt. İşl. (5) | **1.972** | 1.813 |
| Ana Gıda (2) | **994** | 1.508 |
| Efes Breweries International N.V. (3) | **142** | 22.458 |
| Other | **4.927** | 5.023 |
| | **70.534** | 83.329 |

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Purchases of goods and other charges** | | |
| Anadolu Eğitim ve Sosyal Yardım Vakfı (5) | **2.109** | 2.300 |
| Anadolu Isuzu (2) | **1.055** | 923 |
| Efpa (3) | **216** | 168 |
| Other | **68** | 259 |
| | **3.448** | 3.650 |

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Interest and other financial income (banking)** | | |
| Anadolu Eğitim ve Sosyal Yardım Vakfı Sağlık Tes. İkt. İşl. (5) | **435** | 722 |
| Anadolu Isuzu (2) | **380** | 249 |
| Anadolu Efes (1) | **331** | 350 |
| Ana Gıda (2) | **220** | 621 |
| Coca-Cola İçecek A.Ş. (3) | **71** | 116 |
| Other | **673** | 245 |
| | **2.110** | 2.303 |

(1) An associate
(2) A joint venture
(3) A Company controlled by an associate
(4) Shareholder of the Company
(5) Other

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 37. RELATED PARTY BALANCES AND TRANSACTIONS (cont'd)

### 37.4 Related Party Transactions (cont'd)

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Interest and other financial expense (banking)** | | |
| Anadolu Efes (1) (*) | **4.838** | 9.928 |
| Özilhan Sınai Yatırım A.Ş. (5) | **1.650** | 2.139 |
| Tarbes (3) | **1.615** | 1.653 |
| Anadolu Isuzu (2) | **680** | 1.274 |
| Coca-Cola İçecek A.Ş. (3) | **614** | 1.310 |
| Efes Pilsen Spor Kulübü (5) | **650** | 625 |
| Anadolu Eğitim ve Sosyal Yardım Vakfı Sağlık Tes. İkt. İşl. (5) | **67** | 79 |
| Aslancik Üretim Ve Tic. Ltd (2) | **63** | 459 |
| Efpa (3) | **83** | 167 |
| Other | **2.781** | 3.054 |
| | **13.041** | 20.688 |

(*) Interest rate range for TRL deposits is between 6% and 9% and interest rate range for USD deposits is between 0,5% and 3%.

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Various sales included in other income (includes dividends received)** | | |
| Anadolu Etap Tarim ve Gida A.S. (3) | **582** | - |
| Coca-Cola İçecek A.Ş. (3) | **166** | 13 |
| Anadolu Efes (1) | **133** | 3.035 |
| Efpa (3) | **112** | 65 |
| Anadolu Isuzu (2) | **80** | 122 |
| Polinas (5) | **57** | 56 |
| Ana Gıda (2) | **29** | 45 |
| Tarbes (3) | **-** | 468 |
| Other | **19** | 21 |
| | **1.178** | 3.825 |

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Interest and other financial expense (non-banking)** | | |
| Anadolu Efes (1) | **26** | 1.174 |
| | **26** | 1.174 |

(1) An associate
(2) A joint venture
(3) A Company controlled by an associate
(4) Shareholder of the Company
(5) Other

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 37. RELATED PARTY BALANCES AND TRANSACTIONS (cont'd)

### 37.4 Related Party Transactions (cont'd)

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Interest and other financial income (non-banking)** | | |
| Aslancık Üretim Ve Tic. Ltd (2) | **39** | - |
| D Tes (2) | **26** | 1 |
| Ana Gıda (2) | **-** | 1.506 |
| | **65** | 1.507 |

(1) An associate
(2) A joint venture
(3) A Company controlled by an associate
(4) Shareholder of the Company
(5) Other

*Compensation of Key Management Personnel of the Group*

Group has defined the key management personnel as follows; the managers directly reporting to the general manager and board of directors, in ABank the board of directors, general manager and the assistant general manager, and the board of directors and general managers in the rest of the subsidiaries.

The details of benefits provided to the key management personnel for the years ended on December 31, 2010 and December 31, 2009 are as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Short term benefits provided to key management personnel | **23.390** | 19.728 |
| Post-employement benefits | **587** | 85 |
| **Total gain** | **23.977** | 19.813 |
| **Social Security employer share** | **493** | 368 |

*Other*

The Company and its subsidiaries other than McDonald's, Hamburger and AYO are obligated to donate 1% - 5% of their profit before corporate tax and such fiscal obligations to Anadolu Eğitim ve Sosyal Yardım Vakfı as stated in the entities' foundation agreements as long as these donations are exempt from tax. As of December 31, 2010, donations amount to TRL 2.435 (December 31, 2009: TRL 2.300).

The Company and its subsidiaries other than McDonald's, Hamburger, ABank, AYO, Anadolu Motor, A Yatırım and Ülkü, distribute a 5% dividend of their net profit to the board members , which is the amount left after the legal reserves and the first dividend are deducted consecutively. If a representative executes board membership for a company, the executive board dividend of that representative is recorded as board members' dividend income at the related company.

## 38./39.FINANCIAL INSTRUMENTS, NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

**Financial Risk Management Objectives and Policies**

**General**

**Banking**

Financial risk management is conducted through main principals of "Risk Management Policy" of ABank. According to this policy, Financial Risks are composed of Market, Credit and Liquidity risks. These risks are supervised by the "Bank Risk Committee" while the various Risk Committees and Risk Control Unit carry out tasks related to risk management. Risk Management Policy includes details about the framework for defining, measuring, monitoring and managing the risks taken by the business units across ABank. Risk Management Policy covers,

- Sound and optimum capital allocation
- Establishment of dynamic risk limits
- Measurement of the actual risks

Building a capital management system lies at the core of ABank's Risk Management Policy. In addition to fully complying with regulatory capital requirements, ABank has its own estimate of required economic capital. This figure is believed to reflect a more realistic picture of ABank's risk profile. Based on the capital management tool, ABank conducts RaRoC (Risk-adjusted Return on Capital) analysis for different lines of business and uses the outcome as a performance measurement tool.

As a last step of Risk Management Policy, ABank determines risk-based limits, with respect to available economic capital and monitors actual risks against these limits.

**Market Risk**

Market risk is defined as the decrease in the market value of ABank due to relevant price fluctuations. This risk group is handled in two broad categories; Trading and Structural Interest Rate Risk, which requires different models and assumptions. Trading Risk refers to the daily volatility of values of tradable assets, such as Foreign Exchange, Fixed Income Securities, Stocks, and related derivative instruments. Value-at-Risk (VaR) is the primary tool for day-to-day monitoring of trading-related market risk. VaR is a statistical measure of the potential losses that could occur due to movements in market rates and prices under normal market circumstances. Secondly, Structural Interest Rate Risk, addresses the risk which stems from sensitivity of the relatively illiquid items of the balance sheet to the shifts of the yield curve. Market risk exposure of ABank as a whole is bound by the economic capital allocated by the Board.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 38./39. FINANCIAL INSTRUMENTS, NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)

**Financial Risk Management Objectives and Policies (cont'd)**

**Banking (cont'd)**

**Credit Risk**

Seeking to maintain a sound asset portfolio and prevent non-performing loans, ABank has clearly separated its sales-related departments and credit management department. ABank has its own score-sheet and rating scale and uses the output of this internal rating tool in managing the credit portfolio, setting limits, pricing and collateralization.

Sectoral break down of cash and non-cash loans are as follows:

| | **December 31, 2010** | | December 31, 2009 | |
|---|---|---|---|---|
| | **Cash** | **Non-cash** | Cash | Non-cash |
| Trade | **664.561** | **376.888** | 406.571 | 243.588 |
| Finance | **379.421** | **108.190** | 262.371 | 86.475 |
| Construction | **317.362** | **391.735** | 323.560 | 329.852 |
| Textile | **210.265** | **114.131** | 200.966 | 67.906 |
| Production | **190.959** | **124.790** | 183.485 | 75.377 |
| Iron and steel, non-metal | **176.155** | **163.223** | 182.429 | 117.234 |
| Transportation | **141.658** | **89.216** | 115.907 | 49.165 |
| Mining | **127.911** | **33.628** | 51.395 | 47.898 |
| Food and beverage | **114.080** | **93.125** | 146.799 | 94.283 |
| Automotive | **94.626** | **39.578** | 127.237 | 38.433 |
| Tourism | **74.655** | **5.614** | 61.443 | 6.625 |
| Forest products and agriculture | **72.812** | **63.236** | 64.775 | 38.779 |
| Machinery | **55.173** | **48.314** | 55.242 | 22.436 |
| Chemical | **51.389** | **33.344** | 53.127 | 43.058 |
| Paper | **24.939** | **11.570** | 21.371 | 14.390 |
| Petroleum | **23.645** | **60.979** | 44.420 | 42.638 |
| Electrics and electronics | **20.460** | **6.882** | 27.115 | 13.978 |
| Others | **416.043** | **158.438** | 327.348 | 241.029 |
| | **3.156.114** | **1.922.881** | 2.655.561 | 1.573.144 |
| | | | | |
| Loans in arrears | **150.049** | **-** | 192.677 | - |
| Provision for doubtful receivables | **(82.236)** | **-** | (131.659) | - |
| | **3.223.927** | **1.922.881** | 2.716.579 | 1.573.144 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

**38./39. FINANCIAL INSTRUMENTS, NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)**

**Financial Risk Management Objectives and Policies (cont'd)**

**Banking (cont'd)**

**Credit Risk (cont'd)**

As of December 31, 2010, the aging of loans past due but not impaired is as follows:

| **31.12.2010** | **Corporate Loans** | **Small business loans** | **Consumer loans** | **Total** |
|---|---|---|---|---|
| **Banking Loans** | | | | |
| 1-30 days | 69.582 | 89.469 | 574 | 159.625 |
| 31-60 days | 358 | 6.984 | 124 | 7.466 |
| 61-90 days | 448 | 2.978 | - | 3.426 |
| | **70.388** | **99.431** | **698** | **170.517** |

| 31.12.2009 | Corporate Loans | Small business loans | Consumer loans | Total |
|---|---|---|---|---|
| Banking Loans | | | | |
| 1-30 days | 51.083 | 118.843 | 48 | 169.974 |
| 31-60 days | 13.220 | 6.121 | - | 19.341 |
| 61-90 days | 22.075 | 12.015 | 33 | 34.123 |
| | 86.378 | 136.979 | 81 | 223.438 |

Information about the balance sheet items subject to credit risk is as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Deposits with banks and other financial institutions | **72.065** | 80.602 |
| Banking loans | **3.223.927** | 2.716.579 |
| -Corparate loans | **1.655.550** | 1.479.919 |
| -Small business loans | **1.527.448** | 1.227.266 |
| -Consumer loans | **40.929** | 9.394 |
| Financial assets at fair value through profit and loss | **207.632** | 27.235 |
| -Turkish government bonds and treasury bills | **186.428** | 8.254 |
| -Other | **21.204** | 18.981 |
| Investment securities | **391.171** | 506.942 |
| -Turkish government bonds and treasury bills | **391.171** | 506.942 |
| Financial lease receivables | **242.313** | 252.325 |
| Other assets | **46.540** | 22.174 |
| **Credit exposure of balance sheet items** | **4.183.648** | 3.605.857 |
| Letters of guarantees and letters of credit | **1.703.699** | 1.442.833 |
| Acceptance credits and other | **219.182** | 130.311 |
| | **1.922.881** | 1.573.144 |
| **Total credit exposure** | **6.106.529** | 5.179.001 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 38./39. FINANCIAL INSTRUMENTS, NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

**Financial Risk Management Objectives and Policies (cont'd)**

**Banking (cont'd)**

**Currency Risk**

ABank centralized their currency risk and assigned Treasury Department to manage this risk. In principal, the balance sheet is assumed to be currency risk free. Any residual currency risk is treated as trading risk and it is subject to Value-at-Risk limits and nominal limits set by the Board.

The details of ABank's and ALease's assets, liabilities and off- balance-sheet items in foreign currency is as follows:

| | TRL | USD | EUR | Other | Total |
|---|---|---|---|---|---|
| **31.12.2010** | | | | | |
| **Assets** | | | | | |
| Cash and balances with the Central Bank | 64.708 | 156.855 | 8.610 | 186 | 230.359 |
| Deposits with banks and other financial institutions | 22.994 | 11.423 | 36.702 | 946 | 72.065 |
| Financial assets at fair value through profit and loss | 207.329 | 303 | - | - | 207.632 |
| Derivative financial instruments receivables | 4.889 | - | - | - | 4.889 |
| Banking loans | 2.037.523 | 785.952 | 407.546 | - | 3.231.021 |
| Available for sale financial assets | 182 | - | - | - | 182 |
| Held to maturity financial assets | 391.159 | - | - | - | 391.159 |
| Financial lease receivables | 52.943 | 69.493 | 129.186 | - | 251.622 |
| Investments in Associates | 17 | - | - | - | 17 |
| Assets held for sale | 28.938 | - | - | - | 28.938 |
| Property, plant and equipment | 20.104 | - | - | - | 20.104 |
| Intangible assets | 2.683 | - | - | - | 2.683 |
| Deferred tax assets | 31.794 | - | - | - | 31.794 |
| Other assets | 90.771 | 11.057 | 2.045 | - | 103.873 |
| **Total Assets** | **2.956.034** | **1.035.083** | **584.089** | **1.132** | **4.576.338** |
| **Liabilities** | | | | | |
| Customers' deposits | 1.562.101 | 569.102 | 299.902 | 2.166 | 2.433.271 |
| Deposits from other banks | 302.401 | 3.576 | 2.350 | 735 | 309.062 |
| Funds borrowed | 39.086 | 502.124 | 487.816 | - | 1.029.026 |
| Trade payables | 2.157 | 28 | 1.005 | - | 3.190 |
| Derivative financial instruments | 15.168 | - | - | - | 15.168 |
| Income tax payable | 9 | - | - | - | 9 |
| Other liabilities and provisions | 651.119 | 48.467 | 16.987 | 111 | 716.684 |
| **Total Liabilities** | **2.572.041** | **1.123.297** | **808.060** | **3.012** | **4.506.410** |
| **Net on-balance sheet position** | **383.993** | **(88.214)** | **(223.971)** | **(1.880)** | **69.928** |
| Net nominal amount of derivatives | (287.113) | 70.670 | 219.391 | 2.044 | 4.992 |
| **Net foreign currency position** | **96.880** | **(17.544)** | **(4.580)** | **164** | **74.920** |
| 31.12.2009 | | | | | |
| Total Assets | 2.560.419 | 813.693 | 580.241 | 904 | 3.955.257 |
| Total Liabilities | 1.773.582 | 997.747 | 647.107 | 7.673 | 3.426.109 |
| Net on-Balance Sheet Position | 786.837 | (184.054) | (66.866) | (6.769) | 529.148 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

**38./39. FINANCIAL INSTRUMENTS, NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

**Financial Risk Management Objectives and Policies (cont'd)**

**Banking (cont'd)**

**Currency Risk (cont'd)**

*Foreign currency sensitivity*

The following table details the Group's (Banking) sensitivity to a 10% change in USD and EUR rates against relevant foreign currency. A positive number indicates an increase/decrease in profit or loss where the USD and EUR rates change by 10% against relevant foreign currency.

| | **Change in exchange rate %** | **Effect on profit / loss** | |
|---|---|---|---|
| | | **December 31, 2010** | December 31, 2009 |
| **USD** | +/-%10 | **+/-1.706** | +/- 2.354 |
| **EUR** | +/-%10 | **+/-1.624** | +/- 2.035 |

**Interest Rate Risk**

The net present value of assets and liabilities are driven by interest rates differentials in terms of maturity and market characteristics. Trading securities are sensitive to treasury bill rates; therefore they are treated in the trading book and subject to Value-at-Risk limits. Items such as loans, deposits and other interest rate sensitive assets and liabilities are assumed to be sensitive to the structural changes in the interest rates and thus classified in the banking book. The relevant risk is measured with simulation based interest rate models. Applied limits on the risks posed by the asset-liability mismatches are derived from the capital set aside by the Board for Asset- Liability Management purposes.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 38./39. FINANCIAL INSTRUMENTS, NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

**Financial Risk Management Objectives and Policies (cont'd)**

**Banking (cont'd)**

**Interest Rate Risk (cont'd)**

The table below indicates the interest risk of ABank and ALease's assets and liabilities based on the remaining maturities from balance sheet date till the date of revaluation.

| | Up to 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years | Non interest bearing | Total |
|---|---|---|---|---|---|---|
| **31.12.2010** | | | | | | |
| **Assets** | | | | | | |
| Cash and balances with the Central Bank | - | - | - | - | 230.359 | 230.359 |
| Deposits with banks and other financial institutions | 61.160 | - | - | - | 10.905 | 72.065 |
| Financial assets at fair value through profit and loss | 10.876 | 270 | 160.991 | 14.493 | 21.002 | 207.632 |
| Derivative financial instruments receivables | 2.516 | 1.968 | 405 | - | | 4.889 |
| Banking loans | 2.551.689 | 198.487 | 363.374 | 49.658 | 67.813 | 3.231.021 |
| Available for sale financial assets | 12 | | | - | 170 | 182 |
| Held to maturity financial assets | 294.167 | 23.630 | 73.362 | - | | 391.159 |
| Financial lease receivables | 46.213 | 57.774 | 127.668 | | 19.967 | 251.622 |
| Investments in Associates | - | - | - | - | 17 | 17 |
| Assets held for sale | - | - | - | - | 28.938 | 28.938 |
| Property, plant and equipment | - | - | - | - | 20.104 | 20.104 |
| Intangible assets | - | - | - | - | 2.683 | 2.683 |
| Deferred tax assets | - | - | - | - | 31.794 | 31.794 |
| Other assets | 144 | 9 | - | - | 103.720 | 103.873 |
| **Total Assets** | **2.966.777** | **282.138** | **725.800** | **64.151** | **537.472** | **4.576.338** |
| **Liabilities** | | | | | | |
| Customers' deposits | 2.160.522 | 23.332 | 6.788 | - | 242.629 | 2.433.271 |
| Deposits from other banks | 302.389 | - | - | - | 6.673 | 309.062 |
| Funds borrowed | 660.052 | 352.399 | 16.575 | - | - | 1.029.026 |
| Trade payables | - | - | - | - | 3.190 | 3.190 |
| Derivative financial instruments | 5.499 | 6.414 | 3.255 | - | - | 15.168 |
| Income tax payable | - | - | - | - | 9 | 9 |
| Other liabilities and provisions | 343 | - | - | - | 716.341 | 716.684 |
| **Total Liabilities** | **3.128.805** | **382.145** | **26.618** | **-** | **968.842** | **4.506.410** |
| **Total interest sensitivity gap** | **(162.028)** | **(100.007)** | **699.182** | **64.151** | **(431.370)** | **69.928** |
| 31.12.2009 | | | | | | |
| On balance sheet interest sensitivity gap | 310.818 | (315.344) | 242.890 | 357.326 | (66.542) | 529.148 |
| Off balance sheet interest sensitivity gap | - | - | - | - | - | - |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 38./39. FINANCIAL INSTRUMENTS, NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

**Financial Risk Management Objectives and Policies (cont'd)**

**Banking (cont'd)**

**Interest Rate Risk (cont'd)**

*Interest rate sensitivity*

If interest rates had been changed by 1% in TRL and FC and all other variables were held constant;

Net profit of the Group would decrease / increase by TRL (3.702) / 4.443 (In year 2009 decrease / increase by TRL (1.058) / 1.111).

It would be no effect on equity of the Group (In year 2009 decrease/increase by TRL (355) / 408 mainly as a result of the changes in the fair value of available-for-sale fixed rate instruments.).

**Liquidity Risk**

Liquidity risk refers to the possibility of an institution being unable to access necessary funds due to declining fund-raising capacity. The Group closely monitors its overall liquidity level.

The Group uses domestic and foreign markets for its liquidity needs. Low level of liquidity needs enables an easy way of loan borrowing from the corresponding markets (CBRT, ISE, Interbank money market, Settlement and Custody Bank and other markets). The Group has a lower ratio of the deposits compared to other banks with similar-sized balance sheets; this indicates that larger loans can be obtained from the markets when needed. The potential cash resources are money market debts which can be obtained from the domestic banks and repurchase transactions in foreign markets with Eurobonds in the portfolio.

The Group's fund resources consist mainly of deposits. The investments portfolio consists mainly of the held to maturity investments.

According BRSA regulations the liquidity ratios during the year was as follows;

| **31.12.2010** | **Primary Maturity Segment** | | **Secondary Maturity Segment** | | **Stock Values** |
|---|---|---|---|---|---|
| | **FC** | **FC + TRL** | **FC** | **FC + TRL** | **FC + TRL** |
| **Average (%)** | 152,74 | 198,28 | 111,27 | 137,66 | 8,08 |
| **Highest (%)** | 335,51 | 312,47 | 142,58 | 162,45 | 9,72 |
| **Lowest (%)** | 104,83 | 140,54 | 94,79 | 119,80 | 7,13 |

| 31.12.2009 | Primary Maturity Segment | | Secondary Maturity Segment | | Stock Values |
|---|---|---|---|---|---|
| | FC | FC + TRL | FC | FC + TRL | FC + TRL |
| Average (%) | 190,88 | 241,42 | 117,49 | 146,88 | 9,13 |
| Highest (%) | 361,50 | 415,63 | 142,07 | 174,88 | 21,00 |
| Lowest (%) | 125,86 | 167,82 | 98,44 | 128,38 | 7,19 |

(*) The minimum legal limit set by BRSA regulations for the liquidity ratio stated above is 100 %.

## 38./39. FINANCIAL INSTRUMENTS, NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

**Financial Risk Management Objectives and Policies (cont'd)**

**Banking (cont'd)**

**Operational Risk**

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal process, people and systems or from external events.

Operational risk which is inherent in all business activities is associated with human error, system failure and inadequate controls and procedures. Operational risk includes errors and omissions in business activities, internal and external fraud and natural disasters.

Banking has Risk Management and Internal Control practices, to keep operational risks under control and minimize it by operating under detailed written procedures. All documents, including Risk Management policies and contingency procedures, are kept up-to-date and accessible to all staff in electronic media.

**Capital Adequacy**

To monitor the adequacy of its capital, ABank uses ratios established by Banking Regulation and Supervision Agency (BRSA). These ratios measure capital adequacy (minimum 8% as required by BRSA) by comparing ABank's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risks. As of December 31, 2010 ABank's capital adequacy ratio calculated on consolidated basis based on statutory financial statements is 15,21 % (December 31, 2009: 12,94%).

**Non-Banking**

The Group's principal financial instruments, comprise bank borrowings, finance leases, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, price risk, credit risk, and liquidity risk. The Group manages these risks as stated below. The Group also monitors the market price risk arising from all financial instruments.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 38./39. FINANCIAL INSTRUMENTS, NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

### Financial risk management objectives and policies (cont'd)

<u>Non-Banking</u> (cont'd)

### Credit Risk

| **December 31, 2010** | **Receivables** | | | | |
|---|---|---|---|---|---|
| | **Trade Receivables** | | **Other Receivables** | | |
| | **Related Party** | **Other Party** | **Related Party** | **Other Party** | **Deposits in banks** |
| **Maximum credit risk exposure as of reporting date (A+B+C+D+E)** | **10.975** | **90.948** | **-** | **36.977** | **204.007** |
| - Maximum risk secured by guarantee | - | 22.802 | - | 31.445 | - |
| A. Net book value of financial assets neither overdue nor impaired | 10.975 | 89.734 | - | 3.899 | 204.007 |
| B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue | - | - | | | |
| C. Net book value of assets overdue but not impaired | - | 1.173 | - | 2.008 | - |
| - Under guarantee | - | 282 | - | 375 | - |
| D. Net book value of impaired assets | - | 41 | - | 31.070 | - |
| - Overdue (gross book value) | - | 1.451 | - | 36.635 | - |
| - Impairment (-) | - | (1.410) | - | (5.565) | - |
| - Net value under guarantee | - | 41 | - | 31.070 | - |
| - Not overdue (gross book value) | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - |
| - Net value under guarantee | - | - | - | - | - |
| E. Off- balance sheet items having credit risk | - | - | - | - | - |

| December 31, 2009 | Receivables | | | | |
|---|---|---|---|---|---|
| | Trade Receivables | | Other Receivables | | |
| | Related Party | Other Party | Related Party | Other Party | Deposits in banks |
| Maximum credit risk exposure as of reporting date (A+B+C+D+E) | 8.567 | 143.914 | - | 48.478 | 84.676 |
| - Maximum risk secured by guarantee | - | 42.149 | - | 43.578 | - |
| A. Net book value of financial assets neither overdue nor impaired | 8.567 | 133.847 | - | 3.422 | 84.676 |
| B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue | - | - | - | - | - |
| C. Net book value of assets overdue but not impaired | - | 9.930 | - | 2.153 | - |
| - Under guarantee | - | 2.098 | - | 675 | - |
| D. Net book value of impaired assets | - | 137 | - | 42.903 | - |
| - Overdue (gross book value) | - | 1.480 | - | 48.944 | - |
| - Impairment (-) | - | (1.343) | - | (6.041) | - |
| - Net value under guarantee | - | 137 | - | 42.903 | - |
| - Not overdue (gross book value) | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - |
| - Net value under guarantee | - | - | - | - | - |
| E. Off- balance sheet items having credit risk | - | - | - | - | - |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 38./39. FINANCIAL INSTRUMENTS, NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

**Financial risk management objectives and policies (cont'd)**

**Non-Banking (cont'd)**

**Credit Risk (cont'd)**

| **December 31, 2010** | **Receivables** | | | | |
|---|---|---|---|---|---|
| | **Trade receivables** | | **Other receivables** | | |
| | **Related party** | **Other party** | **Related party** | **Other party** | **Deposits in banks** |
| 1-30 days past due | - | 496 | - | - | - |
| 1-3 month past due | - | 472 | - | - | - |
| 3-12 month past due | - | 156 | - | - | - |
| 1-5 year past due | - | 90 | - | 2.008 | - |
| Over 5 years past due | - | - | - | 31.070 | - |
| Amount secured with guararntee | - | 323 | - | 31.445 | - |

| December 31, 2009 | Receivables | | | | |
|---|---|---|---|---|---|
| | Trade receivables | | Other receivables | | |
| | Related party | Other party | Related party | Other party | Deposits in banks |
| 1-30 days past due | - | 7.409 | - | - | - |
| 1-3 month past due | - | 2.348 | - | - | - |
| 3-12 month past due | - | 77 | - | 2.153 | - |
| 1-5 year past due | - | 60 | - | - | - |
| Over 5 years past due | - | 173 | - | 42.903 | - |
| Amount secured with guararntee | - | 2.235 | - | 43.578 | - |

### Foreign currency risk

The Group predominantly operates in Turkey.

The following table summarizes the exchange rate of Turkish Lira to 1 USD and 1 EUR:

| | | **Exchange buying rate at December 31, 2009** | **Average exchange buying rate in the period** | **Exchange buying rate at December 31, 2010** |
|---|---|---|---|---|
| TRL /USD | Turkey | 1,5057 | 1,4990 | 1,5460 |
| TRL /EUR | Turkey | 2,1603 | 1,9886 | 2,0491 |

The Group does not hedge investments, receivables, accounts payables, lease obligations and borrowings denominated in a foreign currency. The Group does not hedge their estimated foreign currency exposure in respect of sales and purchases.

Foreign currency risk arises from the EUR, USD, GBP, JPY, CAD, NOK denominated assets and liabilities of the Group. The Group has transactional currency exposures. Such exposures arise from sales or purchases or borrowings by the Group in currencies other than the Group's functional currency. The Group manages foreign currency risk by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 38./39. FINANCIAL INSTRUMENTS, NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

### Financial Risk Management Objectives and Policies (cont'd)

**Non-Banking (cont'd)**

### Foreign currency risk (cont'd)

| **31.12. 2010** | **TRL Equivalent (Functional currency)** | **Thousand USD** | **Thousand EUR** | **Thousand GBP** | **Thousand JPY** |
|---|---|---|---|---|---|
| 1. Trade receivables | 3.131 | 668 | 1.024 | - | - |
| 2a. Monetary financial assets (cash and cash equivalents included) | 83.946 | 16.485 | 28.413 | 100 | - |
| 2b. Non - monetary financial assets | - | - | - | - | - |
| 3. Other | 7 | 5 | - | - | - |
| **4. Current assets (1+2+3)** | **87.084** | **17.158** | **29.437** | **100** | **-** |
| 5. Trade receivables | - | - | - | - | - |
| 6a. Monetary financial assets | - | - | - | - | - |
| 6b. Non - monetary financial assets | - | - | - | - | - |
| 7. Other | 487 | 302 | 10 | - | - |
| **8. Non - current assets (5+6+7)** | **487** | **302** | **10** | **-** | **-** |
| **9. Total assets (4+8)** | **87.571** | **17.460** | **29.447** | **100** | **-** |
| 10. Trade payables | 6.536 | 4.152 | 57 | - | - |
| 11. Short - term borrowings and current portion of long - term borrowings | 128.735 | 23.194 | 45.326 | - | - |
| 12a. Monetary other liabilities | 201 | 48 | 62 | - | - |
| 12b. Non - monetary other liabilities | - | - | - | - | - |
| **13. Current liabilities (10+11+12)** | **135.472** | **27.394** | **45.445** | **-** | **-** |
| 14. Trade payables | - | - | - | - | - |
| 15. Long - term borrowings | 102.272 | 10.000 | 42.366 | - | - |
| 16 a. Monetary other liabilities | 325 | 210 | - | - | - |
| 16 b. Non - monetary other liabilities | - | - | - | - | - |
| **17. Non - current liabilities (14+15+16)** | **102.597** | **10.210** | **42.366** | | |
| **18. Total liabilities (13+17)** | **238.069** | **37.604** | **87.811** | **-** | **-** |
| **19. Off balance sheet derivative items' net asset / (liability) position (19a-19b)** | - | - | - | - | - |
| 19a. Total hedged assets | - | - | - | - | - |
| 19b. Total hedged liabilities | - | - | - | - | - |
| **20. Net foreign currency asset / (liability) position (9-18+19)** | **(150.498)** | **(20.144)** | **(58.364)** | **100** | **-** |
| **21. Monetary items net foreign currency asset / (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)** | **(150.992)** | **(20.451)** | **(58.374)** | **100** | **-** |
| 22. Total fair value of financial instruments used to manage the foreign currency position | - | - | - | - | - |
| **23. Export** | **21.799** | **12.680** | **1.339** | **-** | **111** |
| **24. Import** | **326.455** | **70.065** | **109.194** | **79** | **2.400** |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 38./39. FINANCIAL INSTRUMENTS, NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

**Financial Risk Management Objectives and Policies (cont'd)**

**Non-Banking (cont'd)**

**Foreign Currency Risk (cont'd)**

| 31.12.2009 | TRL Equivalent (Functional currency) | Thousand USD | Thousand EUR | Thousand GBP | Thousand JPY |
|---|---|---|---|---|---|
| 1. Trade receivables | 11.402 | 6.693 | 613 | - | - |
| 2a. Monetary financial assets (cash and cash equivalents included) | 21.876 | 62 | 10.041 | 38 | - |
| 2b. Non - monetary financial assets | - | - | - | - | - |
| 3. Other | - | - | - | - | - |
| 4. Current assets (1+2+3) | 33.278 | 6.755 | 10.654 | 38 | - |
| 5. Trade receivables | - | - | - | - | - |
| 6a. Monetary financial assets | - | - | - | - | - |
| 6b. Non - monetary financial assets | - | - | - | - | - |
| 7. Other | 435 | 280 | 6 | - | - |
| 8. Non - current assets (5+6+7) | 435 | 280 | 6 | - | - |
| 9. Total assets (4+8) | 33.713 | 7.035 | 10.660 | 38 | - |
| 10. Trade payables | 2.688 | 891 | 88 | 7 | 69.927 |
| 11. Short - term borrowings and current portion of long - term borrowings | 127.590 | 21.886 | 43.807 | - | - |
| 12a. Monetary other liabilities | 41 | 20 | 5 | - | - |
| 12b. Non - monetary other liabilities | - | - | - | - | - |
| 13. Current liabilities (10+11+12) | 130.319 | 22.797 | 43.900 | 7 | 69.927 |
| 14. Trade payables | 238 | 19 | 46 | 46 | - |
| 15. Long - term borrowings | 24.522 | - | 11.351 | - | - |
| 16 a. Monetary other liabilities | 339 | 225 | - | - | - |
| 16 b. Non - monetary other liabilities | - | - | - | - | - |
| 17. Non - current liabilities (14+15+16) | 25.099 | 244 | 11.397 | 46 | - |
| 18. Total liabilities (13+17) | 155.418 | 23.041 | 55.297 | 53 | 69.927 |
| 19. Off balance sheet derivative items' net asset / (liability) position (19a-19b) | - | - | - | - | - |
| 19a. Total hedged assets | - | - | - | - | - |
| 19b. Total hedged liabilities | - | - | - | - | - |
| 20. Net foreign currency asset / (liability) position (9-18+19) | (121.705) | (16.006) | (44.637) | (15) | (69.927) |
| 21. Monetary items net foreign currency asset / (liability) position position (=1+2a+5+6a-10-11-12a-14-15-16a) | (122.140) | (16.286) | (44.643) | (15) | (69.927) |
| 22. Total fair value of financial instruments used to manage the foreign currency position | - | - | - | - | - |
| 23. Export | 25.155 | 14.172 | 1.504 | - | - |
| 24. Import | 396.055 | 114.112 | 101.909 | 96 | 3.120 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 38./39. FINANCIAL INSTRUMENTS, NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

### Financial Risk Management Objectives and Policies (cont'd)

**Non-Banking (cont'd)**

### Foreign Currency Risk (cont'd)

| | **Foreign currency position sensitivity analysis** | |
|---|---|---|
| | **December 31, 2010** | |
| | **Income / (loss)** | **Income /( loss)** |
| | **Increase of the foreign currency** | **Decrease of the foreign currency** |
| **Change in the USD against TRL by 10% +/-:** | | |
| 1- USD denominated net asset / liability | (3.115) | 3.115 |
| 2- USD denominated hedging instruments(-) | - | - |
| **3- Net effect in USD (1+2)** | **(3.115)** | **3.115** |
| **Change in the EUR against TRL by 10% +/-:** | | |
| 4- Euro denominated net asset / liability | (11.959) | 11.959 |
| 5- Euro denominated hedging instruments(-) | - | - |
| **6- Net effect in Euro (4+5)** | **(11.959)** | **11.959** |
| **Change in the other foreign currencies against TRL by 10% +/-:** | | |
| 7- Other foreign currency denominated net asset / liability | 24 | (24) |
| 8- Other foreign currency hedging instruments(-) | - | - |
| **9- Net effect in other foreign currency (7+8)** | **24** | **(24)** |
| **TOTAL (3+6+9)** | **(15.050)** | **15.050** |

| | Foreign currency position sensitivity analysis | |
|---|---|---|
| | December 31, 2009 | |
| | Income / (loss) | Income /( loss) |
| | Increase of the foreign currency | Decrease of the foreign currency |
| Change in the USD against TRL by 10% +/-: | | |
| 1- USD denominated net asset / liability | (2.410) | 2.410 |
| 2- USD denominated hedging instruments(-) | - | - |
| 3- Net effect in USD (1+2) | (2.410) | 2.410 |
| Change in the EUR against TRL by 10% +/-: | | |
| 4- Euro denominated net asset / liability | (9.643) | 9.643 |
| 5- Euro denominated hedging instruments(-) | - | - |
| 6- Net effect in Euro (4+5) | (9.643) | 9.643 |
| Change in the other foreign currencies against TRL by 10% +/-: | | |
| 7- Other foreign currency denominated net asset / liability | (118) | 118 |
| 8- Other foreign currency hedging instruments(-) | - | - |
| 9- Net effect in other foreign currency (7+8) | (118) | 118 |
| TOTAL (3+6+9) | (12.171) | 12.171 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 38./39. FINANCIAL INSTRUMENTS, NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

**Financial Risk Management Objectives and Policies (cont'd)**

**Non-Banking (cont'd)**

**Interest Rate Risk**

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The Group manages interest rate risk by using natural hedges that arise from offsetting interest rate of assets and liabilities or derivative financial instruments.

Certain parts of the interest rates related to borrowings are based on market interest rates; therefore the Group is exposed to interest rate fluctuations on domestic and international markets. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations.

| **Interest position table** | | **December 31, 2010** | December 31, 2009 |
|---|---|---|---|
| | **Financial instruments with fixed interest rate** | | |
| Financial assets | Financial assets at fair value through profit&loss | **-** | - |
| | Available for sale marketable securities | **-** | - |
| Financial liabilities | | **284.038** | 285.221 |
| | **Financial instruments with floating interest rate** | | |
| Financial assets | | **-** | - |
| Financial liabilities | | **25.831** | 6.372 |

The table below shows the effect of a 1% increase in interest rates, on floating rate credits in profit before tax basis.

| | Effect on profit before tax | |
|---|---|---|
| Interest Increase | **December 31, 2010** | December 31, 2009 |
| %1 increase | **(47)** | (3) |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 38./39. FINANCIAL INSTRUMENTS, NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

**Financial Risk Management Objectives and Policies (cont'd)**

<u>Non-Banking</u> **(cont'd)**

**Liquidity Risk**

Liquidity risk arises from the possibility that customers may not be able to settle within the normal terms of trade. To manage this risk the Group periodically assesses the financial liability of customers. Liquidity risk arises from the possibility that a market for derivatives may not exist in some circumstances.

**December 31, 2010**

| **Maturities according to agreement** | **Book Value** | **Total cash outflow according to agreement (=I+II+III+IV)** | **Less than 3 months (I)** | **3 to 12 months (II)** | **1 to 5 years (III)** | **More than 5 years (IV)** |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | 392.559 | 402.783 | 141.929 | 152.425 | 108.421 | 8 |
| Borrowings | 309.869 | 319.962 | 65.225 | 146.318 | 108.419 | - |
| Financial lease payables | - | - | - | - | - | - |
| Trade payables | 66.931 | 67.062 | 60.980 | 6.082 | - | - |
| Other payables | 15.759 | 15.759 | 15.724 | 25 | 2 | 8 |

December 31, 2009

| Maturities according to agreement | Book Value | Total cash outflow according to agreement (=I+II+III+IV) | Less than 3 months (I) | 3 to12 months (II) | 1 to 5 years (III) | More than 5 years (IV) |
|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | 351.717 | 356.508 | 217.869 | 112.963 | 25.330 | 346 |
| Borrowings | 291.593 | 296.288 | 159.790 | 111.170 | 25.328 | - |
| Financial lease payables | - | - | - | - | - | - |
| Trade payables | 44.770 | 44.866 | 43.084 | 1.782 | - | - |
| Other payables | 15.354 | 15.354 | 14.995 | 11 | 2 | 346 |

**Capital Risk Management**

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

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 40. SUBSEQUENT EVENTS

- Aslancık, which is a 33,3% joint venture of AEH, a subsidiary of the Company, received long-term project finance loan of USD 160.000.000 as of January 26, 2011 in relation to its 120 MW hydro power plant under construction in Giresun - Turkey.

The forementioned loan agreement has a maturity of 12 years, with an approximate 3,5 years grace period and AEH will act as a guarantor in the ratio of 33,33%, restricted by the completion of the construction period, which is expected in the last quarter of 2013.

- The sub-paragraphs numbered (1), (2), (3), (4) and (7) of paragraph (a) of the first article of Article 5 of The Communique on the Reserve Deposits numbered 2005/1 which is published in the Official Gazette No.25995 dated November 11,2005, are revised as follows:

"1) Demand deposits, notice deposits and private current accounts to 15 percent,
2) Deposits/participation accounts up to 1-month maturity 15 percent,
3) Deposits/participation accounts and special fund pools up to 3-month maturity to 13 percent,
4) Deposits/participation accounts and special fund pools up to 6-month maturity to 9 percent,
7) Liabilities other than deposits/participation funds to 13 percent,"

## 41. OTHER ISSUES

### 41.1 Banking Loans

| **31.12.2010** | **Corporate loans** | **SME loans** | **Consumer loans** | **Total** |
|---|---|---|---|---|
| Performing loans | 1.632.308 | 1.471.806 | 41.108 | 3.145.222 |
| Loans under close monitoring | 806 | 9.962 | 124 | 10.892 |
| Loans under legal follow - up | 59.223 | 90.738 | 88 | 150.049 |
| **Total loans** | **1.692.337** | **1.572.506** | **41.320** | **3.306.163** |
| **Specific allowance for impairment (-)** | (24.436) | (28.443) | (88) | (52.967) |
| **Collective allowance for impairment(-)** | (12.351) | (16.615) | (303) | (29.269) |
| **Total Provisions (-)** | **(36.787)** | **(45.058)** | **(391)** | **(82.236)** |
| | **1.655.550** | **1.527.448** | **40.929** | **3.223.927** |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 41. OTHER ISSUES (cont'd)

### 41.1 Banking Loans (cont'd)

| 31.12.2009 | Corporate loans | SME loans | Consumer loans | Total |
|---|---|---|---|---|
| Performing loans | 1.431.639 | 1.160.764 | 9.694 | 2.602.097 |
| Loans under close monitoring | 35.295 | 18.136 | 33 | 53.464 |
| Loans under legal follow - up | 67.869 | 124.728 | 80 | 192.677 |
| Total loans | 1.534.803 | 1.303.628 | 9.807 | 2.848.238 |
| Specific allowance for impairment (-) | (45.780) | (68.651) | (355) | (114.786) |
| Collective allowance for impairment(-) | (9.104) | (7.711) | (58) | (16.873) |
| Total Provisions (-) | (54.884) | (76.362) | (413) | (131.659) |
| | 1.479.919 | 1.227.266 | 9.394 | 2.716.579 |

(*) Corporate loans also include restructured loans which amount to TRL 23.224 (December 31, 2009: TRL 31.641).

The carrying amount of restructured loans is as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Banking loans** | | |
| Corporate loans | **19.646** | 20.557 |
| SME loans | **3.578** | 11.084 |
| | **23.224** | 31.641 |

A reconciliation of the allowance for individual impairment losses on loans is as follows;

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Balance at January 1 | **131.659** | 49.255 |
| Charge for the allowance for probable losses | **79.359** | 111.792 |
| Collections (-) | **(128.782)** | (27.479) |
| Amount written off and sold during the period (-) | **-** | (1.909) |
| **Balance at the end of the period** | **82.236** | 131.659 |

ABank has classified restructured loans separately that have been restructured through medium to long-term agreements signed by related borrowers. As of December 31, 2010, interest accrued on the restructured loans amounted to TRL 3.597 (December 31, 2009: TRL 2.559).

As of December 31, 2010, allowance for impaired loans also includes allowance provided for a portfolio amounting to TRL 29.269 (December 31, 2009: TRL 27.779).

As of December 31, 2010, loans and advances for which interest accrual has not been calculated or  or  interest is remitted is amounting to TRL 150.049 (December 31, 2009: 192.677).

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 41. OTHER ISSUES (cont'd)

### 41.1 Banking Loans (cont'd)

The TRL 2.788.932 amount of Banking Loans covers (December 31, 2009: TRL 2.420.744) current loans and TRL 434.995 amount covers (December 31, 2009: TRL 295.835) non-current loans.

As of December 31, 2010 and December 31, 2009, information with regard to rating concentration of the financial liabilities is as follows:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| High grade (A, B) | 54,61% | 53,64% |
| Standard grade (C) | 37,58% | 34,58% |
| Sub standard grade (D) | 4,55% | 7,42% |
| Impaired (E) | 1,17% | 4,36% |
| Not Traded | 2,09% | 0,95% |

### 41.2 Banking Customers' Deposits

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Deposits from other banks | **309.062** | 139.186 |
| Customers' deposits | **2.356.021** | 2.389.715 |
| | **2.665.083** | 2.528.901 |

### Deposits from other banks

| | **December 31, 2010** | | December 31, 2009 | |
|---|---|---|---|---|
| | **Demand** | **Time** | Demand | Time |
| **Foreign currency:** | | | | |
| **Foreign banks** | **6.662** | **-** | 2.707 | 50.132 |
| | **6.662** | **-** | 2.707 | 50.132 |
| **TRL:** | | | | |
| **Domestic banks** | **11** | **-** | 11 | 572 |
| **Foreign banks** | **-** | **1.535** | - | - |
| **Funds deposited under repurchase agreements** | **-** | **300.854** | - | 85.764 |
| | **11** | **302.389** | 11 | 86.336 |
| | **6.673** | **302.389** | 2.718 | 136.468 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 41. OTHER ISSUES (cont'd)

### 41.2 Banking Customers' Deposits

**Customers' deposits**

| | December 31, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| | **Demand** | **Time** | Demand | Time |
| **Foreign currency deposits:** | | | | |
| **Saving deposits** | **21.548** | **374.533** | 21.850 | 434.301 |
| **Commercial deposits** | **81.312** | **359.183** | 66.581 | 393.073 |
| | **102.860** | **733.716** | 88.431 | 827.374 |
| **TRL:** | | | | |
| **Saving deposits** | **26.954** | **875.772** | 16.037 | 873.459 |
| **Commercial deposits** | **75.457** | **490.272** | 71.575 | 463.600 |
| **Funds deposited under repurchase agreements** | **-** | **15.012** | - | 15.649 |
| **Public sector deposits** | **35.978** | **-** | 33.590 | - |
| | **138.389** | **1.381.056** | 121.202 | 1.352.708 |
| | **241.249** | **2.114.772** | 209.633 | 2.180.082 |

As of December 31, 2010, the current portion of the deposits is amounting to TRL 2.658.295 (December 31, 2009: TRL 2.528.901) and the non current portion is amounting to TRL 6.788 (December 31, 2009: None).

### 41.3 Funds Borrowed

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Foreign institutions and banks** | | |
| Syndication loans | **298.092** | 112.665 |
| Subordinated debt | **162.374** | - |
| Other | **176.286** | 241.027 |
| **Total foreign** | **636.752** | 353.692 |
| **Total domestic** | **392.274** | 287.364 |
| | **1.029.026** | 641.056 |

There is no letters of guarantee denominated in foreign currency given to the lending institutions as collateral against the loans obtained (December 31, 2009: None).

Funds borrowed amounting to TRL amount of 624.604 covers (December 31, 2009: TRL 460.320) current funds borrowed and TRL 404.422 amount covers (December 31, 2009: TRL 180.736) non-current funds borrowed.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 41. OTHER ISSUES (cont'd)

### 41.4 Derivative Financial Instruments

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards, swaps, futures and options.

The table below shows the favourable (assets) and unfavourable (liabilities) fair values of derivative financial instruments together with the notional amounts analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

The fair value of derivative financial instruments is calculated by using forward exchange rates at the balance sheet date. In the absence of reliable forward foreign currency market rates and reliable forward rate estimations in a volatile market, values of foreign currency forward and swap transactions are determined by comparing the period end foreign exchange rates with the forward rates discounted to the balance sheet date.

| **31.12.2010** | | **Fair values** | |
|---|---|---|---|
| | **Contract / Notional amount** | **Assets** | **Liabilities** |
| **Derivatives held for trading** | | | |
| Foreign exchange derivatives: | | | |
| Currency forwards | 183.390 | 1.279 | 461 |
| Currency swaps | 1.096.657 | 820 | 11.917 |
| OTC currency options | 423.966 | 2.790 | 2.790 |
| **Total derivatives held for trading** | **1.704.013** | **4.889** | **15.168** |
| Current | | 4.485 | 11.913 |
| Non-current | | 404 | 3.255 |
| | | **4.889** | **15.168** |

| 31.12.2009 | | Fair values | |
|---|---|---|---|
| | Contract / Notional amount | Assets | Liabilities |
| Derivatives held for trading | | | |
| Foreign exchange derivatives: | | | |
| Currency forwards | 42.308 | 34 | 739 |
| Currency swaps | 549.698 | 5.016 | 5.539 |
| OTC currency options | 352.219 | 2.187 | 2.129 |
| Interest rate derivatives: | | | |
| Option | 15.600 | - | 280 |
| Toplam alım satım amaçlı türevler | 959.825 | 7.237 | 8.687 |
| Current | | 7.237 | 8.687 |
| Non-current | | - | - |
| | | 7.237 | 8.687 |

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

## 41. OTHER ISSUES (cont'd)

### 41.5 Fair Values

Since cash and cash equivalents, trade receivables, other current assets, trade payables and other payables are of short term, their fair values are the same with their values in the balance sheet.

Investments are recorded with their carrying values due to the lack of determined market values and inefficiency of other methods on determining fair values.

Short-term and long term lease obligations are identical with their carrying values in the balance sheet since they are in foreign currencies and revalued as of year end.

**The methods and assumptions used to determine the fair values of financial assets and liabilities**

The fair values of financial lease receivables are calculated by discounting their cash flows to the present value by using current market rates.

The fair values of held to maturity financial assets are calculated based on their market prices.

The fair values of other assets and liabilities are calculated by discounting their cash flows to the present value by using current market rates (current libor rates).

| | **December 31, 2010** | | December 31, 2009 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Financial Assets** | | | | |
| Cash and cash equivalents | **72.065** | **72.065** | 80.602 | 80.602 |
| Held to maturity financial assets | **391.159** | **397.913** | 475.337 | 471.777 |
| Banking loans | **3.223.927** | **3.389.032** | 2.716.579 | 2.968.855 |
| Financial lease receivables | **242.313** | **240.600** | 252.325 | 259.929 |
| | **3.929.464** | **4.099.610** | 3.524.843 | 3.781.163 |
| **Financial Liabilities** | | | | |
| Deposits from other banks | **309.062** | **309.062** | 139.186 | 139.186 |
| Customer deposits | **2.356.021** | **2.361.153** | 2.389.715 | 2.139.548 |
| Funds borrowed | **1.029.026** | **1.038.496** | 641.056 | 537.162 |
| | **3.694.109** | **3.708.711** | 3.169.957 | 2.815.896 |

**Fair value measurements**

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

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

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

| | **December 31, 2010** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|---|
| Financial assets at fair value through profit and loss | **207.632** | **207.430** | **202** | **-** |
| Available for sale financial assets | **12** | **12** | **-** | **-** |
| Derivative financial assets | **4.889** | **-** | **4.889** | **-** |
| Derivative financial liabilities | **15.168** | **-** | **15.168** | **-** |

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