AK FİNANSAL KİRALAMA A.Ş.

INTERIM CONDENSED FINANCIAL STATEMENTS AS OF 30 JUNE 2013 TOGETHER WITH INDEPENDENT AUDITORS' REVIEW REPORT

Güney Bağımsız Denetim ve
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Report on review of interim condensed financial statements

To the Board of Directors of Ak Finansal Kiralama A.Ş.

We have reviewed the accompanying interim condensed financial statements of Ak Finansal Kiralama A.Ş. ("the Company") which comprise the statement of financial position as at 30 June 2013 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standard 34, "Interim financial reporting" (IAS 34) and for such internal control as management determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

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

Fatma Ebru Yücel, Partner

10 October 2013
Istanbul, Turkey

AK FİNANSAL KİRALAMA A.Ş.

INDEX TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

CONTENTS **PAGE**

AK FİNANSAL KİRALAMA A.Ş.

UNAUDITED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

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

ASSETS	**Notes**	**30 June 2013**	**31 December 2012**
Cash and cash equivalents	5	297,266	153,465
Finance lease receivables	6	2,686,331	2,076,810
Other assets and prepaid expenses		57,359	40,549
Assets held for sale	8	11,757	11,833
Property and equipment, net	7	1,207	1,201
Intangible assets, net	7	458	601
Derivative financial instruments		836	3,568
Total assets		**3,055,214**	**2,288,027**
LIABILITIES			
Borrowings	9	1,875,002	1,676,119
Debt securities issued	10	636,149	151,228
Accounts payable	11	139,900	108,357
Advances from customers	11	47,735	21,902
Derivative financial instruments		5,765	2,471
Other liabilities		1,009	1,180
Employment benefits		820	743
Income tax liability, net	12	3,242	1,591
Deferred tax liability, net	12	772	2,113
Total liabilities		**2,710,394**	**1,965,704**
EQUITY			
Share capital	13	88,400	88,400
Adjustment to share capital	13	(13,393)	(13,393)
Total paid-in share capital	13	75,007	75,007
Legal reserves		26,345	23,776
Hedge Reserves		-	(62)
Retained earnings		243,468	223,602
Total equity		**344,820**	**322,323**
Total liabilities and equity		**3,055,214**	**2,288,027**

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

AK FİNANSAL KİRALAMA A.Ş.

UNAUDITED INTERIM CONDENSED STATEMENT OF COMPHERENSIVE INCOME FOR THE SIX MONTH ENDED 30 JUNE 2013

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

	Notes	30 June 2013	30 June 2012
Interest income from direct finance leases		83,248	60,701
Interest income on placements and transactions with banks		5,669	3,589
Total interest income		**88,917**	**64,290**
Interest expense on borrowings		(52,158)	(35,358)
Net interest income		**36,759**	**28,932**
Foreign exchange gains, including net gains or losses from dealing in foreign currency		7,720	2,947
Net interest income after foreign exchange gains or losses		**44,479**	**31,879**
Net trading, hedging and fair value income/(loss)		(5,889)	2,987
Fee and commission income/(expenses), net		1,218	895
Impairment loss on finance lease receivables	6	(4,785)	(2,561)
Recoveries from impaired lease receivables	6	1,564	1,311
Other income/(expenses), net		(24)	(16)
Operating profit		**36,563**	**34,495**
Operating expenses		(8,571)	(6,031)
Income before tax		**27,992**	**28,464**
Taxation on income	12	(5,557)	(8,821)
Net income for the year		**22,435**	**19,643**
Other comprehensive income to be reclassified to profit or loss in subsequent periods		**62**	**-**
- Cash flow Hedge Reserve		62	-
Total comprehensive income		**22,497**	**19,643**

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

AK FİNANSAL KİRALAMA A.Ş.

UNAUDITED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH ENDED 3O JUNE 2013
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

	Paid in share capital						
	Share capital	**Adjustment to share capital**	**Total paid-in share capital**	**Legal reserves**	**Hedge reserves**	**Retained earnings**	**Total Equity**
Balance at 1 January 2012	**88,400**	**(13,393)**	**75,007**	**19,588**	**-**	**211,315**	**305,910**
Transfers	-	-	-	4,188	-	(4,188)	-
Dividends paid	-	-	-	-	-	(25,000)	(25,000)
Total comprehensive income	-	-	-	-	-	19,643	19,643
- *Net income for the year*	-	-	-	-	-	19,643	19,643
-*Other Comprehensive Income*	-	-	-	-	-	-	-
Balance at 30 June 2012	**88,400**	**(13,393)**	**75,007**	**23,776**		**201,770**	**300,553**
Balance at 1 January 2013	**88,400**	**(13,393)**	**75,007**	**23,776**	**(62)**	**223,602**	**322,323**
Transfers	-	-	-	2,569	-	(2,569)	-
Dividends paid	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	62	22,435	22,497
- *Net income for the year*	-	-	-	-	-	22,435	22,435
-*Other Comprehensive Income*	-	-	-	-	62	-	62
Balance at 30 June 2013	**88,400**	**(13,393)**	**75,007**	**26,345**	**-**	**243,468**	**344,820**

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

AK FİNANSAL KİRALAMA A.Ş.

INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

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

	Notes	30 June 2013	30 June 2012
Cash flows from operating activities			
Net income for the year		22,435	19,643
Adjustments for:			
Depreciation and amortization	7	297	121
Remeasurement of derivative financial instruments at fair value		6,088	(183,284)
Provision for employment termination benefits		102	88
Provision for legal proceedings	15	(2)	(120)
Provision for personnel performance bonus		600	400
Provision for impaired receivables	6	4,785	2,561
Deferred tax charge	12	(1,341)	7,078
Corporate tax charge	12	6,898	1,743
Taxes paid	12	(5,247)	-
Interest income and foreign exchange gain/(loss), net		(36,759)	(39,374)
Interest paid		(43,776)	(9,009)
Interest received		75,044	57,855
Unrealized foreign currency gains/(losses)		(10,444)	1,625
Cash flows from operating profit before changes in operating assets and liabilities		**18,680**	**(140,673)**
Changes in operating assets and liabilities			
Net decrease/(increase) in finance lease receivables		(600,333)	(237,458)
Net decrease/(increase) in other assets and prepaid expenses		(16,734)	(11,745)
Personnel performance bonus paid		(800)	(1,400)
Employment termination benefits paid		(104)	(55)
Net increase in accounts payables		31,543	39,860
Net (increase)/decrease in borrowings		115,081	(76,020)
Net (increase)/decrease in advances from customers		25,833	(16,202)
Net decrease in other liabilities		109	10
Net cash (used in)/provided by operating activities		**(426,725)**	**(443,683)**
Cash flows from investing activities			
Purchase of property and equipment and intangibles		(160)	83
Net cash used in from investing activities		**(160)**	**83**
Cash flows from financing activities			
Proceeds from borrowed funds		1,563,445	496,299
Proceeds from debt securities issued		481,200	150,000
Payments of borrowed funds		(1,484,304)	(268,620)
Dividends paid		-	(25,000)
Net cash provided by/(used in) financing activities		**560,341**	**352,679**
Net increase/(decrease) in cash and cash equivalents		133,456	(90,921)
Effect of foreign exchange rate changes on cash and cash equivalents		10,444	(1,625)
Cash and cash equivalents at the beginning of the year	5	153,068	156,560
Cash and cash equivalents at the end of the year	5	**296,968**	**64,014**

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

NOTE 1 - GENERAL INFORMATION

Ak Finansal Kiralama A.Ş., ("the Company") was established in İstanbul, Turkey on 14 November 1988, with the name BNP-AK-DRESDNER Finansal Kiralama A.Ş. pursuant to the licence obtained from the Undersecretariat of Treasury for the purpose of financial leasing as permitted by law number 3226. At 26 January 2005, the shares of the Company, held by the BNP Paribas Group and Dresdner Bank A.G. were purchased by Akbank T.A.Ş. Pursuant to the sales, the Company's name is changed to Ak Finansal Kiralama A.Ş. The registered office address of the Company is Sabancı Center Kule: 2 Kat: 8-9. 4.Levent İstanbul, Turkey.

The parent of the Company is Akbank T.A.Ş. and ultimate parent of the Company is Hacı Ömer Sabancı Holding A.S and as at 30 June 2013, the Company employs 72 employees (2012 – 63 employees).

The financial statements as at and for the year ended 30 June 2013 have been approved by the Board of Directors on September …, 2013. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adapted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years / periods presented, unless otherwise stated.

2.1 BASIS OF PRESENTATION

(a) Basis of preparation

These interim condensed financial statements for the period ended 30 June 2013 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2012.

The interim condensed financial statements have been prepared under the historical cost convention, except for held for trading and available for sale financial instruments and derivatives which have all been measured at fair value.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The interim condensed financial statements are presented in the national currency of the Republic of Turkey, the Turkish lira ("TL").

The Company maintains its books of account and prepares its statutory financial statements in thousands of Turkish Lira ("TL") which is the Company's functional and presentation currency, in accordance with communiqué "Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies"("Financial Statement's Communiqué") issued by the Banking Regulation and Supervision Agency ("BRSA"), Turkish Commercial Code, Leasing Law and tax legislation. Turkish tax legislation required all leased assets be capitalized on the balance sheet of the lessor whether the lease is operating or finance lease until 1 July 2003. In accordance with amendments in Turkish tax law dated 24 April 2003, the lessors started to apply rules similar to IAS 17: "Leases" for the leasing transactions they entered after 1 July 2003 in their statutory financial statements.

Changes in accounting policy and disclosures:

The accounting policies adopted in preparation of the interim condensed financial statements as at 30 June 2013 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2013. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2013 are as follows:

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)

The amendment requires the disclosure of the rights of the entity relating to the offsetting of the financial instruments and some information about the related arrangements (eg, collateral agreements). New disclosures would provide users of financial statements with information that is useful in;

i) evaluating the effect or potential effect of netting arrangements on an entity's financial position and,
ii) analyzing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards.

New disclosures have to be provided for all the financial instruments in the balance sheet that have been offset according to IAS 32. Such disclosures are applicable to financial instruments in the balance sheet that have not been offset according to IAS 32 but are subject to an enforceable master netting agreement or similar agreement. The amendment affects disclosures only and did not have any impact on the interim condensed financial statements of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time now have to be presented separately from items which will never be reclassified. The amendment affected presentation only and had no impact on the financial position or performance of the Company.

IAS 19 Employee Benefits (Amended)

Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, and recognizing actuarial gain/(loss) under other comprehensive income for defined benefit plans and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. This amendment did not have a material impact on the financial position or performance of the Company.

IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This amendment did not have an impact on the financial position or performance of the Company.

IAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. This amendment did not have an impact on the financial position or performance of the Company.

IFRS 10 Consolidated Financial Statements

IFRS10, IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This amendment did not have an impact on the financial position or performance of the Company.

IFRS 11 Joint Arrangements

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard did not have an impact on the financial position or performance of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the requirements that are related to disclosures of an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This amendment did not have any impact on the financial position or performance of the Company.

IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. The new disclosures are only required for periods beginning after IFRS 13 is adopted. The application of IFRS 13 has not materially impacted the FV measurements carried out by the Company. Some of the disclosures about the financial instruments mentioned above, have to be provided in the interim condensed financial statements according to IAS 34.16 A (j). The Company has presented these disclosures in Note 3 (e).

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

Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

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

The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12.

Disclosure of Interests in Other Entities to provide transition relief. These amendments did not have an impact on the interim financial statements of the Company.

Improvements to IFRSs

Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards, is effective for annual periods beginning on or after 1 January 2013. This project did not have an impact on the financial position or performance of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IAS 1 Financial Statement Presentation:

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

IAS 16 Property, Plant and Equipment:

Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory

IAS 32 Financial Instruments: Presentation:

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

IAS 34 Interim Financial Reporting:

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

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the interim condensed financial statements and disclosures, after the new standards and interpretations become in effect.

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 9 Financial Instruments – Classification and measurement

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

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. This amendment has not yet been endorsed by the EU. The amendments will not have any impact on the financial position or performance of the Company.

IFRIC Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. This interpretation has not yet been endorsed by the EU. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

Amendments to IAS 36 - (Recoverable Amount Disclosures for Non-Financial assets)

The IASB, as a consequential amendment to IFRS 13 Fair Value Measurement, modified some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13. This amendment has not yet been endorsed by the EU. This amendment is related with disclosure presentation; accordingly it will not have an effect on the financial position or performance of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting

In June 2013, the IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement that provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. This amendment has not yet been endorsed by the EU. The amendment will not have any impact on the financial position or performance of the Company.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

For the purposes of cash flows statement, cash and cash equivalents comprise cash and due from banks with less then 90 days original maturity.

Related parties

For the purpose of these financial statements, the shareholders of the Company, key management personnel and Board members and their close family members, the Sabancı Group, Akbank and the companies controlled by or affiliated with them are considered and referred to as related parties (Note 20).

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

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

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

(i) As lessor

When assets are sold under a finance lease, the present value of the lease payments is recognized as a receivable. All costs that are directly attributable to the investment in direct finance lease are capitalized at initial recognition as part of the investment in direct finance lease and amortized via effective interest rate method. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. The profit recognized on sale of leased assets is recorded as gain on liquidation of investments.

Future gross lease rentals receivable, net of unearned future lease income, are classified as the net investment in direct finance leases.

Gross rentals due but not received at the balance sheet date are classified as receivables from outstanding lease payments. Receivables from outstanding lease payments are carried at net realizable value.

To date, the Company has not entered into operating leases over company assets.

(ii) Operating lease as lessee

Leases that do not transfer to the company substantially all of the risks and incidential to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense on a straight line basis over the lease term.

Allowance for impairment of lease receivables

A credit risk provision for impairment of the investment in direct finance leases and accounts receivables is established if there is objective evidence that the Company will not be able to collect all amounts due as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the receivables. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception.

The provision also covers losses where there is objective evidence that probable losses are present in components of the portfolio at the balance sheet date. These have been estimated based upon historical loss experience which is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The provision made during the year is charged against the income for the year.

Investment in direct finance leases and accounts receivables that cannot be recovered are written off and charged against the allowance for impairment of lease and accounts receivables. Such receivables are written off after all the necessary legal proceedings have been completed and the amount of the loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from provision for impairment of lease and accounts receivables for the year (Note 6).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts and interest rate swaps are initially recognized in the balance sheet at their fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Transaction costs that are directly attributable to the acquisition are expensed immediately.

Certain derivative transactions, even though providing effective economic hedges under the Company's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39 "Financial Instruments: Recognition and Measurement", and are therefore treated as derivatives held for trading with fair value gains and losses reported in income statement.

Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. Fair value of over-the-counter ("OTC") forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated by reference to market interest rates of the related currency for the remaining period of the contract, discounted to 30 June 2013. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (Note 7).

Property and equipment

All property and equipment is carried at cost, less accumulated depreciation. Depreciation is calculated over the restated amounts of property and equipment by using the straight-line method to write down the restated cost of each asset to their residual values over their estimated useful life as follows:

Furniture and fixtures	5-6 years
Office equipment and motor vehicles	3 - 10 years
Leasehold improvements	Shorter of lease period or useful lives

Where the carrying amount of an asset is greater than its estimated recoverable amount ("higher of net selling price" and "value in use"), it is written down immediately to its recoverable amount. The recoverable amount of the impaired property and equipment represents fair value less costs to sell.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Intangible assets

Intangible assets comprise computer software costs and are carried at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis over 3-5 years.

Assets held for sale

The assets sustaining the criteria of being classified under assets held for sale are measured with the lower of their book values or fair value less costs to be incurred for sale. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold at once in the circumstances of usual conditions and should have a high possibility to be sold. Besides, the asset (or the asset group to be disposed) shall be traded actively with a price in concordance with its "fair market value". As of 30 June 2013 assets held for sale are stated at their book values.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

If an asset needs to be classified as construction-in-progress for a significant time, in order to be available for sale or available to use, borrowing costs related to the purchase and additional construction expenses are capitalized within the cost of asset. If there is an investment income related to the unconsumed part of the loans, it will be deducted from the capitalized interest expense.

All other finance expenses will be expensed during the period incurred.

Financial liabilities

Financial liabilities including borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequently, financial liabilities are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the financial liability using the effective yield method.

Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax.

The principal temporary differences arise from the unused investment allowances, provision for impaired lease receivables, derivative financial instruments, provisions for employment termination benefits and personnel bonus (Note 15).

Deferred tax liabilities and assets are recognised when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Company. Deferred tax assets resulting from temporary differences in the recognition of expense for income tax, and for financial reporting purposes are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employment termination benefits

Defined Benefit Plans:

Obligations related to employee termination benefits are accounted for in accordance with "International Accounting Standard for Employee Rights" ("IAS 19") and are classified under "reserve for employment termination benefits" account in the balance sheet.

Under the Turkish Labor Law, the Company is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labor Law. Employment termination benefits represent the estimated present value of the total reserve of the future probable obligation of the Company arising in the case of the retirement of the employees in accordance with the this Law and is calculated using the projected unit credit method (Note 15).

Defined Contribution Plans:

The Company also has to pay contributions to the Social Security Institution (Institution) for its employees within the contribution margin decided by the law. The Company does not have other liabilities to its employees or to the Institution other than the contribution for its employees. Those contributions are expensed on the date of accrual.

Short Term Plans:

The company also provides for short-term employee benefits such as vacation rights and bonuses in accordance with IAS 19.

Revenue recognition

Direct financing leases consist of full-payout leases for various types of equipment. The excess of aggregate contract lease rentals, plus the nominal residual value, over the original cost of the related equipment represents the total revenue to be recognized over the term of the lease. The revenue is recognized in order to provide a constant periodic rate of return on the net investment remaining in each lease.

Interest income and expense

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price.

Contingent assets and liabilities

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency transactions

Transactions denominated in foreign currencies are recorded in TL at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Subsequent events

Subsequent events cover any events which arise between the date of the statement of financial position and the date of approval of the financial statements, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Company adjusts its financial statements if such subsequent events require an adjustment to the financial statements.

Restatement of prior year financial statements

The errors made in the preparation of interim condensed financial statements as of and for the year ended December 31, 2012 have been corrected retrospectively. The classification made in the statement of financial position of the Company as of December 31, 2012 is as follows:

The Company previously presented income taxes payable amounting to TL 1,591 under other liabilities. This amount is presented as a separate line in the statement of financial position.

All correction of errors have been adjusted retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, resulting in the restatement of prior year financial information.

Critical accounting estimates and judgments in applying accounting policies

The preparation of interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

In preparing these interim condensed financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those that are applied in the annual financial statements for the year ended December 31, 2012.

NOTE 3 - FINANCIAL RISK MANAGEMENT

a. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

The Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. For specific treasury transactions, the opinion of Funding Committee, which was established by the approval of Board of Directors, is asked. Depending on the instrument and transaction amount, the approval of Board of Directors is also required.

b. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company adopts a detailed and thorough credit analysis, assessment and approval process. It works with selected and creditworthy counterparties and obtains sufficient and where appropriate additional collateral as a means of mitigating the risk of financial loss from defaults. A diversified portfolio by sector and asset and focus on assets with deep secondary market and higher residual value is achieved. The Company regularly monitors the ability of the counterparties to pay amounts in full when due, analyzes the financial position of the counterparties and monitors the condition of the leased assets. The Company's risk limits are continuously measured and monitored.

c. Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate risk and currency risk, including interest rate swaps, currency swaps, cross currency swaps and forwards.

There has been no major change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

i) Currency risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed with asset-liability balancing transactions and derivatives. Currency risk is managed and reviewed by using clearly defined, approved and carefully monitored risk limit of foreign exchange position on a monthly basis.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date is disclosed below. Portfolio provision for leasing receivables in the balance sheet is considered as Turkish Lira in the calculation of the Net Currency Position.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The table below summarizes the Company's exposure to foreign currency exchange rate risk at 30 June 2013 and 31 December 2012.

	Foreign Currency		
30 June 2013	**US$ (TL Equivalent)**	**EUR (TL Equivalent)**	**Total**
Assets			
Cash and cash equivalents	152,322	97,294	249,616
Finance lease receivables	1,054,800	1,091,352	2,146,152
Other assets and prepaid expenses	9,191	22,708	31,899
Derivative financial instruments	210	-	210
Total assets	**1,216,523**	**1,211,354**	**2,427,877**
Liabilities			
Borrowings	734,749	858,109	1,592,858
Debt securities issued	485,124	-	485,124
Accounts payable	76,482	56,007	132,489
Advances from customers	9,778	31,367	41,145
Derivative financial instruments	4,652	1,113	5,765
Total liabilities	**1,310,785**	**946,596**	**2,257,381**
Net balance sheet position	**(94,262)**	**264,758**	**170,496**
Off-balance sheet derivative instruments net notional position	**72,637**	**(246,287)**	**(173,650)**
Total net balance sheet position	**(21,625)**	**18,471**	**(3,154)**

Regarding the balance sheet position, the Company carried out a forward transaction of an equivalent of USD 11 million in Euro on 3 July 2013 with a due date of 31 December 2013 and bought USD 11 million in exchange.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2012	Foreign Currency US$ (TL Equivalent)	EUR (TL Equivalent)	Total
Assets			
Cash and cash equivalents	7,862	39,724	47,586
Finance lease receivables	801,634	829,036	1,630,670
Other assets and prepaid expenses	6,806	19,119	25,925
Derivative financial instruments	13	-	13
Total assets	**816,315**	**887,879**	**1,704,194**
Liabilities			
Borrowings	662,750	783,064	1,445,814
Accounts payable	51,461	50,110	101,571
Advances from customers	4,629	11,513	16,142
Derivative financial instruments	1,077	1,394	2,471
Total liabilities	**719,917**	**846,081**	**1,565,998**
Net balance sheet position	**96,398**	**41,798**	**138,196**
Off-balance sheet derivative instruments net notional position	**(70,320)**	**(66,822)**	**(137,142)**
Total net balance sheet position	**26,078**	**(25,024)**	**1,054**

At 30 June 2013, assets, liabilities and off-balance sheet derivative instruments denominated in foreign currency were translated into TL by using a foreign exchange rate of TL1.9248=US$1 and TL2.5137=EUR1 (31 December 2012 – TL1.7826=US$1 and 2.3517=EUR1).

Foreign currency sensitivity

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro.

The following table details the Company's sensitivity to a 10% increase and decrease in the TL against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss where the TL weakens against the relevant currency.

	US Dollar Impact (TL Equivalent)		EURO Impact (TL Equivalent)	
	2013	**2012**	**2013**	**2012**
Profit and Loss	(2,162)	2,608	1,847	(2,502)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

ii) Interest rate risk

The Company is exposed to interest rate risk due to borrowings and finance lease receivables at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings and finance lease receivables, by the use of derivatives such as interest rate swap contracts and cross currency swaps. Hedging activities are regularly evaluated regularly to ensure optimal hedging strategies are applied. Interest rate is managed and reviewed by using clearly defined, approved and carefully monitored risk limits such as repricing maturity gap analysis and economic value change analysis (stress tests).

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate assets and liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower and related interest rate swaps and all other variables were held constant, the Company's:

- profit for the year ended 30 June 2013 would decrease / increase by TL 3,013 (31 December 2012 –increase by TL 2,417). This is mainly attributable to the Company's exposure to interest rates on its variable rate receivables and borrowings.

Interest rate swap contracts

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the fair value of fixed rate debt issued and the cash flow exposures on the variable rate debt issued. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract, and is disclosed in Note 7. The average interest rate is based on the outstanding balances at the start of the financial year.

The interest rate swaps settle on a quarterly basis. The Company will settle the difference between the fixed and floating interest rate on a net basis.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The table below summarizes the Company's exposure to interest rate risk on the basis of the remaining period at the balance sheet to the re-pricing or contractual dates whichever is earlier.

30 June 2013	Demand	Up to 3 months	3 to 12 months	Over 1 year	Total
Assets					
Cash and cash equivalents	19,730	277,536	-	-	297,266
Finance lease receivables	22,707	554,551	465,830	1,190,414	2,233,502
Derivative financial instruments	-	836	-	-	836
Total assets	**42,437**	**832,923**	**465,830**	**1,190,414**	**2,531,604**
Liabilities					
Borrowings	-	748,946	621,669	504,387	1,875,002
Debt Securities	-	151,025	-	485,124	636,149
Derivative financial instruments	-	4,498	-	1,267	5,765
Total liabilities	**-**	**904,469**	**621,669**	**990,778**	**2,516,916**
Net re-pricing gap	**42,437**	**(71,546)**	**(155,839)**	**199,636**	**14,688**

31 December 2012	Demand	Up to 3 months	3 to 12 months	Over 1 year	Total
Assets					
Cash and cash equivalents	33,653	119,812	-	-	153,465
Finance lease receivables	10,128	438,340	388,873	977,716	1,815,057
Derivative financial instruments	-	407	3,161	-	3,568
Total assets	**43,781**	**558,559**	**392,034**	**977,716**	**1,972,090**
Liabilities					
Borrowings	-	532,924	575,113	568,082	1,676,119
Securities to be issued	-	151,228	-	-	151,228
Derivative financial instruments	-	204	2,267	-	2,471
Total liabilities	**-**	**684,356**	**577,380**	**568,082**	**1,829,818**
Net re-pricing gap	**43,781**	**(125,797)**	**(185,346)**	**409,634**	**142,272**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

d) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The Company makes a detailed and complete analysis of the projected cash inflows (mainly lease installments) and cash outflows (mainly bank loan payments and payments to suppliers according to leasing transactions) and determines the exact cash requirements. A diversified funding base is used and stringent risk limits are utilized to manage and review liquidity risk.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

30 June 2013	**Demand and up to 3 months**	**3 to 12 months**	**Over 1 year**	**Total**
Liabilities				
Borrowings	230,357	689,870	1,193,691	2,113,918
Debt securities issued	2,135	177,626	563,004	742,765
Accounts payable	139,900	-	-	139,900
Advances from customers	47,735	-	-	47,735
Total liabilities	**420,127**	**867,496**	**1,756,695**	**3,044,318**
Cash inflow / (outflow) from derivative financial instruments, net	2,039	4,554	3,245	9,838

31 December 2012	**Demand and up to 3 months**	**3 to 12 months**	**Over 1 year**	**Total**
Liabilities				
Borrowings	282,446	625,444	1,009,629	1,917,519
Debt securities issued	1,228	16,320	154,080	171,628
Accounts payable	108,357	-	-	108,357
Advances from customers	21,902	-	-	21,902
Total liabilities	**413,933**	**641,764**	**1,163,709**	**2,219,406**
Cash inflow / (outflow) from derivative financial instruments, net	47	5,138	-	5,185

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

e. Fair value of financial instruments

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

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

Fair value of financial assets is measured according to the assumptions based on amounts derived from cash flow models.

The fair values of certain financial assets and liabilities excluding finance lease receivables, debt securities issued and borrowings are considered to approximate their respective carrying values due to their short-term nature.

The table below indicates the fair value of the financial assets which are stated at their carrying amounts:

	Carrying amount		Fair value	
	30 June 2013	**31 December 2012**	**30 June 2013**	**31 December 2012**
Finance lease receivables	2,210,795	1,804,929	2,244,230	1,892,612
Borrowings	1,875,002	1,676,119	1,668,166	1,562,726
Debt securities issued	636,149	151,228	648,733	167,517

The discount rate used to calculate the fair value of US$, EUR and TL borrowings and debt securities issued as at 30 June 2013 are %3.9, %3.70 and %8.29, respectively.

The discount rate used to calculate the fair value of US$, EUR and TL finance lease receivables as at 30 June 2013 are %5.88 %6.43 and %12.34, respectively.

IFRS 7 requires classification of line items at fair value presented at financial statements according to the defined levels. These levels depend on the observability of data used during fair value calculations. Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

There are not any significant transfers between Level 1 and Level 2 of the fair value hierarchy.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

According to these classification principles stated, the Company's classification of financial assets and liabilities carried at their fair value are as follows:

30 June 2013

	Level 1	Level 2	Level 3
Derivative financial assets held for trading	-	836	-
Total assets	**-**	**836**	**-**
Derivative financial liabilities held for trading	-	5,765	-
Derivative financial liabilities held for hedging purpose	-	-	-
Total liabilities	**-**	**5,765**	**-**

31 December 2012

	Level 1	Level 2	Level 3
Derivative financial assets held for trading	-	3,568	-
Total assets	**-**	**3,568**	**-**
Derivative financial liabilities held for trading	-	2,374	-
Derivative financial liabilities held for hedging purpose	-	97	-
Total liabilities	**-**	**2,471**	**-**

f. Capital risk management

According to article 23 of "Regulation on the Incorporation and Operating Principles of Leasing, Factoring and Finance Companies" that was published in Official Gazette on 10 October 2006, the total amount of leasing companies' net leasing receivables and other receivables from lessees, may not exceed thirty times of their equities.

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Allowance for impairment of finance lease receivables

A credit risk provision for impairment of the investment in finance leases and accounts receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The estimates used in evaluating the adequacy of the provision for impairment of finance lease receivables are based on the aging of these receivable balances and the trend of collection performance. (Note 6)

Deferred taxation

Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by Management and extrapolated results thereafter. The business plan is based on Management expectations that are believed to be reasonable under the circumstances.

NOTE 5 - CASH AND CASH EQUIVALENTS

	30 June 2013			31 December 2012			30 June 2012		
	Foreign currency	TL	Total	Foreign currency	TL	Total	Foreign currency	TL	Total
Due from banks									
-demand deposits	16,703	3,027	19,730	20,279	13,374	33,653	3,081	2,538	5,619
-time deposits	232,939	44,597	277,536	27,307	92,505	119,812	36,662	22,000	58,662
Total cash and cash equivalents	**249,642**	**47,624**	**297,266**	**47,586**	**105,879**	**153,465**	**39,743**	**24,538**	**64,281**

For the purposes of cash flow statements, cash and cash equivalents comprise TL 296,968, TL 153,068 and TL 64,014 at 30 June 2013, 31 December 2012 and 30 June 2012, respectively.

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET

	30 June 2013	31 December 2012
Gross finance lease receivables	2,616,205	2,141,368
Unearned finance income	(424,932)	(348,024)
	2,191,273	**1,793,344**
Invoiced lease receivables	19,522	11,585
Impaired lease receivables	53,226	37,426
Provision for impaired lease receivables	(30,519)	(27,298)
	2,233,502	**1,815,057**
Equipments to be leased	253,981	123,061
Advances to vendors	198,848	138,692
Net finance lease receivables	**2,686,331**	**2,076,810**

At 30 June 2013 and 31 December 2012 the finance lease receivables according to their interest type are as follows:

Gross finance lease receivables:	30 June 2013	31 December 2012
Fixed rate	2,103,118	1,733,990
Floating rate	513,087	407,378
	2,616,205	**2,141,368**

At 30 June 2013 and 31 December 2012 the leasing receivables have the following collection schedules:

	Finance Lease Receivables	
Year Ending	**Gross 30 June 2013**	**Net performing 30 June 2012**
31 December 2013	382,131	317,253
31 December 2014	657,882	535,880
31 December 2015	494,348	409,003
31 December 2016	374,933	318,076
31 December 2017 and after	706,911	611,061
	2,616,205	**2,191,273**

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

	Finance Lease Receivables	
Year Ending	**Gross 31 December 2012**	**Net performing 31 December 2012**
31 December 2013	649,431	537,419
31 December 2014	470,580	388,349
31 December 2015	342,369	285,926
31 December 2016	246,774	210,052
31 December 2017 and after	432,214	371,598
	2,141,368	**1,793,344**

Finance lease receivables can be analyzed as follows:

Year Ending	**30 June 2013**	**31 December 2012**
Neither past due nor impaired	2,191,273	1,793,344
Past due but not impaired	19,522	11,585
Impaired	53,226	37,426
Gross	**2,264,021**	**1,842,355**
Less: allowances for impairment	(30,519)	(27,298)
Net finance lease receivables	**2,233,502**	**1,815,057**

The total impairment provision for finance lease receivables at June 30, 2013 is TL 30,519 (2012 – TL 27,298) of which TL 24,031 (2012 – TL 20,611) represents the individually impaired loans and of which TL 6,488 (2012 – TL 6,687) represents the portfolio provision in the performing portfolio.

The Company obtains transfer of rights of receivables, mortgages, pledged securities, blocked deposits and guarantee letters as collateral from its customers.

Collateral amount amounting to TL 51,680 (December 31, 2012: TL 24,962) has been obtained for impaired finance lease receivables amounting to TL 53,226 (December 31, 2012 – TL 37,426).

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

The aging of past due but not impaired finance lease receivables as at 30 June 2013 and 31 December 2012 are as follows:

	30 June 2013		31 December 2012	
	Invoiced Amount	Remaining Principal Amount	Invoiced Amount	Remaining Principal Amount
0-30 days	10,799	438,584	4,333	307,415
30-60 days	3,312	59,089	4,024	55,597
60 -150 days	5,411	18,619	3,228	29,338
	19,522	**516,292**	**11,585**	**392,350**

Movements in provision for impaired finance lease receivables for the years ended 30 June 2013 and 31 December 2012 are as follows:

	30 June 2013	30 June 2012
At 1 January	**27,298**	**34,538**
Impairment expense during the year	4,785	2,561
Write-off (*)	-	(12,887)
Recoveries of amounts previously provided for	(1,564)	(1,311)
At period end	**30,519**	**22,901**

(*) Last year with the asset sale, the company sold %100 provisioned 219 unit of non performing loans to the Final Varlık Management A.Ş for TL 1,100. Lease receivables amounting TL 12,887 has been written-off from records.

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

Economic sector risk concentrations for the gross finance lease receivables as of 30 June 2013 and 31 Decemeber 2012 are as follows:

	30 June 2013	%	31 December 2012	%
Transportation	550,033	21	454,929	21
Construction	318,423	12	235,811	11
Textile	296,171	11	227,072	11
Energy and natural sources	194,228	7	177,413	8
Health	152,881	6	182,839	9
Steel and mining	223,414	9	157,385	7
Production	128,305	5	120,212	6
Food and beverage	143,159	6	104,468	5
Financial institutions	76,948	3	89,585	4
Printing	23,964	1	52,609	2
Automotive	52,004	2	44,703	2
Technology, telecommunication, media and entertainment	33,426	1	32,660	2
Tourism	79,692	3	29,805	1
Petroleum and chemistry	29,948	1	21,645	1
Agriculture	77,206	3	20,268	1
Wholesale and retail trade	41,468	2	18,095	1
Chemistry	31,162	1	15,894	1
Education	1,799	0	2,109	0
Machinery and metal industry	633	0	1,818	0
Other	161,341	6	152,048	7
	2,616,205	**100**	**2,141,368**	**100**

Minimum financial lease receivables consist of rentals receivable over the terms of leases. As per the lease agreements made with lessees, the ownership of the items leased is transferred to the lessees at the end of the lease term.

Depending on the customers' inability to repay its obligations arising from financial leases or other similar economic factors, the Company may cancel some of the lease contracts signed with its customers. These related assets may be re-leased to the same customer or to the other customers or; may be sold to the third parties, depending upon circumstances.

The Company has no finance lease payables as at 30 June 2013 and 31 December 2012.

As of 30 June 2013, there are no restructured lease receivables during the year (2012 – None).

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

NOTE 7 - PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

The amount of tangible and intangible assets purchased during the six months period ended 30 June 2013 amounts to TL 160 (31 December 2012: TL 352).

The amount of tangible and intangible assets depreciation during the six months period ended 30 June 2013 amounts to TL 297 (30 June 2012: TL 241).

NOTE 8 - ASSETS HELD FOR SALE

	30 June 2013	31 December 2012
Possessed Collaterals- Land	11,757	11,833
	11,757	**11,833**

(*) In 2012, company repossessed collateral of TL 10,000 on a secured finance receivable which had defaulted and classified as non performing. The asset (mortgage) repossessed is classified as asset held for sale as it is planned to be sold within a year.

NOTE 9 - BORROWINGS

	30 June 2013			31 December 2012		
	Interest rates per annum(%)	Balance in original currency	TL	Interest rates per annum(%)	Balance in original currency	TL
Domestic borrowings						
Fixed rate borrowings:						
EUR	4.90	42,359	106,477	5.07	72,702	170,974
US$	5.14	81,701	157,259	5.45	128,715	229,446
TL	8.28	232,505	232,505	9.32	147,350	147,350
Floating rate borrowings:						
EUR	1.93	26,496	66,603	2.57	3,635	8,549
US$	3.78	48,248	92,868	4.43	62,432	111,291
Total domestic borrowing			**655,712**			**667,610**
Foreign borrowings						
Fixed rate borrowings:						
EUR	3.59	199,560	501,635	3.98	197,441	464,322
US$	3.87	66,323	127,659	4.37	89,944	160,334
TL	6.24	49,640	49,640	7.89	82,955	82,955
Floating rate borrowings:						
EUR	1.92	72,955	183,386	2.51	59,199	139,219
US$	2.51	185,458	356,970	2.40	90,698	161,679
Total foreign borrowings			**1,219,290**			**1,008,509**
Total borrowings			**1,875,002**			**1,676,119**

NOTE 9 – BORROWINGS (Continued)

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

	30 June 2013	31 December 2012
Short Term Borrowings	691,160	696,173
Long Term Borrowings	1,183,842	979,946
	1,875,002	**1,676,119**

NOTE 10 –DEBT SECURITIES ISSUED

	30 June 2013	31 December 2012
Debt secuities issued (*)	636,149	151,228
	636,149	**151,228**

(*) The company has issued a floating rate bond amounting to nominal TL150,000. The issue dates is February 24,2012 and the maturity of the bond is February 21,2014. The company has issued a eurobond amounting to nominal USD 250 mio with five years maturity in April 17, 2013.

NOTE 11 - ACCOUNTS PAYABLE AND ADVANCES RECEIVED

Accounts payable mainly consist of investment purchases which are subject to financial leases from suppliers regarding the financial leasing agreements. Accounts payable with respect to new financial leasing agreements at 30 June 2013 amounts to TL 139,900 (2012 – TL 108,357).

Advances received are related with the amounts received from customers regarding the financial leasing agreements. Advances received with respect to new financial leasing agreements at 30 June 2013 amounts to TL 47,735 (2012 – TL 21,902).

NOTE 12 - TAXATION

	30 June 2013	30 June 2012
Current tax charge	(6,898)	(1,743)
Deferred tax charge	1,341	(7,078)
	(5,557)	**(8,821)**

NOTE 12 - TAXATION (Continued)

Corporate Tax Law numbered 5422 was altered by Law No.5520 on 13 June 2006 which is published at the Official Gazette numbered 26205 and dated 21 June 2006 and many of its articles have become effective retrospectively starting from 1 January 2006. Corporation tax rate in Turkey starting from 1 January 2006 is 20%. Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption and investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on an investment incentive allowance utilized within the scope of Income Tax Law transitional article 61).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital is not considered as a profit distribution.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax declaration is made by the 14th day and payable by the 17th day of the second month following each calendar quarter end by companies. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

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

Tax returns are open for 5 years from the beginning of the year that follows the date of filing for the tax authorities' review who have the right to audit tax returns, and the related accounting records on which they are based, and they may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

Exemption for investment allowance

Investment allowance applied for several years and calculated as 40% of fixed asset acquisitions exceeding a certain amount, was abolished with law no. 5479 dated 8 April 2006. However, in accordance with temporary law no. 69 added to the Income Tax Law, corporate and income taxpayers can offset the investment allowance amounts existing as of 31 December 2005 which they could not offset against income in 2005, as follows:

a) In the scope of the investment incentive certificates prepared related to the applications before 24 April 2003, investments to be made after 1 January 2006 in the scope of the certificate for the investments started in accordance with the additional 1st, 2nd, 3rd, 4th, 5th and 6th articles prior to the abrogation of Income Tax Law No. 193, with Law No.4842, dated 9 April 2003.

b) Investment allowance amounts to be calculated in accordance with legislation effective on 31 December 2005 in relation to investments which exhibit an integrity technically and economically and which were started prior to 1 January 2006 within the scope of repealed Article 19 of the Income Tax Law numbered 193, could solely be offset against income related to the years 2006, 2007 and 2008, in accordance with the legislation current as of 31 December 2005 (including provisions related to tax rate).

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

NOTE 12 - TAXATION (Continued)

Within the scope of Temporary Article 69 of the Income Tax Law (for the years of 2006, 2007 and 2008) income tax payers, and corporate taxpayers who are benefiting from investment allowance practice, had calculated their income or corporate tax base related to the aforementioned years by applying to their income for the year in which the allowance was requested the tax rate applicable as of 31 December 2005, and the tax rate of 30% stated in the Article 25 of the annulled Corporate Tax Law No. 5422, respectively.

However, it was no longer possible to benefit from the carried-forward investment allowance amount left unused as of 31 December 2008. In this respect, a lawsuit is filed against the Constitutional Court on the basis that it is against the equality and certainty in taxation which are guaranteed by the Constitution.

According to the decision of the Constitutional Court dated 15 October 2009 and numbered E:2006/95, the phrase "comprising only the years 2006, 2007 and 2008" in the Provisional Article 69 of the Income Tax Law regarding the investment incentives is revoked. Therefore, the time limitation on the use of unused investment incentives was removed. The decision of the Constitutional Court has been published in the Official Gazette on 8 January 2011. Therefore, the cancellation became effective with the publishing of the decision of the Constitutional Court at the Official Gazette.

With the 5th article of the new tax code numbered 6009 and published in the Official Gazette dated 1 August 2011 certain amendments were made with respect to the utilization of investment allowances. According to this new tax code, utilization of the investment allowances is limited to 25% of the income generated by the Company within the current year. Accordingly, companies in Turkey are obliged to pay corporate income taxes amounting to 20% of 75% of their taxable income remained after the utilization of the investment allowances. Consequently, the Company paid corporate tax for the year 2011.

As mentioned above, via the amendments made to the Corporate Tax Code on 1 August 2011 utilization of investment allowances is limited to 25% of the income generated within the current year.

On the other hand on 9 February 2012 Constitutional Court cancelled this 25% limitation on the utilization of investment allowances during the determination of the corporate tax base and this decision of the Constitutional Court has been published on the Official Gazette on 18 February 2012.

Income tax

	30 June 2013	**31 December 2012**
Income taxes currently payable	6,898	6,085
Prepaid taxes	(3,656)	(4,494)
Income taxes payable / (asset)	**3,242**	**1,591**

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

NOTE 12 - TAXATION (Continued)

Reconciliation of current year tax expense and calculated theoretical tax expense with statutory tax rate by the Company:

	30 June 2013	30 June 2012
Profit before taxes	27,992	28,464
Theoretical tax expense with 20% tax rate	(5,598)	(5,693)
Non-deductible expenses and others	41	(3,128)
Investment allowances used	-	-
Current year tax (expense)	**(5,557)**	**(8,821)**

Deferred taxes:

Under IAS 12, which deals with income taxes, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized and deferred tax assets should be reduced to the extent that it is no longer probable that the related tax benefit will be realized. The deferred tax asset and deferred tax liability have been netted of in these financial statements.

The breakdown of deductible and taxable temporary differences is as follows:

	Cumulative timing differences		Deferred assets / (liabilities)	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Provision for leasing receivables	9,185	14,540	1,837	2,908
Rediscount of bonds issued	5,160	1,228	1,032	246
Valuation of financial instruments	5,765	174	1,153	35
Provision for personnel bonus	600	800	120	160
Provision for unused vacation	446	367	89	73
Provision for employment termination benefits	374	376	75	75
Provision for legal proceedings	20	21	4	4
Total	**21,550**	**17,506**	**4,310**	**3,501**
Finance Lease Accruals	(23,500)	(26,168)	(4,700)	(5,234)
Valuation of financial instruments	(1,203)	(1,097)	(240)	(219)
Other	(707)	(805)	(142)	(161)
Total	**(25,410)**	**(28,070)**	**(5,082)**	**(5,614)**
Net	**(3,860)**	**(10,564)**	**(772)**	**(2,113)**

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

NOTE 13 - SHARE CAPITAL

At 30 June 2013 the Company's authorized share capital consists of TL 8,840,000,000 shares with a par value of Kr 1 each (2012 – TL 8,840,000,000 shares with a par value of Kr 1 each). There is no privilege assigned to shares.

At 30 June 2013 and 31 December 2012, the share capital is as follows:

	30 June 2013		**31 December 2012**	
	Shares (%)	**TL**	**Shares (%)**	**TL**
Akbank T.A.Ş	99,985	88,387	99.985	88,387
Hacı Ömer Sabancı Holding A.Ş.	0,005	4	0.005	4
Tursa Sabancı Turizm ve Yatırım Hizm A.Ş.	0,005	4	0.005	4
Bimsa Bilgi İşlem A.Ş.	0,003	4	0.003	4
Ak Yatırım Menkul Değerler A.Ş.	0,002	1	0.002	1
	100.00	**88,400**	**100.00**	**88,400**
Adjustment to share capital		(13,393)		(13,393)
		75,007		**75,007**

NOTE 14 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. A number of transactions were entered into with related parties in the normal course of business.

a) Balances with related parties

Assets

	30 June 2013	**31 December 2012**
Due from banks		
Akbank T.A.Ş. (Shareholder)	271,554	114,942
Akbank A.G. (Other related parties)	1	-
	271,555	**114,942**
Net finance lease receivables – (Leasing transaction)		
Shareholder		
Akbank T.A.Ş.	77,851	84,260
Other related parties		
Bimsa Uls. Bilgi Ve Yönetim Sist. A.Ş.	3,573	3,871
Olmuksa Mukavva Sanayi ve Ticaret A.Ş.	69	-
Advansa Sasa Polyester Sanayi A.Ş.	37	109
Temsa Global Sanayi ve Ticaret A.Ş.	7	-
	81,537	**88,240**

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

NOTE 13 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Liabilities

Borrowings

	30 June 2013	31 December 2012
Akbank T.A.Ş. (Shareholder)	379,659	584,850
Akbank A.G.	87,980	-
	467,639	**584,850**

Trade payables

	30 June 2013	31 December 2012
Akbank T.A.Ş. (Shareholder)	135	-
Other related parties		
Ak Sigorta A.Ş.	4,569	3,808
Akçansa Çimento Sanayi ve Ticaret A.Ş.	77	-
Advansa Sasa Polyester Sanayi A.Ş.	20	-
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş.	15	-
Çimsa Çimento Sanayi ve Ticaret A.Ş.	4	-
Bimsa Uls. Bilgi ve Yönetim Sist. A.Ş.	1	-
	4,821	**3,808**

b) Transactions with related parties

Interest income from direct finance leases

	30 June 2013	30 June 2012
Shareholder		
Akbank T.A.Ş.	5,034	2,410
Other related parties		
Bimsa Uls. Bilgi Ve Yönetim Sist. A.Ş.	269	4
Advansa Sasa Polyester Sanayi A.Ş.	3	27
Çimsa Çimento Sanayi ve Ticaret A.Ş.	-	31
Olmuksa Mukavva Sanayi ve Ticaret A.Ş.	-	25
	5,306	**2,497**

Interest income on bank deposits

Akbank T.A.Ş. (Shareholder)	4,563	3,342
Akbank N.V. (Other related parties)	-	1
	4,563	**3,343**

Commission income

Ak Sigorta A.Ş. (Other related parties)	703	554
	703	**554**

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

NOTE 14 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	30 June 2013	30 June 2012
Interest expense on borrowings		
Akbank T.A.Ş. (Shareholder)	12,332	8,751
Akbank A.G. (Other related parties)	1,680	-
	14,012	**8,751**
Rent expenses (operating expenses)		
Hacı Ömer Sabancı Holding A.Ş. (Shareholder)	415	391
Akbank T.A.Ş. (Shareholder)	30	24
	445	**415**

Contingent liabilities

	30 June 2013	31 December 2012
Guarantee letters obtained from		
Akbank T.A.Ş.(Shareholder)	106,428	160,048
Letter of credit obtained from		
Akbank T.A.Ş. (Shareholder)	45,407	73,674
Akbank A.G. (Other related parties)	-	193
	45,407	**73,867**

Remuneration of top management

	30 June 2013	30 June 2012
Remuneration of top management	976	838

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

NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of activities, the Company undertakes commitments and incurs certain contingent liabilities that are not presented in these financial statements. The following is a summary of significant commitments and contingent liabilities at June 30, 2013 and December 31, 2012.

Legal Proceedings

The Company has provided for a total provision of TL 19 against certain open legal cases as of June, 30 2012 (December, 31 2012:TL 21).

Commitments under derivative instruments

	30 June 2013		31 December 2012	
	Notional Original amount	**Notional TL**	**Notional Original amount**	**Notional TL**
Forward and Swap Purchase Transactions				
ABD$	105,555	203,173	37,147	66,218
AVRO	9,918	24,932	15,724	36,978
TL	250,283	250,283	142,327	142,327
Total Purchase		**478,388**		**245,523**
Forward and Swap Sale Transactions				
AVRO	107,896	271,219	44,139	103,801
ABD$	67,818	130,535	76,595	136,538
TL	71,927	71,927	-	-
GBP	15	44	-	-
Total Sales		**473,725**		**240,339**
		952,113		**485,862**

Guarantees given

The Company has letters of credit in the amount of TL 227,260 (2012 – TL 140,316) for the leased asset imports. Letters of guarantees were given to tax offices, courts and banks for the Hermes credit utilized amounting to TL 178,772 (2012 – TL 160,048).

Contingent liabilities

With the temporary article 69 added to the Income Tax Code by the Code 5479, a regulation was introduced stating that the investment allowance amounts calculated within the scope of investment expenses realized until the date 31 December 2005 can be deducted from 2006, 2007 and 2008 earnings only. Therefore, investment allowance right not used as at 31 December 2008 were not to be transferred to and utilized in following years.

NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Because of the fact that retrospective rights of the Company had been cancelled with temporary article 69, the Company filed the first advance tax return of 2009 through reservation by claiming that they should be allowed to benefit from investment incentive allowance, and initiated a tax case at tax court within this scope. On 30 March 2011, Republic of Turkey Istanbul 2nd Tax Court ruled (with reference to the Constitutional Court decision mentioned below) that the investment incentive allowance, which the Company could not use within 2008 due to their insufficient profit, can be transferred to the following years and used within the scope of deduction, and the tax amount levied by rejecting the mentioned declaration through reservation is not in compliance with the laws. Furthermore, according to the decision of Istanbul Tax Court dated on 30 November 2012 related to 2009 second advance tax, litigation process finalized in favor of the Company and the Company requested refund of 2009 second advance tax from Tax Office.

With the decision numbered 2006/95 E and 2009/144 K; and dated 15 October 2009 of the Constitutional Court promulgated in the Official Gazette dated 8 January 2011, the time limitation was repealed with regard to the investment incentive allowances which have been already granted.

In 2009 third and fourth advance tax returns and 2009 annual corporate tax return, the Company benefited from investment incentive allowance practice.

In tax inspection reports issued within the scope of tax inspection conducted at the Company within 2011, it is explained that the Decision of Constitutional Court became effective upon being promulgated in the Official Gazette dated 8 January 2011; therefore, investment incentive allowance cannot be utilized in 2009 third and fourth advance tax returns and 2009 annual corporate tax return.

Tax penalty notifications issued with regard to the mentioned reports were communicated to the Company within July 2011 period. Accordingly, the Company was imposed with principal corporate tax amount of TL 7,358 (excluding delay interest) and tax loss penalty of TL 20,240.

The Company requested settlement for these taxes and penalty amounts imposed against them, but their right to litigation is still preserved. The Company management foresees that; considering the related annulment decision of the Constitutional Court, decision of Istanbul Tax Office taken with regard to 2009 first and second advance tax period of the Company and the decision of the Constitutional Court dated 9 February 2012 and numbered E:2011/93, K. 2012/20 which was published on the Official Gazette on 18 February 2012, if litigation is initiated against the tax penalty notifications issued with regard to the year 2009, the litigation process will be finalized in favor of the Company. Accordingly, no provision has been recorded into the financial statements as of 30 June 2013 and 31 December 2012 related to the abovementioned tax issue.

NOTE 16 - SUBSEQUENT EVENTS

None.