

**MENDERES TEKSTİL SANAYİ
VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

(For The Period ended December 31, 2012)

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE PERIOD 01 JANUARY - 31 DECEMBER 2012

To the Board of Directors of Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi;

We have audited the accompanying consolidated balance sheets, comprehensive statements of income, changes in shareholders' equity and cash flows of Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi (Group) as of 31 December 2012. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue an opinion on these consolidated financial statements based on our audit.

Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with financial reporting standards by Capital Markets Board. This responsibility implies choosing appropriate accounting principle, making acceptable accounting estimation according to the term and conceiving, application of and carrying on with internal control to prepare financial statements free of mistakes derived from inconsistency with the established rules of procedure.

Our responsibility is to express an opinion on these consolidated financial statements based on our independent audits. Our independent audit is performed compatible with the independent audit standards published by the Capital Markets Board. These standards require the independent audit to be submissive to ethical principals and performance with planning to verify fair assurance whether the financial statements are reflecting the truth or not.

Our independent audit essentially based on applying analytical audit procedures, in order to collect the related proof and understand the entries and notes in the financial statements. The preference of independent audit standards is based on occupational contentment to evaluate whether financial statements contain risk of significant error derived from mistakes including deception and inconsistency or not. In this risk evaluation, the internal control was taken into account. However, our purpose is not to provide an opinion about internal control efficiency, is to display the inter correlation between the financial statements prepared by Group management and internal control system with appropriate independent audit standards. Our independent audit embraces the valuation of coherence as a complete; financial statements presentation and significant accounting estimations along with adopted accounting policy by Group management.

We believe that the evidences obtained during the independent audit procedure constitute an adequate base to form our opinion.

Menderes Bulgaria Ltd. Which is the subsidiary of Menderes Tekstil Sanayi Ticaret ve A.Ş. is winding up, therefore we didn't consider for audit. As a result, as of 31 December 2012 and 2011, we did consolidation from financials which was not audited. The winding up is still going on as of the report date and for this fiscal it is not included as audited financials.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial positions of Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with Financial Reporting Standards issued by Capital Markets Board.

İzmir, 01 March 2013

HLB SAYGIN YEMİNLİ MALİ MÜŞAVİRLİK VE BAĞIMSIZ DENETİM A.Ş.
(A member of HLB International)

Servet Eyüpgiller
Chartered Accountant
Partner-Auditor in Charge

INDEX

CONSOLIDATED BALANCE SHEET	2
CONSOLODATED INCOME STATEMENT	4
CONSOLIDATED CHANGES IN THE SHAREHOLDERS' EQUITY STATEMENTS	5
CONSOLIDATED CASH FLOW STATEMENTS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7

Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi

CONSOLIDATED BALANCE SHEETS

As of 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

		Audited	Audited
	Footnote	31.12.2012	31.12.2011
	References		
ASSETS			
Current Assets		267,512,288	262,305,436
Cash and Cash Equivalents	6	44,070,580	23,347,521
Financial Investments	7	0	0
Trade Receivables	10	50,449,859	50,509,582
Receivables Due From Finance Sector Activities	12	0	0
Other Receivables	11	48,922,561	62,235,065
Inventories	13	109,489,755	106,627,727
Biological Assets	14	1,142,494	2,183,274
Other Current Assets	26	13,437,039	17,402,267
(Subtotal)		267,512,288	262,305,436
Assets Held for Sale	34	0	0
Non-Current Assets		192,651,287	182,524,214
Trade Receivables	10	0	0
Receivables Due From Finance Sector Activities	12	0	0
Other Receivables	11	14,694	17,121
Financial Investments	7	0	0
Investments Valued With Equity Method	16	95,485,795	96,721,038
Biological Assets	14	0	0
Investment Properties	17	0	0
Tangible Assets	18	88,822,175	79,646,696
Intangible Assets	19	422,892	235,121
Goodwill	20	0	0
Deferred Tax Assets	35	7,580,816	5,747,194
Non-current Assets	26	324,915	157,044
TOTAL ASSETS		460,163,575	444,829,650

Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi**CONSOLIDATED BALANCE SHEETS****As of 31 December 2012**

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

	Footnote References	Audited 31.12.2012	Audited 31.12.2011
Current Liabilities		168,614,956	155,836,057
Financial Borrowings	8	87,690,234	84,526,623
Other Financial Liabilities	9	0	0
Trade Payables	10	60,353,925	29,768,021
Other Payables	11	19,971,189	28,217,827
Payables Due to Finance Sector Activities	12	0	0
Government Grants and Incentives	21	0	0
Corporation Tax Payables	35	167,246	12,625,354
Provisions for Liabilities	22	46,039	196,380
Other Current Liabilities	26	386,323	501,852
(Subtotal)		168,614,956	155,836,057
Liabilities Related to Non-current Assets Held for Sale	34	0	0
Non-Current Liabilities		18,846,775	10,179,248
Financial Borrowings	8	12,962,229	4,872,920
Other Financial Liabilities	9	0	0
Trade Payables	10	0	60,240
Other Payables	11	0	0
Payables Due To Finance Sector Activities	12	0	0
Governments Grants and Incentives	21	0	0
Provisions for Liabilities	22	0	0
Severance Pay Provision	24	5,667,560	5,038,368
Deferred Tax Liabilities	35	216,986	207,720
Other Non-current Liabilities	26	0	0
SHAREHOLDERS' EQUITY		272,701,844	278,814,345
Shareholders' Equity	27	270,427,124	276,404,399
Paid in Capital Share	27,1	250,000,000	225,000,000
Mutual Adjustment of Share Capital among Subsidiaries (-)		0	0
Share Premium		0	0
Revaluation Reserve		0	0
Inflation Adjustments to Shareholders' Equity	27,2	485,133	485,133
Foreign Currency Conversion Differences		(575,365)	(656,642)
Profit Reserves	27,3	8,180,517	5,788,317
Retained Earnings	27,4	18,395,391	(3,624,865)
Net Income/Loss for the Period		(6,058,552)	49,412,456
Minority Interest		2,274,720	2,409,946
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		460,163,575	444,829,650

Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi

CONSOLIDATED INCOME STATEMENTS

As of 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

	Footnote References	Audited	
		01.01.2012- 31.12.2012	01.01.2011- 31.12.2011
OPERATING ACTIVITIES			
Sales	28,1	409,722,402	380,177,701
Cost of Sales (-)	28,2	(375,570,928)	(292,676,543)
Gross Operating Profit (Loss)		34,151,474	87,501,158
Interest, Wages, Premium, Commission and Other Income		0	0
Interest, Wages, Premium, Commission and Other Expense (-)		0	0
Gross Profit (Loss) from Finance Sector Activities		0	0
GROSS OPERATING PROFIT/LOSS			
Marketing, Sales and Distribution Expenses (-)	30,2	(6,900,811)	(5,001,468)
General Administrative Expenses (-)	30,3	(5,331,656)	(5,470,922)
Research and Development Expenses (-)	30,1	(579,316)	0
Other Operating Income	31	10,399,358	1,663,157
Other Operating Expenses (-)	31	(15,185,409)	(16,301,965)
OPERATING PROFIT/LOSS		16,553,640	62,389,960
Shares of Investments Valued with Equity Method (Non-operating) Financial Income	16 32	(8,878,743) 22,240,590	3,017,516 48,578,243
(Non-operating) Financial Expenses (-)	33	(37,774,479)	(52,860,790)
INCOME/LOSS BEFORE TAXES		(7,858,992)	61,124,929
Taxes from Operating Profit/Loss			
- Income/Expense Tax for the period	35	(167,246)	(12,658,782)
- Deferred Tax Income/Expense		1,824,356	1,138,198
NET OPERATING PROFIT/LOSS		(6,201,882)	49,604,345
DISCONTINUED OPERATIONS			
Net Income / (Loss) after Tax of Discontinued Operations		0	0
NET INCOME/(LOSS) FOR THE PERIOD		(6,201,882)	49,604,345
Other comprehensive income / (loss)			
Change in currency conversion difference		81,277	(348,319)
OTHER COMPREHENSIVE INCOME / (LOSS) (AFTER TAX)		81,277	(348,319)
OTHER COMPREHENSIVE INCOME / (LOSS)		(6,120,605)	49,256,026
Distribution of Income/(Loss)			
Minority Interest	27	(143,330)	191,889
Parent Company's Share		(6,058,552)	49,412,456
Dispersal of Total Comprehensive Income / (Loss)			
Minority interest	27	(143,330)	191,889
Parent Company's share		(5,977,275)	49,064,137
Earnings Per Share	36	(0,0248)	0,2205
Earnings Per Share from Operating Activities	36	(0,0248)	0,2205

Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi

CONSOLIDATED CHANGES IN THE SHAREHOLDERS' EQUITY STATEMENTS

As of 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Audited

Note 27	Share Capital	Profit Reserves	Foreign Currency Conversion Difference	Inflation Adjustment Differences in Shareholders' Equity	Retained Earnings	Net Income / (Loss) for the period	Parent Company's Equity	Minority Interest	Total Shareholders' Equity
Balance at 01 January 2011	184,000,000	4,831,054	(308,323)	485,133	27,652,257	10,680,141	227,340,262	2,252,788	229,593,050
Bonus share increase in capital	41,000,000	0	0	0	(41,000,000)	0	0	0	0
Transfer from retained earning	0	957,263	0	0	9,722,878	(10,680,141)	0	0	0
Foreign currency conversion difference	0	0	(348,319)	0	0	0	(348,319)	(34,731)	(383,050)
Net income/loss for the period	0	0	0	0	0	49,412,456	49,412,456	191,889	49,604,345
Balances at 31 December 2011	225,000,000	5,788,317	(656,642)	485,133	(3,624,865)	49,412,456	276,404,399	2,409,946	278,814,345
Balance at 01 January 2012	225,000,000	5,788,317	(656,642)	485,133	(3,624,865)	49,412,456	276,404,399	2,409,946	278,814,345
Bonus share increase in capital	25,000,000	0	0	0	(25,000,000)	0	0	0	0
Transfer from retained earning	0	2,392,200	0	0	47,020,256	(49,412,456)	0	0	0
Foreign currency conversion difference	0	0	81,277	0	0	0	81,277	8,104	89,381
Net income/loss for the period	0	0	0	0	0	(6,058,552)	(6,058,552)	(143,330)	(6,201,882)
Balances at 31 December 2012	250,000,000	8,180,517	(575,365)	485,133	18,395,391	(6,058,552)	270,427,124	2,274,720	272,701,844

Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi

CONSOLIDATED CASH FLOW STATEMENTS

As of 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

	Footnote References	Audited 1 January- 31 December 2012	Audited 1 January- 31 December 2011
Net period income/loss		(6,201,882)	49,604,345
Adjustments to reconcile net income before taxation			
to net cash from operating activities:			
Amortization and depreciation expense	18-19	11,666,758	12,138,933
Changes in provision for employee	24	629,192	951,361
Change in deferred tax assets / liabilities	35	(1,824,356)	(1,138,198)
Accrual of interest expense	8	578,971	176,481
Provision for doubtful receivables	10	13,220	4,698
Unearned interest on receivables	10	801,079	79,987
Unearned interest on payables	10	612,238	43,734,106
Changes in provision for taxes	35	(12,458,108)	7,402,510
Net cash from operating activities before changes in operating assets and liabilities:		(6,182,888)	112,954,223
Changes in trade receivables	10	(754,576)	(24,350,676)
Changes in other receivables	11	13,314,931	6,767,785
Changes in inventories	13	(2,862,028)	(50,393,523)
Changes in biological assets	14	1,040,780	(380,787)
Changes in other current assets	26	3,965,228	(6,193,177)
Changes in other non-current assets	26	(167,871)	6,367
Changes in trade payables	10	29,913,426	(54,532,587)
Changes in other payables	11	(8,246,638)	12,474,206
Changes in provisions of liability	22	(150,341)	3,152
Changes in other current liabilities		(115,529)	481,062
Net cash provided by operating activities		29,754,494	(3,163,955)
Investing activities			
Purchases tangible and intangible fixed assets, net	18-19	(21,030,008)	(2,762,405)
Changes in minority interest		8,104	(34,731)
		(21,021,904)	(2,797,136)
Financing activities			
Changes in the investment subject to equity pick-up method	16	1,235,243	(3,017,516)
Change in long and short term financial borrowings	8	10,673,949	20,807,493
Conversion differences from unaudited financial statements of Menderes Bulgaria		81,277	(348,319)
Net cash used by financial activities		11,990,469	17,441,658
Changes in cash and cash equivalents		20,723,059	11,480,567
Cash and cash equivalents at the beginning of the period		23,347,521	11,866,954
Cash and cash equivalents at the end of the period	6	44,070,580	23,347,521

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

NOTE 1 – ORGANIZATION AND ACTIVITIES

Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi ("Company"), its Subsidiaries and Investments are referred as "Group" in the accompanying consolidated financial statements.

The entities mentioned below are applied "Full Consolidation Method":

- Menderes Tekstil Sanayi ve Ticaret A.Ş.
- Smyrna Seracılık Ticaret A.Ş.
- Menderes Bulgaria Ltd.

The entities mentioned below are applied "Equity Pick Up Method":

- Akça Enerji Üretim Otoprodüktör Grubu A.Ş.
- Menderes Tekstil Pazarlama A.Ş.
- Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.

Menderes Tekstil Sanayi ve Ticaret A.S.

Company produces cotton press, yarn, fabric, valances, dust ruffles, ruffled and tailored shams, comforter shells, printed towels and linens in integrated cotton and synthetic textile establishment.

As 16 April 2010 dated no.7545 trade registry gazette, Company's address changed from Köprübaşı Mevki No: 146 Sarayköy, Denizli" to "Cumhuriyet Mah. Gazi Mustafa Kemal Paşa Bulvarı No: 242 Sarayköy, Denizli", without any physical change, as a result of Sarayköy Municipality's address work.

In the period of 01 January – 31 December 2012, average 3,360 personnel are employed by the Company (01 January – 31 December 2011: 3,345)

Company shares are traded in the Istanbul Stock Exchange since 2000.

Production Capacity (Textile)

According to the capacity report from Denizli Industrial Chamber dated 14 December 2010, numbered 287 and valid until 20 December 2013, Company's production capacity has been calculated with daily 8 hours, yearly 300 days. Company works for 3 shifts a day:

Products	Unit	Amount
Tricot	kg	1,060,200
Linens	unit	2,400,000
Pillow case	unit	6,300,000
Sheet	unit	28,080,000

Production Capacity (Energy)

According to the capacity report from Denizli Industrial Chamber dated 01 February 2011, numbered 23 and valid until 01 February 2014, Company's production capacity has been calculated with daily 8 hours, yearly 300 days. Company works for 3 shifts a day:

	Unit	Amount
Electricity energy	kwh/year	161,827,000
Steam	joule/year	617,569,920
Hot water	joule/year	238,360,320

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Smyrna Seracılık Ticaret A.Ş.

Smyrna Seracılık Ticaret A.Ş. was established in 2007 in İzmir. It is engaged in production of agricultural. No. 7296 on 21 June 2009 the company's name in the Trade Registry Gazette has been changed from Smyrna Organik Tarım Sanayi ve Ticaret A.Ş. to Smyrna Seracılık Ticaret A.Ş. Company has been included to the complete consolidation in 2009.

Smyrna Seracılık Ticaret A.Ş., has signed an agreement with the construction company for increasing the capacity of the plant which will be increased from 82,500 m² to 196,500 m² with adding 114,000 m². Smyrna Seracılık A.Ş. has started to design environment and infrastructure of the new area. The new area will be constructed on the existing area, which is 206,232 m², of Smyrna Seracılık Ticaret A.Ş..

According to the capacity report from Denizli Industrial Chamber dated 28 January 2010, numbered 20 Company's production capacity has been calculated with daily 8 hours. Company works for 1 shifts a day:

Product	Unit	Amount
Tomato	Ton	2,400

No. 6911 on 08 October 2007 in the Trade Registry Gazette the Company's headquarter was changed to Denizli. The registered address of the Company is as following:

Köyüçü Mevkii, Tosunlar Kasabası Sarayköy, Denizli

In the period of 01 January – 31 December 2012, average 71 personnel are employed in the Company (01 January – 31 December 2011: 52 personnel)

Menderes Bulgaria Ltd.

Menderes Bulgaria Ltd. constitutes the 90% of the consolidated financial statements of Group. Company's unaudited financial statements in accordance with Bulgarian regulations are consolidated within the frame of full consolidation method of Communiqué XI, No: 29 of Capital Market Board.

Menderes Bulgaria Ltd. is established in 2002 in Bulgaria. Main activity of Menderes Bulgaria Ltd. (Parent Company) is custom manufacturing as receiving raw materials and unfinished, intermediate goods from Menderes Tekstil Sanayi ve Ticaret A.Ş. to process and send them back.

The Company announced the liquidation process for the subsidiary Menderes Bulgaria Ltd. started with the decision of its the Board of Members dated 06 December 2005 and numbered 2005/17 with the Statement of Material Disclosure to the Istanbul Stock Exchange Market and Capital Market Board of Turkey (CMB) on 05 December 2005 and to be completed before 30 January 2006. As of report date, the liquidation process is not completed yet.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Akça Enerji Üretim Otoprodüktör Grubu A.Ş.

Akça Enerji Üretim Otoprodüktör Grubu A.Ş. is established on 13 July 1998. Head quarter of the company is in Denizli. Main activity is to produce electricity.

Group had ensured its demand of energy from its subsidiary, Akça Enerji Üretim Otoprodüktör Grubu A.Ş. until 31 October 2008. However, since 31 October 2008, it has become energy producer for itself with auto producer license obtained from Energy Market Regulatory Board.

As of 12.09.2011 Group announced a special situation. According to that announcement Akça Enerji Üretim Otoprodüktör Grubu A.Ş. obtained the contract for the area, which is sized 858.59 hectare and contains mineral water and gas, aucted by Alaşehir Belediyesi under the name of "Doğal Mineralli Su/Jeotermal Kökenli Gaz Arama Devri İhalesi". Company has started drilling in accordance with the contract.

As of 17.02.2012 Group announced a special situation. According to that announcement Akça Enerji Otoprodüktör Grubu A.Ş. has started drilling in the area addressed in Denizli / Sarayköy, Tosunlar Beldesi according to the licence of "Doğal Mineralli Sular Kaynağı Arama".

Akça Enerji and Osman Akça Tarım Ürünleri have been included to the consolidation with the equity method.

Akça Enerji owns 30.5% of Ures Elektrik, 21% of Tan Elektrik and 20% of Akça Solar. Because of Tan Elektrik, Akça Solar and Ures Elektrik does not have any operation, they have not been included to the consolidation with Akça Enerji by the equity method.

Menderes Tekstil Pazarlama A.Ş.

Menderes Tekstil Pazarlama A.Ş. was established in 1998. Head quarter of the Company is in Izmir. Company does marketing of home textile productions.

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş. was established in 2006. Head quarter of the Company is in Izmir. Company operates vehicle inspection stations which are privatized within the context of law numbered 4046, in Aydın, Manisa, Denizli and Izmir for 20 years. As of 31 December 2012, company has integrated 20 established and 4 mobile vehicle inspection stations.

Osman Akça Tarım Ürünleri İthalat İhracat Sanayi ve Ticaret A.Ş.

Osman Akça Tarım Ürünleri İthalat ve İhracat San. ve Tic. A.Ş. was established on 25 July 1985. Head quarter of the company is in Izmir. Main activity is established to process the fruit and agricultural products.

Osman Akça Tarım Ürünleri owns 70% of Tan Elektrik and 70% of Akça Solar Enerji. Because of Tan Elektrik and Akça Solar Enerji does not have any operation, they have not been included to the consolidation with Akça Enerji by the equity method.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.a. Basis of Presentation

Compliance Statement

Group prepares their statutory financial statements in accordance with the principles of Capital Market Board (CMB), Turkish Commercial Code ("TCC") and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and presents in Turkish Liras. Consolidated financial statements are prepared on statutory records, which are maintained with historical cost, with the necessary adjustments and reclassifications made for the fair presentation in accordance with Communiqué XI, No: 29 "Accounting Standards in Capital Markets" published by the Capital Markets Board.

Principles of Preparing Financial Statements

Communiqué XI, No: 29 "Accounting Standards in Capital Markets" published by the Capital Markets Board is published in Official Gazette date 09 April 2008 and numbered 26842. This communiqué is effective for the first interim period financial statements after 01 January 2008 regarding companies in stock market, financial intermediary agencies, portfolio management companies and businesses connected to these partnerships, subsidiaries and business partnerships.

Capital Market Board defines principles, procedures and basis to prepare financial reports to be prepared by the companies and to be presented to the authorities in accordance with Communiqué XI, No: 29 "Accounting Standards in Capital Markets". This communiqué is effective starting for first interim financial statements after 01 January 2008 and Communiqué XI, No: 25 "Accounting Standards in Capital Markets" has been abolished. Based on Communiqué XI, No: 29, companies are obliged to prepare their financial statements according to International Financial Reporting Standards (IAS/IFRS) accepted by European Union. However, it will be applied IAS/IFRS published by International Financial Reporting Standard Committee and accepted by European Union until the difference between IAS/IFRS and Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) is published. In this manner, TAS/TFRS published by Turkish Financial Reporting Committee (TFRC) will be basis and not contradictory to adopted standards.

Till difference between IAS/IFRS published by International Financial Reporting Committee (IFRSC) and accepted by European Union and Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) by Turkish Financial Reporting Committee (TFRC) is published, financial statements will be prepared in accordance to IAS/IFRS within the frame of Communiqué XI No: 29 by Capital Market Board. Accompanying financial statements and notes are prepared compatible with formats obliged by announcement dated 14 April 2008 by Capital Market Board.

Approval of Financial Statements

Consolidated financial statements are approved by the Board of Directors and granted authority to publish on 01 March 2013. Boards of Directors have authority to change financial statements.

Financial Statements Correction in High Inflation Period

The CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Therefore the Company was abolished inflation accounting application for the year 2005.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Basis of consolidation

The accompanying consolidated financial statements include Group's financial statements. The financial statements of the companies included in the consolidation have been prepared as of the date of the accompanying consolidated financial statements and are based on the statutory records, with adjustments and reclassifications for the purpose of presentation in Communiqué XI, No: 29 on Capital Market Accounting Standards and applying uniform accounting policies and applications.

Menderes Tekstil Sanayi ve Ticaret A.Ş. (Parent Company)

	31 December 2012	31 December 2011
	Ratio %	Ratio %
Halka Arz Hissedarları	51.9	51.9
Akça Holding A.Ş.	45.7	45.7
Other	2.4	2.4
	100.0	100.0

As of 31 December 2012 and 2011 capital structures of the subsidiaries and equity participations are as following:

Menderes Bulgaria Ltd. (Subsidiary)

	31 December 2012	31 December 2011
	Ratio %	Ratio %
Menderes Tekstil Sanayi ve Ticaret A.Ş.	90.0	90.0
Other	10.0	10.0
	100.0	100.0

Smyrna Seracılık Ticaret A.Ş. (Subsidiary)

	31 December 2012	31 December 2011
	Ratio %	Ratio %
Menderes Tekstil Sanayi ve Ticaret A.Ş.	79.2	79.2
Cemal İpekoğlu	20.4	20.4
Akça Holding A.Ş.	0.2	0.2
Rıza Akça	0.1	0.1
Dilek Göksan	0.1	0.1
Ali Atlamaz	<0.1	<0.1
	100.0	100.0

According to Board of Director's decision numbered 2009/14 and dated 08.04.2009, Group decided to affiliate 9,500,000 TRY (79.2% share) of Smyrna Seracılık Ticaret A.Ş.'s capital at par as a set-off against its receivables from Smyrna Seracılık Ticaret A.Ş. by common consent. There is not any expertise valuation is made about Company's share buy out.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Akça Enerji Üretim Otoprodüktör Grubu A.Ş. (Investment)

	31 December 2012	31 December 2011
	Ratio %	Ratio %
Menderes Tekstil Sanayi ve Ticaret A.Ş.	20.0	20.0
Akça Holding A.Ş.	40.9	40.9
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	25.0	25.0
Selin Tekstil Sanayi Ticaret A.Ş.	13.0	13.0
Akçasaraylı Tekstil Ltd. Şti.	1.1	1.1
	100.0	100.0

Menderes Tekstil Pazarlama A.Ş. (Investment)

	31 December 2012	31 December 2011
	Ratio %	Ratio %
Menderes Tekstil Sanayi ve Ticaret A.Ş.	45.0	45.0
Akça Holding A.Ş.	45.0	45.0
Rıza Akça	4.5	4.5
Dilek Göksan	4.5	4.5
Ahmet Bilge Göksan	1.0	1.0
	100.0	100.0

Aktur Araç Muayene İstasyon İşletmeleri A.Ş. (Investment)

	31 December 2012	31 December 2011
	Ratio %	Ratio %
Menderes Tekstil Sanayi ve Ticaret A.Ş.	48.0	48.0
Nihat Zeybekçi	49.5	49.5
Other	2.5	2.5
	100.0	100.0

Equity participations are accounted for using the equity pick-up method. Equity participations are companies in which Group has a voting right between 20% and 50% of the ordinary share capital or significant influence is exercised on the operations of the company.

Subsidiaries are included or excluded from the consolidation since the date Group has control over or loses control.

Minority shares of shareholders are pursued in net assets of the subsidiaries and in the result of the operations and consolidated balance sheet and income statements.

Reporting Currency

As of 31 December 2012, Group's functional and reporting currency unit is represented in TRY compared to previous periods.

Offsetting

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

2.b. Changes in Accounting Policies

A group only could change its accounting policy under following circumstances;

- If a standard or interpretation makes it necessary or
- If the change make effect of operations or incidents on financial position and performance or cash flows more appropriate and reliable.

Financial statements have to be comparable to see trends in financial position of companies, performance and cash flows for user of financial statements. This is why, if the change is not granting one of above conditions, each interim and fiscal periods has to be applied same accounting policy.

There have not been significant changes to affect accompanying financial statements.

2.c. Changes in Accounting Estimates and Errors

The accompanying financial statements necessitate that some predictions about income and expenses regarding possible assets and liabilities in the financial statements prepared by group management to be compatible with statements required by Capital Market Board. Realized amounts can differ from the predictions. These predictions are observed regularly and reported periodically in income statements.

Significant amendments in accounting policies and significant accounting errors are applied retrospectively and prior period financial statements should be restated. Changes in accounting estimates should be applied prospectively, if only for a period in which the change in current period. If it relates to future periods they are recognized to prospectively both in the current period and in the future period.

2.d. Adoption of New and Revised International Financing Reporting Standards

The Company has applied the new and revised standards and interpretations of the International Accounting Standards Committee (IASC) published by International Financial Reporting Interpretations Committee (IFRIC) of IASC for the interim financial statements dated 31 December 2012, for the related to its business activities, in the current fiscal period.

The new standards, amendments and interpretations which will be effective after 31 December 2012 are as follows:

IFRS 9 - "*Financial Instruments, Classification and Measurement*"; In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013.

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 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.

IFRS 10 – "*Consolidated Financial Statements*" standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of "*control*" is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard has not yet been endorsed by the EU.

IFRS 11 - "*Joint Arrangements*" standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 "*Consolidated Financial Statements*" and IFRS 12 "*Disclosure of Interests in Other Entities*" should be also adopted early. The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures.

IFRS 12 - "*Disclosure of Interests in Other Entities*" standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 "*Consolidated Financial Statements*" and IFRS 11 "*Joint Arrangements*" should be also adopted early. IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 "*Interests in Joint Ventures*" and IAS 28 "*Investment in Associates*". These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Under the new standard the Company will provide more comprehensive disclosures for interests in other entities.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Revised IFRS 13 - "*Fair Value Measurement*" standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required.

IAS 27 - "*Separate Financial Statements*" As a consequential amendment to IFRS 10, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. On or after January 1, 2013 shall apply to annual periods beginning on or after that date.

IAS 28 - "*Investments in Associates and Joint Ventures (Amended)*" - As a consequential amendment to IFRS 11, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11 and is effective for annual periods beginning on or after January 1, 2013. This standard has not yet been endorsed by the EU.

IAS 19 - "*Employee Benefits*" Amended standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement.

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

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendments are effective for annual periods beginning on or after 1 January 2014 and will be adopted retrospectively.

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

New disclosures would provide users of financial statements with information that is useful in 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 IFRS and other generally accepted accounting standards. This standard has not yet been endorsed by the EU. The amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendment affects disclosures only.

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

The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted. Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. This standard has not yet been endorsed by the EU.

The Company is assessing the effects of these interpretation and amendment revisions on the Company's financial statements.

2.e. Summary of Significant Accounting Policy

Revenue

Revenue is recognized on accrual basis at the fair value of the amount obtained or to be obtained 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 the sales returns and sales discounts are deducted.

Sales of Goods:

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

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods,
- 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.

Rendering of services:

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company;
- The stage of completion of the transaction at the balance sheet date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Inventories

Inventories are valued at the lower of cost or net realizable value. Inventory costs include purchasing costs. The cost of inventories is determined on the first in first out (FIFO) basis for each purchase. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Biological Assets

Group's biological assets consist of planted tomatoes. Due to no presence of active market for tomatoes, they were reflected in the accompanying combined financial statements with their costs minus if there is impairment in the cost then it is deducted.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Property, Plant and Equipment

Tangible assets are reflected with adjusted cost value according to the inflationary accounting effective as of 1 January 2005 for the entries purchased before 01 January 2005 and acquired cost of entries purchased after 01 January 2005 by deducting the accumulated depreciation.

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line basis with prorates method based on the estimated useful lives of the assets. Expenses for the repair of property, plant and equipment are normally charged as an expense.

Economic useful lives of assets approximately are as follows:

	<u>Year</u>
Land improvements	10-30
Buildings	50
Machinery, plant and equipments	5-10
Motor vehicles	5
Fixtures and fittings	10

Leasing

Group acquired assets under finance lease agreements and capitalized at the inception of the lease starting from acquired date. Payables to lease are pursued under financial leasing liability in balance sheet. Calculation of minimum leasing payment is to find out current market value as the valid proportion is calculated practically in financial leasing process then it is, otherwise proportion of interest rate of loan is used as discount factor. Expenses of asset acquisition through financial leasing are included in costs. The liability from financial leasing is decomposed into interest rate and the main loan. Expenses of interest rate are calculated with the fixed interest rate and are issued in related periods.

Intangible Assets

Intangible assets are reflected with adjusted cost value according to the inflationary accounting effective as of 31 December 2004 for the entries purchased before 01 January 2005 and acquired cost of entries purchased after 01 January 2005 by deducting the accumulated amortization.

Intangible assets comprise acquired usage rights, information systems, research and development expenses and other identified rights. They are recorded at acquisition cost and amortized on a straight-line based on pro-rata over their estimated useful lives for a period not exceeding between 10% and 20% for a year.

Impairment of assets

In the case of detecting that carrying values of fixed assets fall below the level that can realize / can be gained from this asset in the future due to different events and situations, material and non-material fixed assets are tested in terms of value losses. In the case of being over the value of book value of material and non-material fixed assets realizable value or the value that can be gained from this asset in the future, provision are made for fixed asset value diminution.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All of the other borrowing costs are recorded in the income statement in the period in which they are incurred.

Financial Investments

Except diminution in accordance with Communiqué XI, No: 29 published by CMB, income or loss related to ready to be liquidated financial assets are reflected in the financial statements through changes in shareholders' equity statements until these financial assets are out of financial statements. When these assets are cashed out financial statements, retained income or loss previously reflected in the shareholders' equity is booked in current period net income. However, the difference between the amount when the ready to be liquidated assets are booked for the first time and timed amount is subject to effective interest method and the accrued amount stands for interest and it is reflected in the financial statements as profit or loss. As a result of this communiqué, the ready to be liquidated assets are valued with its fair value. If the difference between fair value and the value calculated by effective interest method is positive, then it is booked in capital reserve. If the difference is negative, then it is deducted from existing capital reserve. If still it is negative, it is booked under other operating activities expenses in the income statements.

Fair value of shares quoted in stock exchange is taken from closing price of Istanbul Stock Exchange as of the balance sheet date.

Financial Instruments

Financial instruments are classified as assets for investments, financial instruments for purchase and sale, financial instruments which can be hold to the due date and financial instruments which are ready to be sold. The financial instruments which are bought to make gain of short term fluctuations are classified as commerce financial instruments and included to the current assets. Financial instruments which the group management can have the ability or the will to control to the due date and have specific or fixed payment date and the financial instruments which had a fixed due date are classified as financial instruments that are hold to the due date.

The financial instruments which are hold to sell for cash requirements or for changes of rate interests are called as ready to sell financial instruments. Ready to sell financial instruments are included in fixed assets if the management don't have the will to hold it or don't need it for capital increase in less than 12 months after balance sheet date.

All financial instruments are shown with the acquirement costs included the expenses of purchase of investment. Financial assets after reflecting financial statements are classified as ready to sell financial instruments are appreciated with the reasonable value if it is possible to calculate.

Current value is the value which brings willing and informed buyers and sellers together and they can replace assets or make a commitment. The market value of a financial instrument is equal to the amount of the sale or to the debt of purchase if there is an active market.

Estimated current value of financial instruments is set by using the information about the markets and necessary valuation method. However, to set current value it is needed the commented market data. Because of this, presented estimates in this report can't be the obtained values in the current market if the group charges the assets off.

Bank deposits and receivables are important financial instruments which can affect the group's financial state negatively if the other side doesn't fill the conditions.

The cost value of some financial instruments is equal to the registered value and because of their short term character and it is assumed as equal to the current value

Derivative financial instruments and instruments to protect from risk

The acquisition cost is used by recording derived financial instruments and foreign exchange commitments and transaction cost is added to acquisition cost. Derived financial instruments are appreciated with reasonable value in the following periods. All derived financial instruments are reclassified as financial instruments of no balance sheet but associated with income sheet. All derived financial instruments are reclassified as financial instruments of no balance sheet but associated with income sheet.

At the end of valuation, the derived financial instruments which are appreciated with the reasonable value and associated with income statement will be reflected as a result of valuation to the income sheet.

It has been calculated with comparison of the revalued gains and losses in the forward purchase and sale agreements of foreign currency with the foreign exchange spot rate as of balance sheet date and the revalued original amount calculated with linear method with valid foreign exchange spot rate as of starting date of agreements. Amounts related with income statement have been classified as income/expense accruals under other receivables and other payables in the balance sheet.

Cash and Cash Equivalents

Cash and cash equivalent values contain cash on hand, bank deposits and high liquidity investments. Cash and cash equivalents are showed with obtaining costs and the total of accrued interests.

Trade Receivables and Trade Payable

The balance sheet values of trade receivables and payables after doubtful receivables are truthful estimated values except the trade receivables and payments which are reduced to present value.

Due from / to Related Parties

The balance sheet values of receivables and payables from related parties are truthful estimated values except the receivables and payables from related parties which hold in a specific credit period.

Financial Borrowings

The interest rates of the credits are fixed at the using date but then it can follow fluctuation of interest rate in the market. The group uses risky financial instruments at the time of ordinary activities as letter of credit. The cost of these financial instruments is equal to commitment amount.

Other Balance Sheet Entries

Other balance sheet entries are reflected with their book values.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Related Parties

For the purpose of the consolidated financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them, Associates and Joint Ventures are considered and referred to as "related parties". These companies' partners and chiefly managers and that company's board of management's members and also families are fallen within related to establishment. These operations are performed generally in accordance with market conditions.

Smyrna Seracılık Ticaret A.Ş.

Smyrna Seracılık Ticaret A.Ş. was established in 2007, İzmir. No. 7296 on 21 April 2009 the Company's name (Smyrna Organik Tarım Sanayi ve Ticaret A.Ş.) has been changed to Smyrna Seracılık Ticaret A.Ş. No 6911 on 8 October 2007 the Company's head quarter in the Trade Registry Gazette has been changed to Denizli. The Company's main activity is the production of agricultural. Company is included in the consolidation in 2009.

Akça Enerji Üretim Otoprodüktör Grubu

Akça Enerji Üretim Otoprodüktör Grubu A.Ş. was established in 1998. Head quarter of the company is in Denizli and its main activity is to supply the electricity.

Menderes Tekstil Pazarlama A.Ş.

Menderes Tekstil Pazarlama A.Ş. was established in 1998. Head quarter of the Company is in İzmir. Company does marketing of home textile productions.

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş. was established in 2006. Head quarter of the Company is in İzmir. Company operates vehicle inspection stations which are privatized within the context of law b-numbered 4046, in Aydın, Manisa, Denizli and İzmir for 20 years. As of 31 December 2012, company has integrated 20 established and 4 mobile vehicle inspection stations.

Osman Akça Tarım Ürünleri İthalat İhracat Sanayi ve Ticaret A.Ş. "Osman Akça Tarım Ürünleri"

Osman Akça Tarım Ürünleri İthalat ve İhracat San. ve Tic. A.Ş. was established on 25 July 1985. Head quarter of the company is in İzmir. Main activity is established to process the fruit and agricultural products.

Tan Elektrik Üretim A.Ş. "Tan Elektrik"

Tan Elektrik Üretim A.Ş. was established in Izmir on 18 July 2006 as" MTT Elektrik Üretim A.Ş." The company name was changed to " Tan Elektrik Üretim A.Ş." on 9 November 2006. Main activity of company is building production facilities, joining in to operation, renting, generating electricity and marketing electricity to customers.

Akçamen Tekstil Sanayi ve Ticaret A.Ş. "Akçamen Tekstil"

Akçamen Tekstil Sanayi ve Ticaret A.Ş. was established on 26 July 1994. Head quarter of the company is in İzmir. No. 7186 on 11 November 2008 in the Trade Registry Gazette the company was changed to the center of Denizli. Main activity is to produce cotton.

Ak-San Sigorta ve Aracılık Hizmetleri Ltd. Şti. "Aksan Sigorta"

Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti. was established on 13 March 1997. Head quarter of the company is in İzmir. Main activity is insurance intermediary services.

Selin Tekstil Sanayi ve Ticaret A.Ş. "Selin Tekstil"

Selin Tekstil Sanayi ve Ticaret A.Ş. was established in 1992. Head quarter of the company is in Denizli. Main activity is outsourcing of textile manufacturing.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti. "Akçasaraylı Tekstil"

Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti. was Established in 1990 in İzmir. It is engaged of the sale of textile products.

Akça Holding A.Ş. "Akça Holding"

Akça Holding A.Ş. was established in 1994 in İzmir. It is engaged in providing financial support to the group firms.

Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş."Akça Solar"

Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş. was established in 4 September 2012 in Denizli. It is engaged in the production and sale of every kind of renewable energy (sun energy, wind energy, etc.).

Taxes calculated from Corporate Profit

Because Turkish Tax Legislation does not allow preparing consolidated tax return to parent company and its subsidiary, as reflected on the attached consolidated financial statements, provisions for taxes are calculated separately.

Taxes on income for the period comprise current tax and the change in the deferred taxes.

Current Tax

Current year tax liability is calculated from liable to tax part of the period profit. Because liable to tax profit excludes taxable items in other years or tax deductibles and the items that is not possible to make taxable or reduction of tax, it is different than profit on the income statement. The Group's current tax liability is calculated by using the tax rate that became law as of balance sheet date or the tax rate that significantly became law.

Deferred Tax

Deferred tax liability or asset is determined by calculating temporary differences between the balances of assets and liabilities on financial statements and the balances considered in legal tax base account according to balance sheet method by considering legal tax rates of tax effects. While the deferred tax liability is calculated for all the taxable temporary differences, tax assets that consist of deductible temporary differences are calculated if there is a possibility of benefiting from the temporary profit in the future. The assets and liabilities are not accounted if temporary difference related with the operation that does not effect commercial or fiscal profit/loss stems from taking to financial statements goodwill or other assets or liabilities (except business combinations) firstly.

Deferred tax liabilities are calculated for all taxable temporary differences associated with shares in the business associations and investments in subsidiaries and affiliates except in the cases when the group's temporary differences are controlled and when the probability of the elimination of this difference is very low in near future. Deferred tax liabilities stemming from taxable temporary differences that is associated with this kind of investments and shares are calculated on condition when the probability of utilizing the related differences by gaining sufficient liable to tax profits in near future is very high and when elimination of the differences about future is probable.

The recorded value of deferred tax asset is revised as of each balance sheet date. Financial profit is deducted with unlikely performing amount to ensure future partial or complete benefit of booked value of deferred tax assets.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Deferred tax assets and liabilities are calculated over the tax rates (tax regulations) that are expected to be valid in the period when assets will realize or liabilities will be fulfilled and that become law as of balance sheet date or significantly become law. At the time of the calculation of the deferred tax assets and liabilities, as of balance sheet date the tax results of the methods are considered that the group forecasted for recovery of the book value of the assets or fulfillment of the liabilities.

The existence of legal right to deduct deferred tax assets and liabilities from current tax assets and liabilities or income tax collected by very same tax authorities related to these assets and liabilities or deduction will be realized when there payment will by netting of Group's assets and liabilities.

Current and deferred tax of period

Associated with the items that are booked in shareholders' equity accounts as debit or credit directly, (in this case, related deferred tax of the items are directly entered in shareholders' equity account) or current tax except that stem from first recording of business combinations and deferred tax of the period are entered in income or expense accounts in income statements. Tax effect are considered in business combinations, goodwill calculations or determination of the exceeding part of the cost of purchase of buyer's obtained share from purchased subsidiary's fair value of definable asset, liability and conditional payables.

Provision Employee Benefits / Severance Pay

Severance Pay

According to the present laws and collective bargaining agreement severance pay is given in case of retirement and dismissal. The payments in accordance with updated IAS 19 Employee Benefits Standard ("IAS 19") are described as defined retirement benefit plans.

The severance pay liability booked in balance sheet means today's value of liability remained after correction at the rate of actuarial income and losses excluded from income statement.

Social Insurance Premium

Group pays social security contribution to social security organization compulsorily. So long as the company pays these premiums, it has no liability. These premiums are reflected as personnel expenses in the period in which they are paid.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Provisions, Conditional Liabilities and Conditional Assets

Provisions

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Conditional Liabilities and Conditional Assets

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non occurrence of certain future events, unless the expected performance is not very likely. Accordingly, contingent losses are recognized in the financial statements of Group if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

The Effects of Exchange Rates

Foreign currency transactions are entered in the accounts with current rates in transaction date. Foreign currency assets and liabilities in the balance sheet are converted to the TRY as the rates in the balance sheet date. Foreign exchange and losses are reflected to the financial statements.

The foreign currency rates used at the end of the period are as following:

	31 December 2012	31 December 2011
USD	1.7826	1.8889
EUR	2.3517	2.4438
GBP	2.8708	2.9170

Earning Per Share

The amount of gain/ loss per share is calculated by dividing the period gain/ loss of the company with weighted average share unit in the period.

Subsequent Events

Although subsequent events arise after the explanation of the financial information to the public or any announcement related to profitability, it encloses all the events with balance sheet date and authorization date for the diffusion of the balance sheet. Group adjusts the amounts in the financial statements if there exists any events necessitates adjustment.

Segment Reporting of Operation Results

Group mainly operates in textile and agriculture sectors, agricultural production is conducting by Smyrna Balance sheet items and operating results are given in Note 5.

As of report date, Menderes Bulgaria Ltd. has terminated the operation and started liquidation. Hence financial segment reports are not prepared.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Cash Flow Statement

Cash flow statement is prepared in accordance with communiqué by Capital Market Board.

Income Accruals

Revenue is recognized on the accrual basis at the time deliveries are made, at the invoiced values. Net sales reflect gross sales, net of sales discounts and returns.

Foreign Currency Assets and Liabilities

Foreign currency transactions are entered in the accounts with current rates in transaction date. Foreign currency assets and liabilities in the balance sheet are converted to the TRY as the rates in the balance sheet date. Foreign exchange profit and loss are reflected to the income statements.

Dividends

Dividends receivable are recognized as income in the period when they are declared and dividends payables are recognized as an appropriation of profit in the period in which they are declared.

Investments Subject to Equity Pick-up Method

Equities valued with equity pick-up method are carried at their initial acquisition cost. This amount is accounted by equity pick-up method by restating subject to company accounting policies calculating the share of company from the net assets.

NOTE 3 – BUSINESS MERGERS

None (31 December 2011 – None).

NOTE 4 – BUSINESS PARTNERSHIP

None (31 December 2011 – None).

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

NOTE 5 – SEGMENT REPORTING

31 December 2012	Textile Sector	Agricultural Sector	Elimination	Total
ASSETS				
Cash and Cash Equivalents	44,054,008	16,572	-	44,070,580
Trade Receivables	49,815,252	634,607	-	50,449,859
Other Receivables	48,922,561	4,715,295	(4,715,295)	48,922,561
Inventories	108,878,138	611,617	-	109,489,755
Biological Assets	-	1,142,494	-	1,142,494
Other Current Assets	11,784,977	1,652,062	-	13,437,039
Current Assets	263,454,936	8,772,647	(4,715,295)	267,512,288
Investments Valued With Equity Method	104,985,795	-	(9,500,000)	95,485,795
Other Receivables	11,568	3,126	-	14,694
Tangible Assets	63,001,757	25,820,418	-	88,822,175
Intangible Assets	422,107	785	-	422,892
Deferred Tax Assets	7,640,706	95,999	(155,889)	7,580,816
Non Current Assets	-	324,915	-	324,915
Non-Current Assets	176,061,933	26,245,243	(9,655,889)	192,651,287
TOTAL ASSETS	439,516,869	35,017,890	(14,371,184)	460,163,575
LIABILITIES				
Financial Borrowings	85,500,678	2,189,556	-	87,690,234
Trade Payables	59,091,977	1,261,948	-	60,353,925
Other Payables	15,512,675	9,173,808	(4,715,294)	19,971,189
Corporation Tax Liabilities	167,246	-	-	167,246
Provisions for Liabilities	46,039	-	-	46,039
Other Current Liabilities	379,574	6,749	-	386,323
Current Liabilities	160,698,189	12,632,061	(4,715,294)	168,614,956
Financial Borrowings	2,711,524	10,250,705	-	12,962,229
Severance Pay Provision	5,612,490	55,070	-	5,667,560
Deferred Tax Liabilities	204,757	168,118	(155,889)	216,986
Non-current Liabilities	8,528,771	10,473,893	(155,889)	18,846,775
Paid in Capital Share	250,000,000	12,000,000	(12,000,000)	250,000,000
Inflation Adjustments to Shareholders' Equity	485,133	-	-	485,133
Foreign Currency Conversion Differences	(575,365)	-	-	(575,365)
Profit Reserves	8,157,396	23,121	-	8,180,517
Retained Earnings	17,943,576	576,800	(124,985)	18,395,391
Net Income / (Loss) for the period	(5,513,897)	(687,985)	143,330	(6,058,552)
Minority Interest	(206,934)	-	2,481,654	2,274,720
SHAREHOLDERS' EQUITY	270,289,909	11,911,936	(9,500,001)	272,701,844
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	439,516,869	35,017,890	(14,371,184)	460,163,575

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

31 December 2012	Textile Sector	Agricultural Sector	Elimination	Total
Sales	406,402,993	3,319,409	-	409,722,402
Cost of Sales (-)	(371,316,403)	(4,254,525)	-	(375,570,928)
Research & development expenses	(579,316)	-	-	(579,316)
Marketing, Sales and Distribution Expenses (-)	(6,700,775)	(200,036)	-	(6,900,811)
General Administrative Expenses (-)	(5,227,032)	(104,624)	-	(5,331,656)
Other Operating Income	10,245,282	154,076	-	10,399,358
Other Operating Expenses (-)	(14,881,243)	(304,166)	-	(15,185,409)
Shares of Investments Valued with Equity Method	(8,878,743)	-	-	(8,878,743)
(Non-operating) Financial Income	22,000,684	1,117,817	(877,911)	22,240,590
(Non-operating) Financial Expenses (-)	(38,219,049)	(433,341)	877,911	(37,774,479)
- Income/Expense Tax for the period	(167,246)	-	-	(167,246)
- Deferred Tax Income/Expense	1,806,951	17,405	-	1,824,356
Net Income / (Loss) For The Period	(5,513,897)	(687,985)	-	(6,201,882)

NOTE 6 – CASH AND CASH EQUIVALENTS

As of 31 December 2012 and 2011, details of cash and cash equivalents are as following:

	31 December 2012	31 December 2011
Cash	21,692	8,272
Banks	43,815,564	23,129,832
Demand deposits	27,202,467	178,648
Time deposits	16,613,097	22,951,184
Interest accruals for banks	233,324	209,417
	44,070,580	23,347,521

As of 31 December 2012 and 2011, Group's time deposits over three months, if desired it classified to cash and cash equivalents with balance sheet value.

As of 31 December 2012 and 2011, maturity schedule of time deposits in the cash and cash equivalents are as following:

	31 December 2012	31 December 2011
Within 1 month	7,648,089	12,635,422
1-3 month	6,095,659	15,554
3-12 month	2,869,349	10,300,208
	16,613,097	22,951,184

As of 31 December 2012, effective interest rates of time deposits in TRY and USD are 6.45% and 2.74% respectively (31 December 2011: for TRY 9.86%, USD 3.07% and EUR 2.02%).

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

As of 31 December 2012, average maturity date of time deposits is 60 days (31 December 2011: 87 days). Amount of these time deposits comprised of TRY 933,789 (31 December 2011: TRY 375,559), TRY 15,679,308 equivalent to USD (31 December 2011: TRY 21,866,923 equivalent to USD and TRY 708,702 equivalent to EUR).

NOTE 7 – FINANCIAL INVESTMENTS

Current Financial Investments

None (31 December 2011 – None).

Non current financial investments

None (31 December 2011 – None).

NOTE 8 – FINANCIAL BORROWINGS

	31 December 2012	31 December 2011
Short term turkish lira bank borrowings	1,502,918	1,017,302
Short term foreign currency borrowings	71,559,232	68,720,504
Foreign currency financial borrowings (factoring borrowings)	5,674,456	7,770,930
Short term lease payables, net	39,214	197,801
Current installments of long-term borrowings	8,335,443	6,643,605
Accrued interest of borrowings	578,971	176,481
Total short term financial borrowings	87,690,234	84,526,623
Long term foreign currency borrowings	12,948,644	4,818,051
Long term lease payables, net	13,585	54,869
Total long term financial borrowings	12,962,229	4,872,920
Total financial liabilities	100,652,463	89,399,543

As of 31 December 2012 TRY, USD, EUR and GBP bank loans, effective interest rates are 5.0%, 3.46%, 3.25% and 4.44% (31 December 2011: TRY- 5%, USD-3.31%, EUR-4.87% ve GBP-%3.81'dir) respectively.

As of 31 December 2012, Group has deposit mortgages amount of USD 3,995,000 USD (7,121,487 TRY) for bank loans amounting used from Şekerbank T.A.Ş..

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Maturity analysis of the bank loans and other financial borrowings as of 31 December 2012 and 2011 are as following:

	31 December 2012	31 December 2011
Within 3 month	46,639,167	42,730,427
Between 3 - 12 month	40,432,882	41,421,914
Between 1 – 5 year	12,948,644	4,818,051
	100,020,693	88,970,392

As of 31 December 2012 and 2011 maturity schedule of long term bank borrowings are as following:

	31 December 2012	31 December 2011
Payables within 1-2 years	4,975,875	4,818,051
Payables within 2-3 years	2,277,934	-
Payables within 3-4 years	2,277,934	-
Payables within 4-5 years	2,277,934	-
Payables within 5-6 years	1,138,967	-
	12,948,644	4,818,051

As of 31 December 2012, details of total bank borrowings and other financial borrowings are as following:

Currency	FX Amount	Currency Rate	TRY Equivalent
TL	1,502,923	1.0000	1,502,923
USD	42,112,703	1.7826	75,070,104
EUR	9,527,488	2.3517	22,405,792
GBP	362,921	2.8708	1,041,874
Total			100,020,693

As of 31 December 2011, details of total bank borrowings and other financial borrowings are as follows:

Currency	FX Amount	Currency Rate	TRY Equivalent
TL	1,017,302	1.0000	1,017,302
USD	39,498,971	1.8889	74,609,606
EUR	5,296,358	2.4438	12,943,240
GBP	137,211	2.9170	400,244
Total			88,970,392

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

As of 31 December 2012 and 2011, details of financial leasing borrowings of group are as follows:

Short term financial leasing borrowings:

	31 December 2012	31 December 2011
Short term lease payables	41,453	208,070
Cost of deferred short term lease payables (-)	(2,239)	(10,269)
	39,214	197,801

Long term financial leasing borrowings:

	31 December 2012	31 December 2011
Long term lease payables	13,950	57,574
Cost of deferred lease payables (-)	(365)	(2,705)
	13,585	54,869

Maturity schedule of repayment of finance lease payables as of 31 December 2012 are as following:

	Liabilities from financial leasing transactions	Cost of deferred lease payables	Total liabilities
Payables within 0 – 1 years	41,453	(2,239)	39,214
Payables within 1 – 2 years	13,750	(165)	13,585
Payables within 2 – 3 years	200	(200)	-
	55,403	(2,604)	52,799

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Maturity schedule of repayment of finance lease payables as of 31 December 2011 are as following:

	Liabilities from financial leasing transactions	Cost of deferred lease payables	Total liabilities
Payables within 0 – 1 years	208,070	(10,269)	197,801
Payables within 1 – 2 years	43,077	(2,326)	40,751
Payables within 2 – 3 years	14,290	(172)	14,118
Payables within 3 – 4 years	207	(207)	-
	265,644	(12,974)	252,670

Total amount of mortgage on lands and buildings for fixed assets of the Group given to financial institutions is USD 156,200,000 (TRY 278,442,120), EUR 5,140,426 (TRY 12,088,740) and TRY 75,445,000.

NOTE 9 – OTHER FINANCIAL LIABILITIES

Other Short Term Financial Liabilities

None (31 December 2011 – None).

Other Long Term Financial Liabilities

None (31 December 2011 – None).

NOTE 10 – TRADE RECEIVABLES AND TRADE PAYABLES

Short Term Trade Receivables

As of 31 December 2012 and 2011, details of trade receivables are as following

	31 December 2012	31 December 2011
Trade receivables	50,489,969	49,869,525
Unearned interest on trade receivables	(316,980)	(219,620)
Cheques and notes receivable (*)	275,612	242,011
Receivables from related parties (Note 37-i-a)	1,258	617,666
Doubtful trade receivables	212,837	280,552
Provision for doubtful receivables (-)	(212,837)	(280,552)
Short-term trade receivables	50,449,859	50,509,582

(*) As of 31 December 2012 and 2011 cheques and notes receivable is owned by the related parties.

As of 31 December 2012, Group has TRY 950,000 guarantee given as a provision for receivables.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Maturity schedule of notes receivable as of 31 December 2012 and 2011 are as following:

	31 December 2012	31 December 2011
1-30 days	118,871	96,809
31-60 days	77,500	-
61-90 days	79,241	69,817
91-120 days	-	75,385
	275,612	242,011

As of 31 December 2012 and 2011, movement of provision for doubtful receivables is as following:

	31 December 2012	31 December 2011
Opening balance	280,552	275,854
Provision for the period	(80,935)	-
Collection within the period	13,220	4,698
Closing balance	212,837	280,552

Details of trade receivables from related parties are as following (Note 37-i-a):

	31 December 2012	31 December 2011
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	-	617,666
Menderes Tekstil Pazarlama A.Ş. (*)	275,612	242,011
Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	1,258	-
	276,870	859,677

(*) These amounts are consisted of cheques and notes receivable.

Long Term Trade Receivables

None (31 December 2011 – None).

Short Term Trade Receivables

As of 31 December 2012 and 2011, details of the short term trade payables to related parties are as following:

	31 December 2012	31 December 2011
Trade payables	44,503,790	20,898,606
Unearned interest on trade payables	(336,049)	(446,289)
Due to related parties (Note 37-i-b)	8,553,337	6,331,834
Notes payable	7,683,416	3,015,680
Unearned interest on notes payable	(56,569)	(37,810)
Deposits and guarantees received	6,000	6,000
	60,353,925	29,768,021

As of 31 December 2012, bank has given guarantees for trade payables of USD 3,518,511 (TRY 6,272,097) and EUR 646,313 (TRY 1,519,935).

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Maturity schedule of notes payable as of 31 December 2012 and 2011 are as following:

	31 December 2012	31 December 2011
1 – 30 days	2,994,867	2,019,728
31 – 60 days	2,119,386	585,610
61 – 90 days	2,569,163	191,234
91 – 120 days	-	172,122
121 – 150 days	-	46,986
	7,683,416	3,015,680

Details of trade payables to related parties are as following (Note 37-i-b):

	31 December 2012	31 December 2011
Selin Tekstil Sanayi ve Ticaret A.Ş.	7,943,121	6,061,326
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	610,216	270,508
	8,553,337	6,331,834

Non Current Trade Payables

	31 December 2012	31 December 2011
Trade payables	-	60,240
	-	60,240

NOTE 11 – OTHER RECEIVABLES AND PAYABLES

Other Current Receivables

As of 31 December 2012 and 2011, details of other current receivables of Group are as following:

	31 December 2012	31 December 2011
Deposit and guarantees given	271,758	177,992
Due from related parties (Note 37-i-c)	46,310,682	59,620,906
Sundry debtors	2,340,121	2,436,167
	48,922,561	62,235,065

Amount in other sundry receivables are comprised of receivables from tax offices, customs administration and subcontractor related to Menderes Bulgaria Ltd.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Details of non trade receivables from related parties are as following (Note 37-i-c):

	31 December 2012	31 December 2011
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	34,687,876	58,608,870
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	11,503,763	533,345
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	-	336
Akça Holding A.Ş.	-	242,935
Akçamen Tekstil Sanayi Ticaret A.Ş.	119,043	235,420
	46,310,682	59,620,906

As of 31 December 2012 and 2011, all amounts above are composed of non-trade receivables. For non-trade receivables from related parties with foreign currency balances; for the period 01.01.-31.12.2012 it is 1% interest rate is used, for 01.01.-31.12.2011, it is 5.5% and with TRY balances; for the period 01.01.-19.06.2012 it is 17.75%, for 20.06.2012-19.12.2012 it is 16.5%; for 20.12.2012-31.12.2012 it is %13.75. For the period 01.01-31.12.2011 it is 17.75%. Income from these transactions is presented in Note 37 iii-g.

As of 31 December 2012, non-trade receivables from related companies comprise 17.31% of total current assets and 10.06% of total assets. (It composes 22.73% of the total current assets and 13.40% of total assets as of 31 December 2011).

Other Non Current Payables

	31 December 2012	31 December 2011
Deposits given and guarantees	14,694	17,121
	14,694	17,121

Other Current Payables

As of 31 December 2012 and 2011, details of other current payables of Group are as following:

	31 December 2012	31 December 2011
Taxes and funds payable	904,845	670,518
Social security deductions payable	632,653	585,408
Due to personnel	1,979,293	1,646,946
Advances received (Note 37-i-f)	7,261,788	14,204,926
Due to shareholders (Note 37-i-d)	9,135,663	11,108,080
Sundry debtors	1,949	1,949
Due to subsidiaries (Note 37-i-e)	54,998	-
	19,971,189	28,217,827

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Details of non trade payables to shareholders are as following (Note 37-i-d):

	31 December 2012	31 December 2011
Rıza Akça	9,055,349	10,248,344
Ali Atlamaz	54,220	20,534
Ahmet Bilge Göksan	24,244	837,244
Dilek Göksan	1,850	1,958
	9,135,663	11,108,080

Details of non trade payables to subsidiaries are as following (Note 37-i-e):

	31 December 2012	31 December 2011
Akça Holding A.Ş.	54,998	-
	54,998	-

Details of advances to related parties are as following (Note 37-i-f):

	31 December 2012	31 December 2011
Menderes Tekstil Pazarlama A.Ş.	5,204,157	9,928,982
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	55,341	-
	5,259,498	9,928,982

Other non-current payables

None (31 December 2011 – None).

NOTE 12 – RECEIVABLES AND PAYABLES FROM/TO FINANCE SECTOR ACTIVITIES

Current receivables and payables from finance sector activities

None (31 December 2011 – None).

Non-current receivables and payables from finance sector activities

None (31 December 2011 – None).

NOTE 13 – INVENTORIES

	31 December 2012	31 December 2011
Raw materials	57,138,657	69,706,961
Work in progress	40,051,875	30,479,559
Finished goods and merchandises	11,806,595	6,214,287
Other Inventories	492,628	226,920
	109,489,755	106,627,727

The Group's inventories were insured.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

NOTE 14 – BIOLOGICAL ASSETS

Current biological assets

	31 December 2012	31 December 2011
Biological assets (tomato)	1,142,494	2,183,274
	1,142,494	2,183,274

Group's biological assets are related with tomatoes. If available impairment and cost is indicated after provision in the combined financial statements Due to no presence of active market for growing tomatoes, they were reflected in the accompanying combined financial statements with their costs minus if there is impairment in the cost then it is deducted.

Non-current biological assets

None (31 December 2011 – None).

NOT 15 – RECEIVABLES FROM ON GOING CONSTRUCTION CONTRACTS

None (31 December 2011 – None).

NOT 16 – INVESTMENTS VALUED WITH EQUITY PICK-UP METHOD

As of 31 December 2012 and 2011, Akça Enerji Üretim Otoprodüktör Grubu A.Ş., Menderes Tekstil Pazarlama A.Ş. and Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş. are held subject to equity pick-up method by the Group, with rate of 20%, 45% and 48% respectively

	31.12.2012	Share (%)	31.12.2011	Share (%)
Akça Enerji Üretim Dağıtım Otoprodüktör A.Ş.	866,539	20%	566,844	20%
Menderes Tekstil Pazarlama A.Ş.	9,071,442	45%	8,241,623	45%
Aktur Araç Muayene İstasyon İşletmeleri A.Ş.	85,547,814	48%	87,912,571	48%
	95,485,795		96,721,038	

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Summary information about investment accounted for using the equity method is as following:

Akça Enerji Üretim Otoprodüktör Grubu A.Ş.

Akça Enerji Üretim Otoprodüktör Grubu A.Ş. is established on 13 July 1998. Head quarter of the Company is in Denizli. Main activity of the Company is producing electricity, hot water and steam.

Total of assets, liabilities and shareholders' equity of Akça Enerji Üretim Otoprodüktör Grubu A.Ş. and summarized income statements for the period ending at the date of 31 December 2012 and 2011 are as following:

	31.12.2012	31.12.2011
Current Assets	3,496,275	74,674
Non-current Assets	31,216,669	8,397,955
Total Assets	34,712,944	8,472,629
Current liabilities	30,069,805	4,698,920
Non-current liabilities	310,442	939,491
Shareholders' equity	4,332,697	2,834,218
Total Equities	34,712,944	8,472,629
Sales, net	85,823	64,799
Cost of sales	(70,341)	(208,777)
Net profit / (loss)	1,498,479	(6,846,708)

Menderes Tekstil Pazarlama A.Ş.

Menderes Tekstil Pazarlama Anonim Şirketi was established in 1998. The head office is in İzmir. It is engaged in sales of home textile products.

Total of assets, liabilities and shareholders' equity of Menderes Tekstil Pazarlama A.Ş. and summarized income statements for the period ending at the date of 31 December 2012 and 2011 are as following:

	31.12.2012	31.12.2011
Current Assets	15,789,992	17,275,358
Non-current Assets	5,166,250	2,154,396
Total Assets	20,956,242	19,429,754
Current liabilities	690,545	1,023,295
Non-current liabilities	106,936	91,742
Shareholders' equity	20,158,761	18,314,717
Total Equities	20,956,242	19,429,754
Sales, net	54,661,428	46,600,467
Cost of sales	(51,937,046)	(43,623,685)
Net profit / (loss)	1,844,044	2,494,093

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş. was established in 2006. Head quarter of the Company is in İzmir. Company operates vehicle inspection stations which are privatized within the context of law numbered 4046, in Aydın, Denizli, İzmir and Manisa for 20 years. As of 31 December 2012, company has integrated 20 established and 4 mobile vehicle inspection stations.

Total of assets, liabilities and shareholders' equity of Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş. and summarized income statements for the period ending at the date of 31 December 2012 and 2011 are as following:

	31.12.2012	31.12.2011
Current Assets	24,446,261	25,939,751
Non-current Assets	305,264,932	347,916,489
Total Assets	329,711,193	373,856,240
Current liabilities	24,779,219	32,161,914
Non-current liabilities	126,707,361	158,543,136
Shareholders' Equity	178,224,612	183,151,189
Total Equities	329,711,193	373,856,239
Sales, net	157,647,111	141,502,381
Cost of sales, net	(134,808,006)	(122,322,646)
Net profit / (loss)	9,171,355	20,899,003

In the period of 01 January - 31 December 2012, net profit from investments subject to equity pick-up method is TRY (8,878,743)

	31 December 2012			
	Share in capital	Restated Shareholders' Equity	Restated Participation Amount	Net Profit/Loss
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	20%	4,332,697	866,539	(1,534,968)
Menderes Tekstil Pazarlama A.Ş.	45%	20,158,761	9,071,442	3,345,940
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	48%	178,224,612	85,547,814	(19,584,186)
			95,485,795	(17,773,214)

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

In the period of 01 January - 31 December 2011, net profit from investments subject to equity pick-up method is TRY 3,017,516

	31 December 2011			
	Share in capital	Restated Shareholders' Equity	Restated Participation Amount	Net Profit/Loss
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	20%	2,834,218	566,844	521,337
Menderes Tekstil Pazarlama A.Ş.	45%	18,314,717	8,241,623	7,803,621
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	48%	183,151,189	87,912,571	(17,219,429)
			96,721,038	(8,894,471)

According to the signed agreement between TÜVTURK [North/ South] Taşıt Muayene İstasyonları Yapım ve İşletim A.Ş. (Contractor) and Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş. (Subcontractor), subcontractors is allowed to establish a partial or full right to claim rights or receivables based on the agreement, directly or indirectly through cooperating with subsidiaries and/or equity participants by written prior authorization or to transfer to any third party or individual or credit institution.

Based on this, according to valuation report of Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş. prepared by Raymond James Yatırım Menkul Kıymetler A.Ş. dated 29.06.2008, Group has participated in Aktur Araç Muayene İstasyonları A.Ş. with 48% capital ratio. As a result of this acquisition, deferred tax has been calculated based on issue stated above and calculated deferred tax had an effect amounting to TRY 13,091,379 (31 December 2011: TRY 14,783,130) in the Group's balance sheet. The total effect of Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş. according to the equity pick-up method is TRY (19,584,186) (31 December 2011: TRY (17,219,429) in consolidation.

NOTE 17 – INVESTMENT PROPERTY

None (31 December 2011 – None).

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

NOTE 18 – TANGIBLE FIXES ASSETS

Cost	Land and land improvements	Buildings	Property, plant and equipment	Vehicles	Fixtures and fittings	Construction in progress	Total
01 January 2011 Opening balance	10,459,750	49,335,758	196,089,000	1,523,950	5,754,712	180,084	263,343,254
Additions	482,838	24,504	1,714,477	108,944	301,129	81,381	2,713,273
Disposals	-	-	-	(420,488)	-	-	(420,488)
Transfers	261,465	-	-	-	-	(261,465)	-
31 December 2011 closing balance	11,204,053	49,360,262	197,803,477	1,212,406	6,055,841	-	265,636,039
Additions	1,316,150	523,457	1,272,161	276,785	239,625	17,377,899	21,006,077
Disposals	-	-	(136,316)	(289,578)	-	-	(425,894)
Transfers	-	-	-	-	-	-	-
31 December 2012 closing balance	12,520,203	49,883,719	198,939,322	1,199,613	6,295,466	17,377,899	286,216,222
Accumulated depreciation							
01 January 2011 Opening balance	1,157,973	10,993,143	157,128,238	712,338	4,303,049	-	174,294,741
Additions	500,773	986,964	10,172,793	156,708	274,352	-	12,091,590
Disposals	-	-	-	(396,988)	-	-	(396,988)
31 December 2011 closing balance	1,658,746	11,980,107	167,301,031	472,058	4,577,401	-	185,989,343
Additions	506,219	989,461	9,604,985	154,061	328,212	-	11,582,938
Disposals	-	-	(115,689)	(62,545)	-	-	(178,234)
31 December 2012 closing balance	2,164,965	12,969,568	176,790,327	563,574	4,905,613	-	197,394,047
31.12.2011 Net Book Value	9,545,307	37,380,155	30,502,446	740,348	1,478,440	-	79,646,696
31.12.2012 Net Book Value	10,355,238	36,914,151	22,148,995	636,039	1,389,853	17,377,899	88,822,175

As of 31 December 2012, the depreciation expense of tangible fixed assets for the fiscal period is TRY 11,582,938 (31 December 2011: TRY 12,091,590).

As of 31 December 2012, fixed assets were insured for TRY 4,402,508 and EUR 59,168,370 (TRY 139,146,256). As of 31 December 2011, fixed assets were insured for TRY 218,502,515, CHF 2,300,000 (TRY 4,614,260) and EUR 3,900,000 (TRY 9,530,820).

Total amount of mortgage on lands and buildings for fixed assets of the Group given to financial institutions is USD 156,200,000 (TRY 278,442,120), EUR 5,140,426 (TRY 12,088,740) and TRY 75,445,000.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

NOTE 19 – INTANGIBLE ASSETS

Cost	Rights	Research and development expenses	Other intangible assets	Total
01 January 2011 Opening balance	2,553	-	383,612	386,165
Additions	167	-	72,465	72,632
31 December 2011 closing balance	2,720	-	456,077	458,797
Additions	25,000	163,323	83,268	271,591
31 December 2012 closing balance	27,720	163,323	539,345	730,388
Accumulated depreciation				
01 January 2011 Opening balance	861	-	175,472	176,333
Additions	530	-	46,813	47,343
31 December 2011 closed balance	1,391	-	222,285	223,676
Additions	5,406	2,732	75,682	83,820
31 December 2012 closed balance	6,797	2,732	297,967	307,496
31.12.2011 Net Book Value	1,329	-	233,792	235,121
31.12.2012 Net Book Value	20,923	160,591	241,378	422,892

As of 31 December 2012, the amortization expense of intangible fixed assets for the fiscal period is TRY 83,820 (31 December 2011: TRY 47,343)

NOTE 20 – GOODWILL

None (31 December 2011 – None).

NOTE 21 – GOVERNMENT GRANTS AND INCENTIVES

None (31 December 2011 – None).

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

NOTE 22 – PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

Short Term Provisions, Commitments and Contingent Liabilities

	31 December 2012	31 December 2011
Provision for the court cases	46,039	196,380
	46,039	196,380

Long term provisions, commitments and contingent liabilities

None (31 December 2011 – None)

NOTE 23 – COMMITMENTS

As of 31 December 2012 and 2011, the Group's guarantee / pledge / mortgage position are as following:

Guarantees, security and mortgage (GSM) given by the Group	31.12.2012	31.12.2011
A. Total Amount of GSM given on behalf of legal entity	440,700,806	469,282,099
B. Total Amount of GSM given for partnerships which included in full consolidation	11,460	11,460
C. Total Amount of GSM given for the purpose of guaranteeing third party loans to carry the regular trade activities	None	None
D. Total Amount of other GSM given	None	None
<i>i. Total Amount of GSM given for the Parent Company</i>	176,477,400	187,001,100
<i>ii. Total Amount of GSM Given for Other Group Companies not Included in B and C Clauses</i>	173,029,114	183,347,185
<i>iii. Total Amount of GSM Given for Third Parties not Included in C Clause</i>	None	None
Total	790,218,780	839,641,844

31 December 2012, Ratio which is the grup's given other GSM's over its equity's is 128%. (31 December 2011; 133%)

Group has given joint and collective guarantee at most USD 5,565,586 (TRY 9,921,214) for the financial leasing agreement of Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş. signed with İş Finansal Kiralama A.Ş (31 December 2011: USD 5,565,586 (TRY 10,512,835)).

The sum of loans granted bail by the Group İn favor of relevant instutions is USD 91,500,000 (TRY 163,107,900). (31 December 2011: USD 91,500,000 (TRY 172,834,350)). Loans Granted bail amount is USD 99,000,000 (TRY 176,477,400) these are from relevant institutions that is the Group is a party related to credit agreements. (31 December 2011: USD 99,000,000 (TRY 187,001,100)).

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

As of 31 December 2012, details of the commitments are as following:

Details of Mortgage	FX type	FX amount	FX rate	TRY Equivalent
Türkiye Vakıflar Bankası T.A.O	TRY	71,545,000	1.0000	71,545,000
Türkiye Vakıflar Bankası T.A.O	USD	147,700,000	1.7826	263,290,020
Vakıf Finansal Kiralama Anonim Şirketi	USD	8,500,000	1.7826	15,152,100
Vakıf Finansal Kiralama Anonim Şirketi	EUR	5,140,426	2.3517	12,088,740
Türkiye Finans Katılım Bankası A.Ş.	TRY	1,600,000	1.0000	1,600,000
T.C Ziraat Bankası A.Ş.	TRY	2,000,000	1.0000	2,000,000
				365,675,860

Total amount of mortgage on lands and buildings of the company given to financial institutions is USD 156,200,000 (TRY 278,442,120), EUR 5,140,426 (TRY 12,088,740), and TRY 75,445,000.

Guarantee Letters Given	FX type	TRY Equivalent
Electricity suppliers	TRY	1,002,400
Custom authorities	TRY	226,357
Execution office	TRY	155,000
Natural gas suppliers	TRY	100,000
Tax office	TRY	664,250
Other	TRY	11,460
		2,159,467

Bank Details of Guarantee Letters Given	FX type	TRY Equivalent
Türkiye Vakıflar Bankası T.A.O.	TRY	1,104,787
Türkiye Finans Katılım Bankası A.Ş.	TRY	628,000
Alternatifbank A.Ş.	TRY	414,400
Tekstilbankası A.Ş.	TRY	11,460
ING Bank A.Ş.	TRY	820
		2,159,467

General Borrowing Contracts	FX type	FX amount	FX rate	TRY Equivalent
Şekerbank T.A.Ş.	USD	15,000,000	1.7826	26,739,000
Şekerbank T.A.Ş.	EURO	4,500,000	2.3517	11,758,500
Şekerbank T.A.Ş.	TRY	8,500,000	1.0000	8,500,000
				46,997,500

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Guarantee Notes Given	Bank name	FX type	FX amount	FX rate	TRY Equivalent
Ekspo Factoring A.Ş.	Şekerbank T.A.Ş.	USD	8,515,000	1.7826	15,178,839
UASAC Denizcilik A.Ş.	Şekerbank T.A.Ş.	TRY	5,000	1.0000	5,000
					15,183,839

Bond	Bank name	FX type	FX amount	FX rate	TRY Equivalent
Türk Eximbank	Tekstilbank A.Ş.	USD	2,000,000	1.7826	3,565,200
Türk Eximbank	Denizbank A.Ş.	USD	2,000,000	1.7826	3,565,200
Türk Eximbank	Şekerbank T.A.Ş.	USD	2,000,000	1.7826	3,565,200
					10,695,600

Guarantee Letters Received	Bank name	FX type	Amount
İtimat Manifatura	Kuveyt Türk Katılım Bankası	TRY	200,000
İtimat Manifatura	Türkiye Finans Katılım Bankası A.Ş.	TRY	750,000
			950,000

As of 31 December 2012, bank has given guarantees for trade payables of USD 3,518,511 (TRY 6,272,097) and EUR 646,313 (TRY 1,519,935).

Group has deposit mortgages amount of USD 3,995,000 (TRY 7,121,487) for bank loans used from Şekerbank T.A.Ş.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

NOTE 24 – SEVERANCE PAY PROVISION

	31 December 2012	31 December 2011
Provision for severance pay	5,667,560	5,038,368
Total Long Term provision	5,667,560	5,038,368

For the period 01 January – 31 December 2012, average personnel number including subcontractors employed by the Group is 3,431.

The taken rate of retirement probability is 98%.

For the period ended 31 December 2012 and 2011, the movement schedule of severance pay provision is as following;

	31 December 2012	31 December 2011
Balance of 1 January	5,038,368	4,087,007
Severance pay provision for the period	3,152,773	3,106,753
Severance pay that are paid in the period	(2,523,581)	(2,155,392)
Balance at the end of the period	5,667,560	5,038,368

NOTE 25 – RETIREMENT PLANS

None (31 December 2011 – None).

NOTE 26 – OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

Other current assets

As of 31 December 2012 and 2011, details of other current assets are as following:

	31 December 2012	31 December 2011
Order advances given	1,824,678	1,913,416
Prepaid expenses	418,460	393,397
VAT carried forward	7,097,762	4,008,322
VAT receivables	2,221,382	-
Prepaid taxes and funds	1,443,829	11,087,132
Forward exchange income accruals	430,928	-
	13,437,039	17,402,267

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Non-current assets

	31 December 2012	31 December 2011
Prepaid expenses	150,678	157,044
Advances to purchases non-current assets	174,237	-
	324,915	157,044

Other current liabilities

	31 December 2012	31 December 2011
Expense accruals	34,268	35,158
Under Law no 6111 increase in provision of tax base	-	466,694
Forward exchange expense accruals	352,055	-
	386,323	501,852

Group has benefited from ruling of "tax base expansion" (law numbered 6111), "Some Debt Restructuring and Other Social Insurance and General Health Insurance Law on the Amendment of Certain Laws and Decree-Law" which was published in Official Gazette dated 25 February 2011 and numbered 27857 (I. Repeated) and become effective. Within this frame, the tax bases for years 2006, 2007, 2008 and 2009 subject to tax are increased; as a result of this procedure, provision of TRY 840,390 is booked in the financial statements. This standing balance will be paid until 30 September 2012 with 9 installments bound to related legislations.

Other non-current liabilities

None (31 December 2011 – None).

NOTE 27 – SHARE CAPITAL

27.1 Paid in Capital

As of 31 December 2012, Group's paid in capital was divided into 250,000,000 shares as each valued at TRY 1 nominally (31 December 2011: 225,000,000).

As of 31 December 2012 and 2011, Group's paid in capital is as following:

	31 December 2012		31 December 2011	
	Share (%)	TRY	Share (%)	TRY
Shareholders:				
Public offer shareholders	51.93%	129,828,520	51.93%	116,845,668
Akça Holding A.Ş.	45.68%	114,208,053	45.68%	102,787,248
Other	2.39%	5,963,427	2.39%	5,367,084
Total	100.00%	250,000,000	100.00%	225,000,000

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

According to company's main article of association, more than half of the Members of Board required to be elected from the candidates which are pointed out from A Group shareholders.

As of 20.01.2012 Group has decided to increase their capital from TRY 225,000,000 to 250,000,000.

Board of director of the Group has decided to increase their capital from TRY 225,000,000 to TRY 250,000,000 with a decision. TRY 8,747,974 of 25,000,000 is financed with prior years' profit and the remaining TRY 15,252,026 is financed with net profit of 2011.

Board of director of the Group has decided to increase their capital from TRY 184,000,000 to TRY 225,000,000 with decision dated 09.03.2011 and numbered 2011/05. The capital increase was realised on 28 April 2011. TRY 31,559,974 of 41,000,000 is financed with prior years' profit and the remaining TRY 9,440,016 is financed with net profit of 2010.

27.2 Inflation Adjustment Difference in Shareholder's Equity

	31 December 2012	31 December 2011
Inflation adjustment difference in shareholder's equity	485,133	485,133
	485,133	485,133

27.3 Profit Reserves

	31 December 2012	31 December 2011
Legal Reserves	8,180,517	5,788,317
	8,180,517	5,788,317

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 profits at the rate of 5 %, until the total reserve reaches a maximum of 20 % of the Group's share capital. The second legal reserve is appropriated at the rate of 10 % of all distributions in excess of 5 % of the Group's share capital. The first and second legal reserves are not available for distribution unless they exceed 50 % of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

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

It was announced in the CMB decision dated January 9, 2009, number 1/6 that without considering the fact that a profit distribution has been declared in the general assemblies of the subsidiaries, joint ventures and associates, which are consolidated into the parent company's financial statements, the net income from these companies that are consolidated into the financial statements of the parent company can be considered when calculating the distributable amount, as long as the statutory reserves of these entities are sufficient for a such profit distribution. After completing these requirements, the parent company may distribute profit by considering the net income included in the consolidated financial statements prepared in accordance with Communiqué No. XI-29 of CMB.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

In accordance with the CMB decision dated January 27, 2010, it's decided to remove the obligation related with the minimum dividend distribution rate for publicly traded companies.

Inflation adjustment to shareholders' equity can only be netted-off against prior years' losses and used as an internal source for 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. However, in case inflation adjustment to shareholders' equity is used on cash profit distribution, it will be subject to corporation tax.

The base for the profit distribution is the net income reported in the financial statements filed with Capital Market Board in accordance with Series IX, No. 29

27.4 Retained Earnings

As of 31 December 2012, other profit reserve of TRY 18,895,391 of Parent Company is included in the retained earnings of TRY 28,796,333 (31 December 2011: other profit reserve of TRY 8,747,974 out of TRY 3,624,865).

27.5 Minority Interest

Group's minority interest is TRY (143,330) as of balance sheet date (31 December 2011: TRY 191,889).

31 December 2012	Total Shareholders' Equity	Profit/(Loss) of the Period	Parent Company Share	Minority Interest	Minority part of Shareholders' Equity	Minority part of Profit/(Loss)
Menderes Bulgaria Smryna	(2,069,339)	-	90%	10%	(206,934)	-
	12,599,919	(687,984)	79%	21%	2,481,654	(143,330)
					2,274,720	

31 December 2011	Total Shareholders' Equity	Profit/(Loss) of the Period	Parent Company Share	Minority Interest	Minority part of Shareholders' Equity	Minority part of Profit/(Loss)
Menderes Bulgaria Smryna	(2,150,382)	-	90%	10%	(215,038)	-
	11,678,852	921,067	79%	21%	2,624,984	191,889
					2,409,946	

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

NOTE 28 – SALES AND COST OF SALES

28.1 Sales

Sales	01.01.- 31.12.2012	01.01.- 31.12.2011
Domestic sales	108,112,575	70,464,513
Export sales	301,887,277	309,822,413
Other sales	340,083	288,732
	410,339,935	380,575,658
Sales returns	(617,533)	(397,957)
Sales income, (net)	409,722,402	380,177,701

For the period ended 01 January – 31 December 2012 and 2011, for each main product sales of goods and service amounts are as following:

	Unit	01.01.- 31.12.2012	01.01.- 31.12.2011
Yarn	Kg	3,121,100	-
Raw fabric	M ²	33,040	3,662
Finished fabric	M ²	19,336,938	13,991,901
Inter facing undercoat	M ²	25,316,698	25,611,477
Cover, pillow, curtain	Unit	14,930,964	11,988,986
Electricity	KWH	1,943,456	4,000,645
Waste cotton	Kg	302,220	263,461
Patch fabric	Kg	3,442,937	4,143,192
Oakum	Kg	930,260	669,345
Waste dust	Kg	172,680	123,620
Bunch tomatoes	Kg	1,669,230	1,986,312

Sales to related parties are as following (Note 37-ii-a):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Menderes Tekstil Pazarlama (a)	51,999,454	43,769,415
Osman Akça Tarım Ürünleri İthalat İhracat San. Ve Tic. A.Ş. (b)	112,043	1,246,489
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti. (c)	1,014,889	866,525
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	14,330	10,209
	53,140,716	45,892,638

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

(a) For the period 01.01.-31.12.2012, Group has sales of textile products TRY 51,999,454 to Menderes Tekstil Pazarlama A.Ş., for the period ended 01.01-31.12.2011, TRY 43,769,415 textile product has sold.

(b) For the period 01.01.-31.12.2012, Group has sales of TRY 100,436 of packaging material and TRY 11,607 of other sales to Osman Akça Tarım Ürünleri. For the period ended 01.01-31.12.2011, TRY 143,573 of packaging material and TRY 8,588 of other sales.

(c) For the period 01.01-31.12.2012, Group has sales of textile product TRY 985,311 and energy sales TRY 29,578 to Akçasaraylı Tekstil. For the period ended 01.01.-31.12.2011, TRY 839,215 textile product, TRY 27,310 energy has sold.

28.2 Cost of Sales

	01.01.- 31.12.2012	01.01.- 31.12.2011
Direct material cost	289,453,708	233,108,897
Direct labor cost	49,720,717	42,916,643
General production overheads	10,071,017	9,611,901
Depreciation expenses	10,188,717	11,303,133
<u>Change in semi-finished goods</u>		
1. Beginning inventory (+)	30,479,559	14,334,347
2. Ending inventory (-)	(40,051,875)	(30,479,559)
Cost of finished goods produced	349,861,843	280,795,362
<u>Change in finished goods inventory</u>		
1. Beginning inventory (+)	5,764,938	5,096,621
2. Ending inventory (-)	(11,551,256)	(5,764,938)
Cost of finished goods sold	344,075,525	280,127,045
<u>Cost of merchandise</u>		
1. Beginning Merchandise Inventory (+)	449,349	194,732
2. Purchases During the Period (+)	26,202,113	9,902,736
3. Ending Merchandise Inventory (-)	(255,339)	(449,349)
Cost of merchandise sold	26,396,123	9,648,119
Cost of other service rendered	845,155	248,621
Cost of biological assets	3,648,600	2,328,012
Depreciation of biological assets	605,525	324,746
Cost of sales, net	375,570,928	292,676,543

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

For the period ended 01 January – 31 December 2012 and 2011, for each main production of goods and service amounts are as following:

	Unit	01.01.- 31.12.2012	01.01.- 31.12.2011
Yarn	Kg	11,619,523	12,335,573
Raw fabric	M ²	131,558,429	102,813,645
Finished fabric	M ²	152,721,240	113,849,997
Inter facing undercoat	M ²	26,696,640	28,337,208
Cover, sheet, pillow, curtain	Unit	15,237,254	11,939,607
Electricity	KWH	101,546,384	100,121,136
Waste cotton	Kg	600,300	263,461
Patch fabric	Kg	3,435,435	3,849,440
Oakum	Kg	930,260	617,448
Waste dust	Kg	172,680	123,620
Bunch tomatoes	Kg	1,669,230	1,986,312

Purchases from related parties are as following (Note 37-ii-b):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Osman Akça Tarım Ürünleri İthalat İhracat San. Ve Tic. A.Ş.(a)	4,281,525	24,681,537
Selin Tekstil Sanayi ve Ticaret A.Ş. (b)	22,211,000	19,320,788
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	395,957	706,667
Akça Holding A.Ş.	60,965	59,916
	26,949,447	44,768,908

(a) For the period ended 01.01-31.12.2012, Group has purchased TRY 3,880,125 of dried fruit, TRY 401,400 of rent service from Osman Akça Tarım Ürünleri. For the period 01.01.-31.12.2011 TRY 2,530,500 of dried fruit, TRY 419,850 of rent services and TRY 21,758,187 of cotton have purchased.

(b) For the period ended 01.01.-31.12.2012, Group has purchased TRY 20,925,000 of contracted service and TRY 1,286,000 of severance pay have purchased from Selin Tekstil. For the period 01.01.-31.12.2011, TRY 18,435,788 of contracted service and TRY 885,000 of severance pay have purchased.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

NOTE 29 – RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	01.01.- 31.12.2012	01.01.- 31.12.2011
Research and development expenses	579,316	-
Marketing, sales and distribution expenses	6,900,811	5,001,468
General administrative expenses	5,331,656	5,470,922
	12,811,783	10,472,390

The details of the benefits provided to member of the board of directors pursued in the operating expenses are as following (Note 37-iii-a):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Member of the board of directors	712,884	689,699
	712,884	689,699

NOTE 30 – OPERATING EXPENSES ACCORDING TO THEIR NATURE

30.1. Research and development expenses

	01.01.- 31.12.2012	01.01.- 31.12.2011
Raw materials and supplies expenses	441,044	-
Personnel expenses	54,797	-
Depreciation expenses	7,621	-
Other expenses	75,854	-
	579,316	-

30.2. Marketing, sales and distribution expenses:

	01.01.- 31.12.2012	01.01.- 31.12.2011
Personnel expenses	2,144,878	2,020,656
Export expenses	3,574,234	2,817,898
Transportation of domestic sale	935,227	64,476
Depreciation expenses	66,526	30,783
Other expenses	179,946	67,655
	6,900,811	5,001,468

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

30.3. General administrative expenses:

	01.01.- 31.12.2012	01.01.- 31.12.2011
Personnel expenses	34,346	42,551
Insurance expenses	578,688	632,346
Representation and accommodation expenses	20,438	21,846
Communication expenses	124,200	118,855
Rent expenses	150,636	227,022
Education and consultancy expenses	236,598	109,457
General administrative material consumption	209,256	337,719
Capital market expenses	144,423	187,894
Repair and maintenance expenses	71,655	83,027
Traveling expenses	339,293	175,756
Chamber fee expenses	19,447	15,340
Tax and duty expenses	597,837	327,129
Chamber fee expenses	145,362	133,738
Notary and insurance expenses	12,813	27,087
Aid and donation expenses	158,627	768,960
Audit and consulting expenses	249,175	539,590
Electricity expenses	260,494	195,459
Lawsuit provisions	49,126	95,963
Severance pay provision expenses	788,279	951,361
Doubtful receivable provisions	13,220	4,698
Depreciation expenses	798,369	212,999
Other expenses	329,374	262,125
	5,331,656	5,470,922

(*) Composed of the personnel expenses reflected to Group by Akça Holding.

Details of cost of service paid to related parties in general administrative expenses are following (Not 37-iii-b):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	344,709	284,406
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	-	469
Akça Holding A.Ş.	145,362	133,738
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	-	410
	490,071	419,023

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

NOTE 31 – INCOME/ EXPENSE FROM OTHER OPERATIONS

For the period ended 01 January - 31 December 2012 and 2011 income from other operations is as following:

	01.01.- 31.12.2012	01.01.- 31.12.2011
Reversal of unnecessary provision	311,428	92,811
Rent income	246,861	209,481
Prior period income and profit	99,113	-
Dividend income from subsidiaries	7,643,500	-
Other income and profit (*)	2,056,945	1,337,936
Profit on sale of fixed assets	41,511	22,929
	10,399,358	1,663,157

(*) TRY 1,408,105 of other extraordinary income consist of income from Social Security Institution law no. 4857 and income of agricultural support (31 December 2011: TRY 1,046,736) and TRY 279,263 of incentives for research and development activities.

Details of rent and service income from related parties in other income are as following (Note 37-iii-c):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Menderes Tekstil Pazarlama A.Ş.	9,600	9,600
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	24,000	10,800
Selin Tekstil Sanayi ve Ticaret A.Ş.	24,000	18,000
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	48,000	36,000
Akçamen Tekstil Sanayi Ticaret A.Ş.	8,400	8,400
	114,000	82,800

For the period ended 01 January - 31 December 2012 and 2011, expenses for other operations are as following (Note:37-iii-d):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Menderes Tekstil Pazarlama A.Ş.	54,000	48,000
	54,000	48,000

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

For the period ended 01 January - 31 December 2012 and 2011, expenses for other operations are as following:

	01.01.- 31.12.2012	01.01.- 31.12.2011
Commissions expenses	(15,031,424)	(15,461,245)
Other expenses and losses	(153,985)	(840,720)
	(15,185,409)	(16,301,965)

NOTE 32 – FINANCIAL INCOME

For the period ended 01 January - 31 December 2012 and 2011, financial incomes are as following:

	01.01.- 31.12.2012	01.01.- 31.12.2011
Interest and term differences income	2,522,680	4,324,092
Foreign exchange gain	16,499,975	43,734,106
Unearned interest on payables gain/(loss), net	612,238	520,045
Forward exchange foreign exchange income	2,605,697	-
	22,240,590	48,578,243

Foreign exchange difference income from related parties in financial incomes is as following (Note 37-iii-e):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Akça Holding A.Ş.	-	29,238
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	-	21,026,722
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	-	61,181
	-	21,117,141

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Interest details and term difference income from related parties in financial incomes are as following (Note 37-iii-f):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Akça Holding A.Ş.	9,649	-
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	1,584,652	3,726,999
Akçamen Tekstil Sanayi Ticaret A.Ş.	18,523	28,483
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	19,024	32,330
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	427,967	55,048
Cemal İpekoğlu	-	2,775
	2,059,815	3,845,635

NOTE 33 – FINANCIAL EXPENSES

For the period ended 01 January – 31 December 2012 and 2011, financial expenses are as following:

	01.01.- 31.12.2012	01.01.- 31.12.2011
Interest expenses	(4,417,573)	(4,333,123)
Foreign exchange losses	(28,063,026)	(44,664,175)
Commission expenses of borrowing	(1,013,111)	(517,765)
Commission expenses of letter of guarantees	(89,815)	(79,987)
Term differences expenses	(2,729,180)	(2,077,308)
Unearned interest on receivables gain/(loss), net	(801,079)	(1,142,366)
Foreign exchange losses arising from futures contracts	(604,120)	-
Other financial expenses	(56,575)	(46,066)
	(37,774,479)	(52,860,790)

Foreign currency difference and term difference paid to related parties listed in financial expenses are as following: (Note 37-iii-g):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Osman Akça Tarım Ürünleri İthalat İhracat San. Ve Tic. A.Ş.	14,865,300	7,581,605
Akça Holding A.Ş.	-	23,697
	14,865,300	7,605,302

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Interest and term difference details to related parties listed in financial expenses are as following: (Note 37-iii-h):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Osman Akça Tarım Ürünleri İthalat İhracat San. Ve Tic. A.Ş.	814,003	443
Akça Holding A.Ş.	53,627	53,344
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	118,269	249,647
Menderes Tekstil Pazarlama A.Ş.	858,294	1,486,756
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	7,076	-
	1,851,269	1,790,190

NOT 34 – FIXED ASSETS HELD FOR FURTHER SALE AND ABOLISHED OPERATIONS

None (31 December 2011 – None).

NOTE 35 – TAX ASSETS AND LIABILITIES

Corporation tax

Group is liable to corporation tax valid in Turkey. The necessary provisions are made on the attached financial statements for expected tax liabilities related to the group's current period activity results.

Corporation tax rate that will be accrued over corporation tax base is calculated over the tax base that remains after adding expenses recorded as expense in determination of commercial earnings that are nondeductible from tax base and subtracting tax-exempt profit, tax- free income and other deductions (if there are losses from previous years and used investment allowances if preferred).

The applied effective interest rate in 31 December 2012 is 20% (2011: 20%)

Permanent tax is calculated and accrued quarterly in Turkey. As of temporary tax periods, the effective corporation tax rate is 20% (2011: 20%) in year 2011.

Losses may be carried forward for a maximum period of five years in order to be deducted from the taxable profit for a maximum period of five years.

There is no absolute and certain confirmation procedure related to tax evaluation in Turkey. Companies prepare their tax return between 1-25 Aprils coming after the related year's balancing period (for the companies having special account period, between 1-25 of fourth month following the closing of period). These tax returns and related accounting records may be inspected and changed by tax department in five years.

As explained in article 5, "Exceptions", Corporation Tax Law, with condition of companies tangible assets and founding notes with same period to participation shares, redeemed shares in the assets for 2 years, and 75% of profit from sale of pre-emptive rights in the fund for 5 years is exceptional from Corporation Tax.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Withholding Tax

In addition to Corporation tax, it is required to calculate withholding tax from the dividends distributed by full pledge taxpayer enterprise and include in its income tax base and except dividends distributed by foreign companies to its subsidiary in Turkey. As of 23 July 2006 income tax stoppage rate was changed as 15%. Dividends that are added to capital without distribution are not subject to income tax stoppage. It is necessary to make tax withholding at 19,8% over investment allowance balance utilized based on investment incentive certificate taken before 24 April 2003. 40% of group activities directly related to production investment certificate investment expenses made after this date can be deducted. Tax withholding cannot be made on investment expenses without incentive certificate.

Deferred Tax:

The potential deferred tax assets/(liabilities) of the Group represents the tax effects of temporary differences, arising between the financial statements reported for Communiqué purposes and the statutory tax financial statements. Such differences arise due to the different treatment of certain items of income and expense included in the Communiqué financial statements compared to the local tax return, in accordance with applicable tax laws.

As of balance sheet date, accumulated temporary differences and deferred tax assets and liabilities prepared by using current applicable tax rate is as follows:

	31 December 2012		31 December 2011	
	Cumulative temporary differences	Deferred tax / (liability)	Cumulative temporary differences	Deferred tax / (liability)
<u>Deferred tax assets:</u>				
Unearned interest on receivable	316,980	63,396	219,620	43,924
Accrued interest on borrowings	5,667,560	1,133,512	5,038,368	1,007,674
Severance pay provision	2,537,346	507,469	170,274	34,055
Reversal of capitalized financial expenses	24,841,344	4,968,269	20,725,133	4,145,027
Tangible fixed assets (land, building, land improvements and depreciations excluded), net	363,133	18,157	976,020	48,801
Tangible fixed assets (land, building, land improvements and depreciations), net	17,773,213	888,661	8,894,480	444,724
Biological assets cost adjustments	-	-	108,177	21,635
Other	6,760	1,352	6,770	1,354
Deferred tax assets		7,580,816		5,747,194
<u>Deferred tax liabilities:</u>				
Investments	-	-	32,983	6,597
Reversal of capitalized financial expenses	392,623	78,525	484,099	96,820
Unearned interest on payables	573,430	114,686	467,274	93,455
Foreign exchange	78,873	15,775	-	-
Other	40,001	8,000	54,239	10,848
Deferred tax liabilities		216,986		207,720
Deferred tax assets/(liabilities), net		7,363,830		5,539,474

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

For the period ended 31 December 2012 and 2011, movements of deferred tax assets and liabilities are as following:

	01.01.- 31.12.2012	01.01.- 31.12.2011
Current corporation tax	(167,246)	(12,658,782)
Deferred tax assets/(liabilities), net	1,824,356	1,138,198
	1,657,110	(11,520,584)
	01.01.- 31.12.2012	01.01.- 31.12.2011
Deferred Tax (Asset) / Liability Movements:		
Opening balance	5,539,474	4,401,276
Deferred tax expense / (income)	1,824,356	1,138,198
Closing balance	7,363,830	5,539,474

Agreement of tax provision that is shown in income statement is as follows:

For the period 01.01.-31.12.2012, there has been period loss in Smyrna Seracılık Ticaret A.Ş, therefore, this loss is not taken into account in the table below. Tax provision was calculated for Menderes Tekstil Sanayi ve Ticaret A.Ş.

	01.01.- 31.12.2012	01.01.- 31.12.2011
Unaudited profit before tax	6,715,206	60,502,780
Total additions to tax base	3,835,566	4,415,526
Total deductions from tax base	9,714,542	1,624,395
Unaudited financial profit	836,230	63,293,911
Valid tax rate	20%	20%
Calculated tax	167,246	12,658,782
Tax provision in the income statements	(167,246)	(12,658,782)

NOTE 36 – EARNINGS PER SHARE

	01.01.- 31.12.2012	01.01.- 31.12.2011
Net period profit / (loss)	(6,201,882)	49,604,345
Weighted-average number of shares outstanding (per share with 1 TRY value)	250,000,000	225,000,000
Profit per share (TRY)	(0.0248)	0.2205

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

NOTE 37 – DUE TO/FROM RELATED PARTIES

i) Transactions and balances with related parties:

a) Trade receivables from related parties (Note 10):

	31 December 2012	31 December 2011
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	-	617,666
Menderes Tekstil Pazarlama A.Ş.	275,612	242,011
Akca Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	1,258	
	276,870	859,677

b) Trade payables to related parties (Note 10):

	31 December 2012	31 December 2011
Selin Tekstil Sanayi ve Ticaret A.Ş.	7,943,121	6,061,326
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	610,216	270,508
	8,553,337	6,331,834

c) Non-trade receivables from related parties (Note 11):

	31 December 2012	31 December 2011
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	34,687,876	58,608,870
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	11,503,763	533,345
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	-	336
Akça Holding A.Ş.	-	242,935
Akçamen Tekstil Sanayi Ticaret A.Ş.	119,043	235,420
	46,310,682	59,620,906

As of 31 December 2012 and 2011, all amounts above are composed of non-trade receivables. For non-trade receivables from related parties with foreign currency balances; for the periods between 01.01.-31.12.2012, it is 1% interest rate is used, for 01.01.-31.12.2011, it is 5.5%, and with TRY balances; for the period 01.01.-19.06.2012, it is 17.75%, for 20.06.-19.12.2012, it is 16.5%, for the period 20.12.2012-31.12.2012, it is 17.75%. Income from these transactions is presented in Note 37 iii-g.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

d) Due to shareholders (Note 11):

	31 December 2012	31 December 2011
Rıza Akça	9,055,349	10,248,344
Ali Atlamaz	54,220	20,534
Ahmet Bilge Göksan	24,244	837,244
Dilek Göksan	1,850	1,958
	9,135,663	11,108,080

e) Due to subsidiaries (Note 11):

	31 December 2012	31 December 2011
Akça Holding A.Ş.	54,998	-
	54,998	-

f) Advances received from related parties (Note 11):

	31 December 2012	31 December 2011
Menderes Tekstil Pazarlama A.Ş.	5,204,157	9,928,982
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	55,341	-
	5,259,498	9,928,982

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

ii) Major sales to related parties and major purchases from related parties:

a) Major sales to related parties (Note 28.1):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Menderes Tekstil Pazarlama A.Ş. (a)	51,999,454	43,769,415
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş. (b)	112,043	1,246,489
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti. (c)	1,014,889	866,525
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	14,330	10,209
	53,140,716	45,892,638

(a) For the period 01.01.-31.12.2012, Group has sales of textile products TRY 51,999,454 to Menderes Tekstil Pazarlama A.Ş., for the period ended 01.01.-31.12.2011, TRY 43,769,415 textile product has sold.

(b) For the period 01.01.-31.12.2012, Group has sales of TRY 100,436 of packaging material and TRY 11,607 of other sales to Osman Akça Tarım Ürünleri. For the period ended 01.01.-31.12.2011, TRY 143,573 of packaging material and TRY 8,588 of other sales.

(c) For the period 01.01.-31.12.2012, Group has sales of textile product TRY 985,311 and energy sales TRY 29,215 to Akçasaraylı Tekstil. For the period ended 01.01.-31.12.2011, TRY 839,215 textile product, TRY 27,310 energy has sold.

b) Major purchases from related parties (Note 28.2):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş. (a)	4,281,525	24,681,537
Selin Tekstil Sanayi ve Ticaret A.Ş. (b)	22,211,000	19,320,788
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	395,957	706,667
Akça Holding A.Ş.	60,965	59,916
	26,949,447	44,768,908

(a) For the period ended 01.01.-31.12.2012, Group has purchased TRY 3,880,125 of dried fruit, TRY 401,400 of rent service from Osman Akça Tarım Ürünleri. For the period 01.01.-31.12.2011 TRY 2,530,500 of dried fruit, TRY 419,850 of rent services and TRY 21,758,187 of cotton have purchased.

(c) For the period ended 01.01.-31.12.2012, Group has purchased TRY 20,925,000 of contracted service and TRY 1,286,000 of severance pay have purchased from Selin Tekstil. For the period 01.01.-31.12.2011, TRY 18,435,788 of contracted service and TRY 885,000 of severance pay have purchased.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

c) Purchases for fixed assets from related parties

	01.01.- 31.12.2012	01.01.- 31.12.2011
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	-	1,302,500
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	26,483	-
	26,483	1,302,500

iii) Other income and expenses resulting from transactions between related parties:

a) Benefits provided to member of the board of directors (Note 29):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Members of the Boards of Directors	712,884	689,699
	712,884	689,699

b) Service expenses paid to related parties (Note 31):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	344,709	284,406
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	-	469
Akça Holding A.Ş.	145,362	133,738
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	-	410
	490,071	419,023

c) Rent expenses paid to related parties (Note 31):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Menderes Tekstil Pazarlama A.Ş.	9,600	9,600
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	24,000	10,800
Selin Tekstil Sanayi ve Ticaret A.Ş.	24,000	18,000
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	48,000	36,000
Akçamen Tekstil Sanayi Ticaret A.Ş.	8,400	8,400
	114,000	82,800

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

d) Service income from related parties (Note 31):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Menderes Tekstil Pazarlama A.Ş.	54,000	48,000
	54,000	48,000

e) Foreign currency differences income from the related parties (Note 32):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Akça Holding A.Ş.	-	29,238
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	-	21,026,722
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	-	61,181
	-	21,117,141

f) Interest income from related parties (Not 32):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Akça Holding A.Ş.	9,649	-
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	1,584,652	3,726,999
Akçamen Tekstil Sanayi Ticaret A.Ş.	18,523	28,483
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	19,024	32,330
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	427,967	55,048
Cemal İpekoğlu	-	2,775
	2,059,815	3,845,635

g) Foreign currency differences paid to the related parties (Note 33):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	14,865,300	7,581,605
Akça Holding A.Ş.	-	23,697
	14,865,300	7,605,302

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

h) Interest differences paid to related parties (Note 33):

	01.01.- 31.12.2012	01.01.- 31.12.2011
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	814,003	443
Akça Holding A.Ş.	53,627	53,344
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	118,269	249,647
Menderes Tekstil Pazarlama A.Ş.	858,294	1,486,756
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	7,076	-
	1,851,269	1,790,190

i) Fixed assets sales to related parties:

	31.12.2012	31.12.2011
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	63,173	-
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	47,789	-
Akca Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	51,874	-
	162,836	-

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

NOTE 38 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Credit Risk

Registered value of financial assets is the maximum net credit risk.

Maximum net credit risk as of 31 December 2012 is as following:

	Trade Receivables		Other Receivables		Bank Deposits	Other
	Related Party	Third Party	Related Party	Third Party		
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	276,870	50,172,989	46,310,682	2,626,573	44,048,888	-
The part of maximum risk under guarantee with collateral	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	276,870	50,172,989	46,310,682	286,452	44,048,888	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	2,340,121	-	-
The part under guarantee with collateral etc	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
Past due (gross carrying amount)	-	212,837	-	-	-	-
Impairment (-)	-	(212,837)	-	-	-	-
The part of net value under guarantee with collateral etc	-	-	-	-	-	-
Not past due (gross carrying amount)	-	-	-	-	-	-
Impairment (-)	-	-	-	-	-	-
The part of net value under guarantee with collateral etc	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

As of 31 December 2012, aging of overdue receivables is as following:

	Trade Receivables	Other Receivables
Overdue 1 - 30 day	-	-
Overdue 1 – 3 months	-	-
Overdue 3 - 12 months	-	-
Overdue 1 - 5 year	-	2,340,121
	-	2,340,121

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Maximum net credit risk as of 31 December 2011 is as following:

	Trade Receivables		Other Receivables		Related Party	Third Party
	Related Party	Third Party	Related Party	Third Party		
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	859,677	49,649,905	59,620,906	2,631,280	23,339,249	-
The part of maximum risk under guarantee with collateral	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	859,677	49,649,905	59,620,906	195,113	23,339,249	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	2,436,167	-	-
The part under guarantee with collateral etc	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
Past due (gross carrying amount)	-	280,552	-	-	-	-
Impairment (-)	-	(280,552)	-	-	-	-
The part of net value under guarantee with collateral etc	-	-	-	-	-	-
Not past due (gross carrying amount)	-	-	-	-	-	-
Impairment (-)	-	-	-	-	-	-
The part of net value under guarantee with collateral etc	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

As of 31 December 2011, aging of overdue receivables is as following:

	Trade Receivables	Other Receivables
Overdue 1 - 30 day	-	-
Overdue 1 – 3 months	-	-
Overdue 3 - 12 months	-	-
Overdue 1 - 5 year	-	2,436,167
	-	2,436,167

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Foreign Currency Risk

As of 31 December 2012, foreign currency position of the Group in terms of original currency is as following:

	31 December 2012			
	TRY Equivalent (Functional Unit)	USD	EURO	GBP
1. Trade Receivables	31,217,538	7,475,093	6,581,324	841,277
2a. Monetary Financial Assets (including cash and banks)	42,940,393	23,899,795	116,481	21,837
2b. Non-monetary financial assets	1,493,714	659,466	135,285	-
3. Other	34,687,875	19,459,147	-	-
4. Current Assets (1+2+3)	110,339,520	51,493,501	6,833,090	863,114
5. Trade Receivables	-	-	-	-
6a. Monetary financial receivables	-	-	-	-
6b. Non-monetary financial assets	125,500	-	53,366	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	125,500	-	53,366	-
9. Total Assets (4+8)	110,465,020	51,493,501	6,886,456	863,114
10. Trade Payables	20,103,398	9,674,225	1,215,344	-
11. Financial Liabilities	86,132,463	40,865,663	5,206,215	362,922
12a. Other monetary financial liabilities	-	-	-	-
12b. Other non-monetary financial liabilities	166,468	39,970	39,180	1,072
13. Current Liabilities (10+11+12)	106,402,329	50,579,858	6,460,739	363,994
14. Trade Payables	-	-	-	-
15. Finansal Liabilities	12,962,229	1,513,485	4,364,626	-
16a. Other monetary financial liabilities	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-Current Liabilities (14+15+16)	12,962,229	1,513,485	4,364,626	-
18. Total Liabilities (13+17)	119,364,558	52,093,343	10,825,365	363,994
19. Net asset / liability position of off- balance sheet derivative instruments (19a-19b)	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-
20. Net foreign currency asset / liabilities (9-18+19)	(8,899,538)	(599,842)	(3,938,910)	499,120
21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(45,040,159)	(20,678,485)	(4,088,380)	500,192
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23. Exports*	299,902,477	167,338,178	-	-
24. Imports*	207,941,173	90,246,723	-	-

(*)As of 31 December 2012, exports and imports' balances were appreciated with average rate of exchange.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

As of 31 December 2011, foreign currency position of the Group in terms of original currency is as following:

	31 December 2011			
	TRY Equivalent (Functional Unit)	USD	EURO	GBP
1. Trade Receivables	36,397,183	9,900,672	6,842,324	334,087
2a. Monetary Financial Assets (including cash and banks)	22,877,849	11,709,694	310,749	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	58,851,806	31,156,655	-	-
4. Current Assets (1+2+3)	118,126,838	52,767,021	7,153,073	334,087
5. Trade Receivables	-	-	-	-
6a. Monetary financial receivables	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-	-
9. Total Assets (4+8)	118,126,838	52,767,021	7,153,073	334,087
10. Trade Payables	8,638,631	3,181,650	1,075,707	-
11. Financial Liabilities	83,505,292	37,029,649	5,384,933	137,226
12a. Other monetary financial liabilities	-	-	-	-
12b. Other non-monetary financial liabilities	-	-	-	-
13. Current Liabilities (10+11+12)	92,143,923	40,211,299	6,460,640	137,226
14. Trade Payables	60,240	-	24,650	-
15. Financial Liabilities	4,872,920	2,550,717	22,452	-
16a. Other monetary financial liabilities	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-Current Liabilities (14+15+16)	4,933,160	2,550,717	47,102	-
18. Total Liabilities (13+17)	97,077,083	42,762,016	6,507,742	137,226
19. Net asset / liability position of off- balance sheet derivative instruments (19a-19b)	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-
20. Net foreign currency asset / liabilities (9-18+19)	21,049,755	10,005,005	645,331	196,861
21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(37,802,051)	(21,151,650)	645,331	196,861
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23. Exports*	308,134,302	184,484,423	-	-
24. Imports*	150,711,932	90,231,322	1,491	-

(*)As of 31 December 2011, exports and imports' balances were appreciated with average rate of exchange.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Foreign Currency Risk Sensitivity

As of 31 December 2012 and 31 December 2011, in the case of increasing / losing value of TRY at 10% in view of foreign currencies below, shareholders' equity and income statement will be affected as below. While making analysis, firstly interest rates and all other variables are assumed as fixed.

	For the period 01.01. - 31.12.2012			
	Profit / Loss		Profit / Loss	
	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY
	In the case of increasing / losing value of TRY by 10% against USD			
1-USD net asset / liability	(106,928)	106,928	-	-
2-Part of hedged from USD risk (-)	-	-	-	-
3-USD net effect (1+2)	(106,928)	106,928	-	-
	In the case of increasing / losing value of TRY by 10% against EURO			
4- Euro net asset / liability	(926,313)	926,313	(207,535)	207,535
5- Part of hedged from Euro risk (-)	-	-	-	-
6-Euro net effect (4+5)	(926,313)	926,313	(207,535)	207,535
	In the case of increasing / losing value of TRY by 10% against GBP			
7- GBP net asset / liability	143,287	(143,287)	-	-
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	143,287	(143,287)	-	-
TOTAL (3+6+9)	(889,954)	889,954	(207,535)	207,535

	For the period 01.01. - 31.12.2011			
	Profit / Loss		Profit / Loss	
	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY
	In the case of increasing / losing value of TRY by 10% against USD			
1-USD net asset / liability	1,889,845	(1,889,845)	-	-
2-Part of hedged from USD risk (-)	-	-	-	-
3-USD net effect (1+2)	1,889,845	(1,889,845)	-	-
	In the case of increasing / losing value of TRY by 10% against EURO			
4- Euro net asset / liability	157,706	(157,706)	(215,663)	215,663
5- Part of hedged from Euro risk (-)	-	-	-	-
6-Euro net effect (4+5)	157,706	(157,706)	(215,663)	215,663
	In the case of increasing / losing value of TRY by 10% against GBP			
7- GBP net asset / liability	57,424	(57,424)	-	-
8- Part of hedged from GBP risk (-)	-	-	-	-
9-GBP net effect (7+8)	57,424	(57,424)	-	-
TOTAL (3+6+9)	2,104,975	(2,104,975)	(215,663)	215,663

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Liquidity Risk

Liquidity risk is the Group's possibility of not fulfilling net funding liabilities. Occurrence of events like deteriorations in markets or decrease in credit score that causes decreases in fund resources, are reasons of liquidity risk. The Group management manages liquidity risk by distributing the funds and by keeping sufficient cash and cash equivalents resources to cover the current and possible liabilities.

31 December 2012					
Financial Liabilities Non Derivatives	Book Value	Contractual Total cash outflow (=I+II+III)	Less than 3 months (I)	3 – 12 months (II)	1- 5 Years (III)
Financial borrowings	100,599,664	102,320,150	47,388,373	40,227,925	14,703,852
Financial leasing	52,799	55,406	10,514	30,941	13,951
Trade payables	60,353,925	60,746,542	57,459,622	3,286,920	-
Other liabilities	19,971,189	19,971,189	3,518,740	16,452,449	-
Provision of liabilities	46,039	46,039	-	46,039	-
Other current liabilities	386,323	386,323	-	386,323	-
	181,409,939	183,525,649	108,377,249	60,430,597	14,717,803

31 December 2011					
Financial Liabilities Non Derivatives	Book Value	Contractual Total cash outflow (=I+II+III)	Less than 3 months (I)	3 – 12 months (II)	1- 5 Years (III)
Financial borrowings	89,146,873	90,549,765	46,898,290	38,754,514	4,896,961
Financial leasing	252,670	265,645	56,661	151,410	57,574
Trade payables	29,828,261	30,325,955	29,288,234	975,700	62,021
Other liabilities	28,217,827	28,217,827	2,904,821	25,313,006	-
Provision of liabilities	196,380	327,258	-	327,258	-
Other current liabilities	501,852	990,206	373,356	616,850	-
	148,143,863	150,676,656	79,521,362	66,138,738	5,016,556

Interest Rate Risk

The group's financial liabilities exposure the Group to interest rate risk. The group's financial liabilities mainly consist of fixed rate borrowings. As of 31 December 2012, according to the current balance sheet position, in the case of 1% decrease / increase and keeping fixed all the variables the Group's net profit will increase / decrease TRY 232,970.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

Capital risk management

In capital management, while the group tries to provide continuity, on the other hand aims at increasing profitability by using the balance of payable and equity most efficiently.

Group monitors its capital with Liability/Total Capital ratio. This ratio is net liability divided by total capital. Net liability is calculated as cash and cash equivalents are deducted from total liability (short term and long term liabilities are included as in balance sheet).

As of 31 December 2012 and 31 December 2011 the net debt / equity ratio is as following:

	31.12.2012	31.12.2011
Total debt	187,461,731	166,015,305
Less: Cash and cash equivalents	44,070,580	23,347,521
Net debt	143,391,151	142,667,784
Total equity	272,701,844	278,814,345
Total capital	416,092,995	421,482,129
Net Debt / Total Capital ratio	34%	34%

Important accounting policies

The Group's accounting policies about financial instruments are disclosed in note 2 "Significant Accounting Policies".

Categories of financial instruments

Financial assets	31.12.2012	31.12.2011
Cash and cash equivalents	44,070,580	23,347,521
Trade receivables	50,449,859	50,509,582
Financial liabilities		
Borrowings	100,599,664	89,146,873
Lease payables	52,799	252,670
Other payables	19,971,189	28,217,827
Trade payables	60,353,925	29,828,261

NOTE 39 – FINANCIAL INSTRUMENTS (STATEMENTS OF FAIR VALUES AND STATEMENTS WITHIN ACCOUNTING ENSURING FINANCIAL RISK)

Group states that the financial instruments are reflected with their fair value of registered value.

NOTE 40 – POST BALANCE SHEET EVENTS

None.

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For The Period Ended 31 December 2012

(Amounts are expressed as Turkish Lira "TRY" unless otherwise stated.)

NOTE 41 – OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR REQUIRED TO BE DISCLOSED FOR CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION

Group has reached a decision dated 06 December 2005 and numbered 2005/17 to liquidate the subsidiary, Menderes Bulgaria Ltd. and liquidation process to be completed on 30 January 2006 and to notify Istanbul Stock Exchange and Capital Market Board on 17 December 2005, with special case announcement. Along with the liquidation process is still not completed as of report date, Group management has indicated that it would be completed in year 2013.

Dated 04.04.2012, according to the situation of the Group, Smyrna Seracılık Ticaret A.Ş., manufacturing facility operates 82,500 m2 in the field of greenhouse, prouction facilities made additional 114,000 m2 to increase 196,500 m2. For the additional 114,000 m2 sign a contract with contractor company. Smyrna Seracılık A.Ş. had begun to additional ground floor corrections and other infrastructure works. Additional facilities will be constructed in Smyrna Seracılık Ticaret A.Ş.' s 206,232 m2 land.

Dated 12.09.2011, according to the situation of the Group, municipality of Alaşehir issued a total of 858.59 hectares of vineyards in the tender on 24.08.2011 Natural Mineral Water / Geothermal Energy Production-Based Gas Exploration Period Bidding Maples Autoproducer Group Inc gained by Akça Enerji Üretim Otoprodüktör Grubu A.Ş. Drilling activities under this contract has been started as of November 30, 2011.

As of 17.02.2012, according to special explanation of The Group's, Akça Enerji Otoprodüktör Group A.Ş., Denizli, Sarayköy, Tosunlar District, based on no. 5686 Geothermal Resources and Natural Mineral Water Supply Exploration License permits to operate on drilling. It's started in 17.02.2012.

Akça Enerji Otoprodüktör Group A.Ş., which is started in 17.02.2012, as a result of drilling operations, Drilling of two wells have been completed. As a result the following data was obtained from MTA measurements. Maximum tempeture is 251,53 degree celcius in 2965 meter When AK-1 well is static condition. AK-3 well is maximum 518 tones/hour, maximum static temperature 131,98 degree celcius in 2437 meter and but it is maximum dynamic temperature 132,7 degree celcius in same meter. Maximum static temperature 148,76 degrees celcius in 2,630 meter at AK-6 well, Statik pressure is 249,82 bar. Measurement result of two wells can be produced up to 5MW power capacity. Drilling work is continuing at AK-4 and AK-5 wells.

For the period 01.01.-31.12.2012, Group was calculated 753,401 TRY ADAT to Osman Akça for foreign currency receivables, 831,251 TRY ADAT was calculated for TRY receivables. Interest rate which is using for receivables from Osman Akça agricultural products, All loans was used Osman Akça agricultural products. It's paid all interest during the year for all loans (financial expenses), that is finding with rate of used total all loans. Interest rate varies during the year