

2016 Annual Developments and Activities

1. Developments in the Sector

In 2016, growing global risks and concerns about global economic growth following developments, such as the Brexit vote in the United Kingdom, the presidential election in the United States, the strong dollar in comparison with other markets and socio-political developments, affected the automotive and tyre sector. On the other hand, key factors, such as vehicle production and sales, increased air traffic, and mechanization of agriculture, were also influential in our sector.

The global tyre market grew by 12% over the past five years. By 2016, unit growth was at an estimated 3% compared to the previous year, with an increase of 52 million units to reach the market of 1.77 billion people. Similar to recent years, China's share of growth has increased, while the developing African and Middle Eastern markets also recorded growth rates. On the other hand, growth in the advanced European and North American markets was lower.

The European automotive industry closed the year with positive news. The influx of passenger cars into the market continued to grow by around 7% in total and light commercial vehicles experienced a 12% increase. The heavy commercial and truck segments of the market grew by 12%, while buses grew by 6%.

In line with these developments in the automotive market, the European tyre market has grown by 2.3% in line with market expectations in 2016. Growth has been driven both by replacement and by original equipment, mainly due to the increase in vehicle sales in both consumer and commercial sectors. Bearing in mind these developments, Brisa in the European tyre market has emerged as an especially promising product group with high added value. Lassa international sales, on the other hand, grew by 10%, both in terms of both volume and income.

In the Turkish automotive market, exports, on the other hand, are at the forefront. Among sectors, the automotive sector exported the most in all months of 2016, which really drove the economy. While total vehicle production in Turkey increased by 9%, growth came from car production. In the commercial vehicle sector, a significant contraction was recorded. These figures in the production were projected onto the sales on the market.

All these developments reached 22.6 million units in total Turkish tyre market where as Turkish replacement tyre market shrank and recorded 16 million units.

Under these market conditions, Brisa continued its leadership in the Turkish tyre market.

In the total sales performance in all channels, Brisa kept sales figures at the same level in the year-on-year comparison.

2. Panoramic view of 2016

We gained \$310 million in investment financing, representing the trust that international financial institutions place in Brisa

The European Bank for Reconstruction and Development (EBRD) invested USD 150 million and from the Mitsubishi UFJ Financial Group (MUFG) Corporate Banking Unit invested USD 160 million with a syndicated loan amounting to USD 310 million in investment financing. We will use this financing for the construction of our second factory investment in the Aksaray Organized Industrial

Zone and our other general needs. We will also work with the EBRD in the coming days to develop technical and vocational training programs to ensure that young people can achieve useful competencies that meet the demands of the industry.

We have accelerated our retail efforts

• Lastik.com renewed

The 'Lastik.com' application developed by Brisa has been completely revamped in line with the results of the "Criteria that customers consider important when getting tires from the internet" research conducted with IPSOS research company.

• The service speed and quality of OtoPratik and ProPratik moved to a higher level with Partvendo

We agreed with the Partvendo platform, which supplies spare parts at OtoPratik and ProPratik service points. With this agreement, we offer the opportunity to strengthen the service speed and increase the quality of our partners.

We strengthened our Brand Promotion and Sales Activities to be the first choice for users of passenger and light commercial vehicles

• The tires that can travel even when they go flat are now produced in Turkey

We started the production of Bridgestone Potenza S001 Run-Flat tires using RFT technology in our factory in Izmit. With domestic production, it is possible to meet the expectations of high-end car owners who have high expectations, and to manage flexible production plans and procurement processes in the renewal market.

• Bridgestone's original factory equipment is preferred by many prestigious automotive companies

BMW i3, Volvo40 CC, Jaguar, Honda Civic, Renault Megane Sedan, Mercedes-Benz C-Class automobiles and GLA SUV vehicles preferred Bridgestone for its original factory equipment.

• We extended our sign boarded sales and service points in Turkey.

The number of OtoPratik's locations, the service points which were opened with the aim of fulfilling vehicle owners' needs such as providing tire and auto maintenance at the same store, reached 43 with our newly opened stores and we reached a total of 1300 sales and service points across Turkey.

• Automotive journalists selected "The Automobile of the Year in Turkey" with the support of Bridgestone

Skoda Superb ranked 1st in the competition of "The Automobile of the Year in Turkey" (AYT) which was held for the first time this year by Automotive Journalists Association (AJA). Skoda Superb scored 3080 points from 64 automotive journalists and took first place at the finals in which 7 automobiles competed. Opel Astra was placed second with 2850 points and Fiat Egea took the third place with 2650 points. Bridgestone was both among the supporters of the competition and the hosts of the award ceremony.

• FC Barcelona uniforms signed by Arda Turan were quite popular

The campaigns which were adopted by Lassa in corporation with FC Barcelona continued all year. The people who bought four Lassa wheel rims and tires measuring 17 inches and greater won FC

Barcelona uniforms signed by Arda Turan during the campaign which was conducted for Lastik.com.tr

- **The FC Barcelona Lassa team was in Turkey**

On December 9th, as a part of FC Barcelona Lassa - Anadolu Efes basketball match, we checked the tired tread depth and air pressure of the spectators who came to Abdi Ipekci Stadium with their cars. Additionally, we presented our free maintenance service to those who came to the match without their cars.

We adopted our operations which provide 360-degree value to be the first choice of our customers who use heavy commercial vehicles.

- **Mobilfix is touring Anatolia**

As an on-site service, we headed off to fleets' parking lots and explained the importance of quality service and the effects of regular maintenance to tire life and operational costs with Mobilfix, the world's first mobile semi-trailer truck service oriented for heavy commercial vehicles. As a part of the Adana region operation, Mobilfix first moved to Hatay, then to Niğde and served more than 200 vehicles in 7 fleets.

- **Our services continue with three new ProPratik stores**

We opened three stores in Istanbul, Gaziantep and Hatay to extend ProPratik, the sales and service chain targeting heavy commercial vehicles. ProPratik fulfills the tire, battery, spare part and accessory needs of heavy commercial vehicles with innovative solutions and provides support to the drivers for an efficient and safe drive.

- **We continued to create awareness for earthquake-proof buildings with seismic isolators**

Our company was one of the supporters of The New Era in Seismic Isolation Conference organized by Fortune Turkey. We contribute to the Turkish market with the seismic isolators which are developed by the world's largest tire and rubber products producer, Bridgestone, and increase the earthquake resistance of buildings. Bridgestone, which produced the first seismic isolators in Japan in 1980, is among the world's leading developers of technology in this field today.

Lassa's journey to be an international brand continues

- **Our first global commercial film is broadcasted**

In context of our partnership with FC Barcelona, our first global commercial film was broadcast to raise the recognition and customers' preference for Lassa. Besides national channels, the film was shown live on Euro sport, which broadcasts in 56 countries.

- **Our publicity work continued all yearlong**

In the beginning of 2016, we provided an opportunity to experience the strength of the Lassa products and safe driving to FC Barcelona Lassa team's players, coaches and staff by having them test the tires we bestowed to them. We carried out publicity works that increase the interactivity with the visitors coming to indoor sports matches and we hosted our national and international business partners in those matches during the 2015-2016 season.

- **We executed our first e-commerce sale in China**

When, in fact, digitalization is gaining importance in reaching the end user at the present time, we made a breakthrough in China with e-commerce which has an important role in Lassa's global journey. We started sales on Lassa's online channel for China which has a high potential among the markets we are active

- **Lassa opened its first store in Portugal**

Lassa continued to grow on a global scale and add new markets to its export portfolio in 2016 as well. Lassa, which accelerated its operations to strengthen its position in the European market, opened its first store in the Armamar region located in northern Portugal.

- **We organized Lassa's first "Business Partners Meeting" in Malaysia**

Lassa's Malaysia Business Partners Meeting occurred with the support of Brisa Academy and it had 125 attendees.

We are aware of our responsibilities; we work to add value to our shareholders

- **Bridgestone's "2 Minutes for Our Safety" campaign continues with great attention**

In context of Bridgestone #2minutesforoursafety campaign, we explained the subjects to consider for a safe drive to the drivers by measuring the tread depth and air pressure of the tires in 2016.

- **Strong support from Lassa to farmers**

We trained our farmers and agricultural engineers who work as "Lassa Agriculture Consultants" and explained them good farming applications as a part of "Strong Agriculture, Strong Future" project initiated in 2013. Additionally, we drew attention to the accidents that are caused by not noticing the tractor trailers in the dark and we reflector assembling for free.

- **We boosted our contacts with our business partners with the help of Brisa Business Partners Council Platform**

Together with Business Partners Council, we regularly discuss market conditions, customer expectations and operational enhancing and we put our work into action.

- **Brisa Academy creates value for all our shareholders**

Brisa Academy presents special training for Brisa people and our business partners with its approximately 50 education programs. In 2016, we provided training for 9678 people who are Brisa employees, national and international business partners, store staff and workers from the automotive and public sector.

- **We stand by our business partners with special programs designed by Brisa Academy**

We designed "New Generation On-the-Job", one of our first and industry-leading programs with an education content of 14 days long and 75 people were graduated until now. As for another program named "The Heroes of Customers", aiming to strengthen women in work life, we had 15 graduates of 9-day-long education.

• **Support from Brisa Academy to Vocational Schools of Higher Education and Industrial Vocational High Schools**

We reached 264 students and teachers with the our training given in Kocaeli Vocational High School Tire Plastic Department, Istanbul Samandıra and Industrial Vocational High School, Istanbul Başakşehir Vocational High School and Ankara Güvercinlik Vocational High School OtoPratik Department by Brisa Academy.

• **The Solar Impluse program in which Brisa took place as the only supporter from Turkey, made history**

The Solar Impulse program, in which we took place as the only supporter from our country in accordance with our "We Design the Future of Your Journey" vision, completed its solar powered world tour, which proved the power of renewable energy and clean technologies. The Solar Impulse plane, which can fly non-stop day and night without using fossil fuels, finished its 40,000-km trip in a total of 17 stages and 21 days.

• **The Brisasport athletes attended 2016 Rio Olympic Games**

Onur Balkan, the cyclist of Brisasport Bicycle Team, represented our country in the 2016 Rio Olympic Games as the youngest attendee of bicycle road races. Additionally, our athlete of Bulgarian origin, Stefan Hristov Koychev, who has been in the team since the 2009 season, represented Bulgaria with our team's points gained during the competitions in the Rio Olympic Games.

3. Manufacturing and Products

In 2016, we operated at a high capacity utilization ratio, manufacturing 9.6 million units

In 2016, Brisa operated at a capacity utilization ratio (83.1%), reaching a production level of 9.6 million units of tires.

As Europe's seventh largest tyre manufacturer, Brisa conducts its manufacturing operations in Izmit at a production plant built on a closed area of 361,000 square meters. That plant, a major base in the global manufacturing infrastructure of the Bridgestone Corporation, has important competitive superiorities within the sector thanks to its manufacturing planning flexibility, production capacity that meet the needs of the market and customers, and its capability to manufacture previously imported products at the local level.

	1 January- 31 December 2016	1 January- 31 December 2015	Change %
Production Quantity (Unit)	9.641.140	10.535.908	-8.5
Capacity Utilization Ratio	83.1%	89.2%	-6.8

Our New Products and our Growing Portfolio

We manufacture a variety of 1,800 types of tires under the Bridgestone and Lassa brands that comply with international safety and quality standards for automobiles, light commercial vehicles, buses, trucks, agricultural machinery and heavy-duty vehicles.

Besides our manufacturing operations, we import Firestone brand agricultural tires, Dayton brand automobile and heavy commercial vehicle tires, Bridgestone brand motorcycle tires, Kinesis brand forklift tires. We also provide tire coating services under the Bandag brand.

While aiming to provide a well-balanced product portfolio to vehicle owners by offering them the criteria of Bridgestone brand performance, environment and safety, we also offer a concept of “Balanced Performance” that prioritizes economy, comfort and sturdiness with our Lassa brand products.

The innovations we brought to the market in 2016 were:

- The local manufacturing of Bridgestone LM001 and Potenza S001 RFT
- Bridgestone M-Steer 001, M-Drive 001, M-Trailer 001
- Lassa's first 20 and 21 inches tires
- New patterns of Lassa Competus AT2 and Competus Winter 2 winter tires, new sizes of Snoways 3
- Lassa Transway 2
- Lassa Energia 320D, Energia 520S
- Dayton DW510E winter products
- Dayton D500S, D600D, D400T

4. Domestic distribution and channel management

Our customers are at the focal point of our business. With this understanding, we continue to broaden the reach of our stores every day to make them easily accessible to our customers. We are also constantly improving our stores in order to be able to meet our customers' expectations and to give them the experience of excellent tire purchasing. Our model stores go beyond providing customers with the best experience, assuming at the same time the role of laboratory and training base.

Through our sales and service network, we aim to establish expert and reliable points easily accessible by vehicle owners and to offer the most effective sales and after-sales service organization within the sector.

Our target is to develop and expand our sales network together with our business partners, who share the same business culture that we enjoy. We focus on each one of the retail, wholesale and fleet distribution channels in order to make our business processes more effective.

Besides our Bridgestone, Lassa and Lastiğim (My Tire) sign boarded sales points, we provide our passenger and light commercial vehicles easy, quality, economical and fast vehicle maintenance service at our OtoPratik stores. We continue to grow, adding new stores every day to the sum of our 43 OtoPratik stores all around Turkey.

Meanwhile, our ProPratik stores, where we provide sales and services to heavy commercial vehicle drivers, offer Bridgestone and Lassa brand products for the bus-truck segment, Bandag tire coating, and basic vehicle and tire maintenance services, all under one roof.

We are also widening the reach of our Speedy, Lastik V points and the Bridgestone Box to provide the accessibility to our products and services that vehicle owners need. We convey our service concept to our customers with Mobilfix and Probox.

Besides conducting national and international campaigns to increase the desirability and customer traffic of our sales points, we run Customer Relations Management (CRM) activities on a regular basis. We give weight to “Customer Relations Management and Guarantee Practices” training in order to increase the competence of our business partners.

At our Model Store, which we use to bring excellence to the customer experience and to improve the retail experience for our business partners, we transfer our know-how to our business partners and increase our expertise together, thus effectively managing the overall business enrichment process.

Besides placing great importance on enriching the products and services offered at our sales points, we execute a reliable training and audit system so as to maintain uncompromised standards. We come together frequently with our business partners, whose Customer Satisfaction Evaluation scores are below Turkey's average, in order to increase their awareness of customer service.

Developing relations with our business partners matters to us to ensure long-term collaborations based on a strong foundation and mutual trust and to contribute to the sustainability of their businesses. With the growth vision cultivated together with Brisa's business partners, we offer a "New Generation On-the-Job" certification program that aims to broaden the vision of family firms that are enriched and diversified by the transition of ownership from father to son, to brother, to nephew or the participation in the firm of these persons.

The number of OtoPratik stores reaches 43

The stores of OtoPratik, which was initiated to fulfill the vehicle owners' needs such as tire and vehicle maintenance service at the same place, reached 43 in 25 cities by the end of 2016.

ProPratik continues to serve with 3 new stores

ProPratik stores, the sales and service chain targeting heavy commercial vehicle drivers, reach drivers at 6 points throughout Turkey. Our new stores in Hatay, Istanbul and Gaziantep fulfill the sales and service needs for tire, battery, spare parts and accessories with innovative solutions and supports drivers for an efficient and safe drive.

- Our new Bridgestone and Lassa stores: Adana, Antalya, Ağrı, Izmir, Ankara, Istanbul, Bursa, Iğdır, Konya, Van, Sivas
- Our new OtoPratik stores: Istanbul, Afyon, Izmir, Van, Gaziantep, Hatay
- ProPratik stores: Izmir, Van, Afyon, Gaziantep, Istanbul, Hatay
- Bridgestone Box: Our innovative, award-winning, mobile sales points function at Istanbul, Izmir, Ankara, Aydın and Yalova
- This year, we served 969 vehicles of 30 mega fleets in their garages with Mobilfix, which present service to big fleets all over Turkey.
- Probox: Accessible in five points: İzmit Suadiye Cooperative, Ömerli and three on the Third Airport construction site.

5. Domestic Marketing and Sales

The effective management of our company's digitalization process in our marketing and sales efforts enriches the added value we offer our customers. By developing new business models and combining these with know-how, company resources and digital technologies, we work to create unique customer

experiences. We aim to be the first choice of our customers by standing closer to them than ever before when they come in for a tire change or maintenance.

We position Brisa as not only a tire manufacturer, but more so as a "value provider". While maintaining our leadership in the Turkish market with our powerful brands, at the same time we add value to our customers' expectations by providing services to meet their needs, carrying customer satisfaction to even higher levels, working to enrich the experiences of both our customers and business partners to ensure that they identify with our brands.

To bring excellence to the customer experience, we do the follow-up with the Customer's Voice Committee, employ the Customer Contact Point Management system and remain in regular contact with each customer, providing every customer with continuous information until the end of the tire's physical life. We directly experience the cycle of customer expectations, shopping and satisfaction through our model stores operating in Istanbul and Ankara. The feedback, opinions and suggestions we receive at the points where we make close contact with our customers inspire us in the direction of new innovations. As a company focused on service and process innovation rather than on the product, this understanding is reflected in the services we offer the customer.

In order to closely follow up on the value we add and our impact, as well as to be able to measure our performance, we make regular contact with customers at the stores of our business partners.

Together with this personal touch, we execute special works together with our business partners who play a key role in customer satisfaction. We conduct a coaching program for empowering the bonds and quick adaptation of new members of the Brisa family. In context of the program, we provide information about our approach to customers, standards for customer satisfaction and right applications and aim to extend good application examples.

Besides investing in our business partners and customers, we employ the power of our brands to diversify the communication channels through which we reach them on the one hand, and on the other, carry out campaigns to increase the recognition and reinforce the images of our Bridgestone and Lassa labels, both taking their places among Turkey's "most sincere brands".

We fulfill our responsibilities with regard to safe driving and life safety and conduct activities with our brands to increase awareness among vehicle owners.

Our "Profleet" services strive to offer fleet customers the perfect Brisa experience

- We recycle 20% of the tires that our customers set aside as scrap, adding value both to the environment as well as to our customers.
- With Filofix, we continue to provide Turkey's first and only road assistance service in the 11th year of its existence.
- We have examined more than 1 million tires to gather the experience to advise our customers about their needs.
- In the matter of total costs, our focus is on savings.
- We are developing our product performance and service quality by investing in new covering technologies equipment (Shearography).

We met with our business partners and customers

- "All of the Best Together" involves meetings with our Profleet consultants
- "Brisa World: Common Road, Common Future" themed business partners meeting

- International trips for motivation and “Competus Discovery Convoy” together with our business partners
- Product launch meetings for fleet customers
- Regional meetings with our business partners of commercial products
- Business Partners Council Platform for our wholesale, consumer and trading subsidiaries

We promoted Brisa and its brands on a national and global scale in the following fairs; WIN Eurasia Automation Fair, International Natural Stone and Technologies Fair, Istanbul Convex Fair, Essen Reifen 2016 Fair, 7th Guangrao International Rubber Tire & Auto Accessory Fair, Wessels Müller Fair in Dortmund, Berlin and Munich, and Agriculture Fairs in Ankara, Niğde and Yozgat. We displayed our motorcycle tires during the motorcycle festival in Eskisehir.

In accordance with our mission to present innovative and value adding experiences, for the first time in our sector, we ensured our customers to reach our company via Whatsapp application between 08.00 and 20.00, seven days of a week.

We continue our mobile communication with the customers via “SORUN” (ASK) application. Meanwhile, we provide “live support” service with Webhelp; the application operates in 21 countries.

Promotion works with our Bridgestone brand

- The new commercial film that explains safe drive features of our brand
- Youtube channel cooperation, namely “Manilo”
- Promoting the use of Bridgestone’s original factory equipment in BMW i3, Volvo40 CC, Jaguar, Honda Civic, Renault Megane Sedan, Mercedes-Benz C-Class automobile and GLA SUV vehicles
- Sponsorship and communication works for “Bridgestone Ipek Senoglu Cup - Tennis Tournament”
- Sponsorship for the “Sales and Communication Awards Gladiators Night” event, which is organized by Automotive Distributers’ Association (ODD) and hosted 800 people.
- Sponsorship for “The Automobile of the Year in Turkey” which is organized by the Automotive Journalists Association (OGD)
- Sponsorship for “Kumda Gitar” (Guitar in the Sand) program in the 13th Gümüşlük Classical Music Festival
- Tire sponsorship for Anadolu University’s “Anadolu Solar Team” which competed in the 2015 World Solar Challenge
- Works to raise awareness for #2minutesforoursafety campaign
- Promotion of seismic isolation in the Fortune Conference
- Taking a part in Istanbul Motorcycle Fair with the corporation of Borusan Automotive
- Sponsorship for MotoTrio who are in world tour and promoting the motorcycle tires

Promotion works with our Lassa brand

- FC Barcelona “Official Global Tire Partner” new commercial film
- Communication works for “Lassa brand ambassador Arda Turan”
- Communication works for “Turkey’s leading tire Lassa”
- Promotion works of FC Barcelona’s Turkey matches
- Celebration of “World Farmers Day”

- “Lassa Ramadan Festival” project
- Strong agriculture, strong future project
- Sponsorship for tractor races
- Football’s “Strongest 11” project

Retail works:

- As a part of online trading, which has a 2 percent share in Turkey’s total retail sector, we renewed the first web-based tire replacement and maintenance service, lastik.com.tr. We provided opportunity for online shopping and delivery of our tires either to the customer address or to the closest subsidiary for assembling. Our sales started in Turkey’s biggest electronic commerce sites, such as Hepsiburada, Gittigidiyor and N11. We adopted the first unmanned sales point concept where sample tires are displayed and customers can shop via kiosks.
- Together with OtoPratik and ProPratik, we shared information about the Pratik Family concept, which includes fast maintenance trends, service market after automotive sales, the renewed value package and Pratik Family’s vision. We conveyed our new vision and goals to all store staff by on-site visits.
- Our products are displayed in 30 spots of the whole sales markets and we offer shop opportunity via catalogue in 130 spots.
- Our tires meet the customers in 37 Carrefoursa hypermarkets. We conducted the “Don’t Take Risk” campaign which is devoted to winter tires’ promotions and informing in hypermarkets
- We developed “Mobile Change” and, for storing tires, the “Tire Hotel” to fulfill the needs of the companies operating fleet rental in Istanbul and Ankara
- We started to serve in Aydın Kuşadası and Istanbul İstinye Carrefour with the Bridgestone Box. Together with the Ankara, Istanbul, Izmir, Aydın and Yalova stores, the number of mobilized Bridgestone Box trailers reached to 5 spots.

6. International Marketing and Sales

With close to 580 stores abroad, new sales channels and effective marketing activities, Lassa continues to grow with giant strides, as it continues along its international journey.

Besides being a sector leader in Turkey, our goal is also to be an arbiter that adds value to business partners and end users in the international arena. With this in mind, we are making progress in international markets, working to increase Lassa-labeled sales points and engaging in efforts to improve brand awareness as we capture the loyalty of our business partners.

Lassa-brand tires, made in Turkey and manufactured through the hard work of Brisa employees, are now available in more than 60 countries.

Afghanistan	Chile	France	Kosovo	Netherlands	Slovakia
Albania	China	Georgia	Kyrgystan	Norway	South Korea
Algeria	Çek Cumhuriyeti	Germany	Latvia	Pakistan	Spain
Austria	Congo	Greece	Lebanon	Panama	Sweden
Azerbaijan	Croatia	Guinea-Bissau	Libya	Poland	Syria
Belgium	Cyprus	Iran	Lithuania	Portugal	Tayland
Bosnia Herzegovina	Denmark	Iraq	Macedonia	Romania	Tunisia
Bulgaria	Egypt	Israel	Malezya	Russian Federation	Uganda
Cameroon	Estonia	Italy	Malta	Serbia	Ukraine
Cape Verde	Finland	Jordan	Moldava	Sierra Leone	United Kingdom
			Morocco	Singapore	Uzbekistan

We continue with our strategy of deepening involvement in existing markets and entering new markets with Lassa.

The stores not only constitute a significant part of our vision of enriching our business and providing added value to our customers, but also reflect the trust and faith the sector has in the Lassa brand.

The number of sales points that wished to maintain their sales and services under the Lassa sign reached 580 in 2016.

Turkey's leading brand Lassa is moving forward to make its name heard in international markets. 2016 became a year that Lassa pursued devoted efforts for international recognition.

We kept on our international promotion events in context of "Official Global Tire Partner" agreement with FC Barcelona, which is Lassa's biggest step to becoming a global brand so far.

We presented our newly developed comfort and performance tires, Driveways and Driveways Sport Competus family's newest member, the 4X4 land and asphalt tire, Competus A/T2; summer tire Transway2, which belongs to the light commercial vehicle segment and the new generation light commercial vehicle tire, Maxiways 100S, which was released in 2015 in the Essen Reifen 2016 and 7th International Guangrao International Rubber Tire & Auto Accessory Fairs.

7. Our Awards

Every person we can reach and add value to their life is a reward for us.

Promotion and Marketing Activities Awards:

• We were awarded the Marketing Power Award

We have been awarded the "Marketing Power Award" for the success of our national and international marketing activities.

• Bridgestone brand communication efforts received national and international awards

We won first prize in the "Brand Promise" category at the "Bridgestone EMEA Vision Awards" competition organized by Bridgestone Corporation to award internationally successful work with our "Relaunch with Barış Falay" work. In Turkey, we won the Gold Effie award for the "Bridgestone Safety Tire" in the 8th Effie Turkey Advertising Competition presented by the Association of Advertisers and the Advertisers League jointly with Effie Worldwide Inc. We were also awarded the Silver Effie award with the launch of Barış Falay in the category of automotive products.

• Between Lassa and Bridgestone Turkey's Most Sincere Brands

Since 2011, we have once again achieved success with our two leading brands in the research "Turkey's Most Sincere Brands" organized by Mediacat and IPSOS cooperation. In our own industry, Lassa came in first and Bridgestone was the third.

Leadership in Sustainability Studies crowned with awards

• Brisa, ranks the first "Energy Efficient Industrial Plant" of the rubber and plastic products sector

As Brisa, we won first prize in the "Energy Efficient Industrial Plant" category in the "Industrial Energy Efficiency Project Competition" organized by the Ministry of Energy and Natural Resources for saving energy density by an average of 34% between 2012 and 2014.

• We ranked again on the BIST Sustainability Index

We were included in the BIST Sustainability Index, which is comprised of the shares of companies traded on the Istanbul Stock Exchange Istanbul and whose corporate sustainability performances peak

at high levels, among the companies that took place between during the November 2016 - October 2017 period.

- **We were among the Climate Leaders of Turkey in the Carbon Disclosure Project (CDP)**

As a proof of our successful operation to manage climate change and our fulfillment of our responsibilities in terms of emissions reduction activities and sustainability, we were once again among Turkey's Climate Leaders in the Carbon Disclosure Project. We won the prize at the leadership level with the global average and the country average "C (awareness)" level with the "A-" score.

- **We have been awarded the "Sustainable Business Awards" for our Water Management**

We have already achieved a great portion of our goal of reducing water consumption by 61% by 2020. We won an award in the water management category with our "Project for Underground Water Reduction in Brisa İzmit Facilities" at the "Sustainable Business Awards" organized for the third time this year by the Sustainability Academy.

- **The first company in Turkey and Europe to receive the ISO 14046 Water Footprint Standard**

We are the first company in Turkey and in Europe to receive the ISO14046 Water Footprint Standard for projects that we have implemented for the correct use of water.

- **Qualified for WWF-Green Office Diploma**

As one of the companies continuing to run the Green Office program run by WWF Turkey, we have been awarded with "Green Office Diplomas" for our offices in İzmit and Altunizade.

- **Praise for our work regarding female employment**

In order to honor the successful work carried out on the issue of women's employment, we were awarded with a plaque "for our sensitivity to women's employment" by the Provincial Directorate of İzmit Municipality and Kocaeli Labor and Employment Institution.

- **We achieved a perfect score from our suppliers**

We have been awarded the "Best Supplier Award" by Güven Makina, a company that has been involved in building a strong business association for many years. Güven Makina, which annually chooses the Best Supplier Award's recipients from among its business partners, applauded our company in terms of quality, customer satisfaction and product development.

- **We are the first company to receive the AOE (Accredited Obligatory Status) in the Turkish tire sector**

We were among the first 46 companies in Turkey to receive the AOE (Customs Obligations) status, which increased our customs operations competencies.

Our Innovation and Digitalisation Awards:

- **Lastik.com.tr selected the best e-commerce platform with the customer experience it offers**
Lastik.com.tr, Turkey's first web-based tire replacement and maintenance service that is a multi-sales channel and supported by SAP Hybris was chosen the best e-commerce platform in the field of "Customer Experience" at the SAP Innovation Forum. Lastik.com.tr was deemed worthy due to the innovative approach it provided, its role as a model for the sector and in the direction of the consumer mass it reached.

- **Outstanding Achievement Award for Lastik.com.tr**

Lastik.com won the Outstanding Achievement Award at the International Interactive Media Awards (IMA) for a user-friendly interface in the e-commerce category.

- **SAP Quality Awards "Innovation Category" Second Prize and Third Prize Brisa**

Our Suite on HANA project, which provides a new generation in-memory database and application migration and records improvements in reports and applications, was awarded second prize in the "Innovation Category" category at the SAP Quality Awards' and we were also awarded third place for our Hybris project.

- **Innovative internal communication platform Briport selected "Best in Class"**

The Briar platform, the greatest supporter of internal communication within Brisa, was awarded "Best in Class" in the "Intranet" category of the Interactive Media Awards for its design, usability and content.

8. Investment, Research and Development Activities

In 2016, a total of USD 47.5 million was extended in investments for the renovation, modernization and capacity increase of the Izmit production plant. USD 38.0 million of this investment was addressed within the scope of the Incentive Certificate. In line with our general philosophy of ensuring constant improvement and sustained competitiveness at the Izmit plant, our investments are ongoing for the improvement of occupational safety, quality, efficiency and information systems. A total of USD 134.5 million was spent in investments with respect to the second production plant to be established in Aksaray Province Organized Industrial Zone. During the same period, the total of our non-Izmit and Aksaray plants investments amounted to USD 16.8 million.

Our company, which holds important competitive superiority in Research and Development, runs a product-testing center recognized by the Turkish Standards Institute. Brisa Izmit Production Plant, which works in coordination with Bridgestone Corporation technical centers in Rome and Tokyo, is one of its major facilities.

9. Financial Outcomes and Rates

Raw material prices have been down trending for a long time, and the downstream movement thereof in the first half of the year ended in the 3rd quarter in line with the increase of the oil prices and they have started to be up trending. But in spite of that change, Brisa has succeeded to increase its gross profitability in compare to the same period of the last year, excluding the income obtained from derivative transactions in 2015 purposing to hedge the currency risk in raw material purchases.

In return, due to increasing loan use, the financing expenses reached to the level of TL 139 million which represents an increase of 50% over the last year.

In consequence of all such developments, a decrease of 60% in net profit occurred in compare to the last year and reached to TL 80.1 million.

	1 January- 31 December 2016	1 January- 31 Dec. 2015	Change %
Sales Quantity			
Domestic	6.273.962	6.620.731	-5
Export	4.395.608	4.059.659	8
Total	10.669.570	10.680.390	0

	1 January- 31 December 2016	1 January- 31 December 2015	Change %
Sales Quantity (Channel Based)			
Replacement	4.837.568	4.937.637	-2
OE	1.436.394	1.683.094	-15
Domestic Total	6.273.962	6.620.731	-5
Lassa Export	3.473.311	3.121.394	11
Bridgestone Export	922.297	938.265	-2
Export Total	4.395.608	4.059.659	8
General Total	10.669.570	10.680.390	0

	1 January- 31 December 2016	1 January- 31 December 2015	Change %
Net Sales (Million TL)			
Domestic Sales	1.292,2	1.357,3	-5
Export Sales	474,3	444,6	7
Total Net Sales	1.766,5	1.801,9	-2

	1 January- 31 December 2016	1 January- 31 December 2015	Change %
Million US Dolar			
Export Sales	168,1	173,3	-3

(Million TL)

	1 January- 31 December 2016	1 January- 31 December 2015	Change %
Summarized Income Statement (Million TL)			
Net Sales	1.766,5	1.801,9	-2
Gross Profit	518,6	561,4	-8
Operating Profit	218,6	296,8	-26
Net Profit	80,1	197,2	-59

EBITDA	241,7	361,5	-33
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*EBITDA: Earnings before interest, tax, depreciation & amortization and interest, foreign exchange and derivative financial instruments gain/loss within other operating income and expenses.

Operation and Profitability Ratios	31 December 2016	31 December 2015
Gross Profit Margin (Gross Profit/Net Sales)	%29,36	%31,16
EBITDA Margin (EBITDA/Net Sales)	%13,68	%20,06
Net Profit Margin (Net Profit/Net Sales)	%4,54	%10,94
Return on Asset (Net Profit/Assets)	%3,23	%10,35
Return on Equity (Net Profit/Equity)	%15,65	%34,68

*The foreign exchange gain arising from derivative financial instruments realized for cash flow hedge purpose amounting to 42.220.584 TL is included in 2015 gross profit, operating profit, EBITDA and net profit figures. It should be taken into account in last year analysis.

Liquidity Ratios	31 December 2016	31 December 2015
Current Ratio (Current Assets/Current Liabilities)	1,15	1,31
Acid-Test Ratio (Current Assets-Stocks / Current Liabilities)	0,84	0,93

Financial Growth Ratios	31 December 2016	31 December 2015
Total Liabilities/Equity	3,97	2,25
Total Liabilities/Total Assets	0,80	0,69
Equity/Total Assets	0,20	0,31

* As foreign currency denominated borrowings are hedged by cross currency swap transactions, the foreign currency loss amounting to TL 270.104.000 for 2016 and amounting to TL 160.016.000 for 2015 are offsetted and disclosed under financial liabilities.