

Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş.

And It's Subsidiaries

Convenience Translation Into English of

Consolidated Financial Statements

For The Period Ended 30 September 2017

**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**Condensed Consolidated Statement of Financial Position as of 30 September 2017**

	Notes	Reviewed	Audited
		Current Period	Previous Period
		30 September 2017	31 December 2016
<b>ASSETS</b>			
<b>Current Assets</b>	-	<b>360.837.392</b>	<b>224.326.660</b>
Cash and Cash Equivalents	6	8.293.498	6.161.712
Financial Investments	7	84.120	1.076.191
<b>Trade Receivables</b>		<b>140.926.603</b>	<b>99.400.162</b>
- Trade Receivables from Related Parties	9	1.136.232	687.628
- Trade Receivables from 3rd Parties	9	139.790.371	98.712.534
<b>Other Receivables</b>	10	<b>2.094.739</b>	<b>2.677.752</b>
- Other Receivables from Related Parties		-	-
- Other Receivables from 3rd Parties	10	2.094.739	2.677.752
Inventories	11	169.570.026	92.239.330
Prepaid Expenses	12	18.753.234	10.444.912
Assets Related with Current Period Tax	22	2.193	2.193
Other Current Assets	20	21.112.979	12.324.408
<b>Non-Current Assets</b>		<b>86.686.141</b>	<b>69.037.189</b>
<b>Other Receivables</b>	10	<b>21.898</b>	<b>20.818</b>
- Other Receivables from Related Parties	10	-	-
- Other Receivables from 3rd Parties	10	21.898	20.818
Investments Accounting with Equity Method	13	198.925	-
Investment Property	14	7.952.000	7.200.000
Tangible Fixed Assets	15	49.794.012	42.631.846
Intangible Fixed Assets	16	16.040.244	9.717.796
- Goodwill	17	-	-
- Other Intangible Fixed Assets		16.040.244	9.717.796
Prepaid Expenses	12	4.269.938	1.850.083
Deferred Tax Assets	22	8.409.124	7.616.646
<b>TOTAL ASSETS</b>		<b>447.523.533</b>	<b>293.363.849</b>

**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**Condensed Consolidated Statement of Financial Position as of 30 September 2017****LIABILITIES**

<b>Short-Term Liabilities</b>		<b>211.742.248</b>	<b>158.989.222</b>
Short-Term Borrowings	8	150.024.907	107.794.967
Current Part of Long Term Borrowings	8	1.212.908	5.067.140
<b>Trade Payables</b>		<b>35.759.791</b>	<b>35.753.887</b>
- Due to Other Parties	9	35.759.791	35.753.887
Employee Benefits	19	1.988.234	1.331.732
<b>Other Payables</b>		<b>1.899.935</b>	<b>2.470.473</b>
- Due to Other Parties	10	1.899.935	2.470.473
Deferred Income	12	19.550.842	5.477.549
<b>Short-Term Provisions</b>		<b>1.305.631</b>	<b>1.093.474</b>
- Short-Term Provisions related to Employee Benefits	19	923.959	711.803
- Other Short-Term Provisions	18	381.672	381.671
<b>Long-Term Liabilities</b>		<b>151.778.094</b>	<b>62.199.402</b>
Long-Term Borrowings	8	139.993.147	51.914.354
<b>Other Payables</b>		<b>1.168.998</b>	<b>1.168.998</b>
- Due to Other Parties	10	1.168.998	1.168.998
<b>Long Term Provisions</b>		<b>4.024.719</b>	<b>3.498.780</b>
- Long-Term Provisions related to Employee Benefits	19	4.024.719	3.498.780
Deferred Tax Liability	22	6.591.230	5.617.270
<b>EQUITY CAPITAL</b>		<b>84.003.191</b>	<b>72.175.225</b>
<b>Equity Capital Of Parent Company</b>		<b>83.973.756</b>	<b>72.152.654</b>
Paid-in Capital	21	25.000.000	25.000.000
Reacquired Shares (-)	21	(1.895.196)	(1.161.298)
<b>Other Comprehensive Income or Expenses not to be reclassified on Profit or Loss</b>		<b>14.488.490</b>	<b>10.754.345</b>
- Revaluation and Measurement Income / (Loss)	21	15.002.863	11.259.003
- Identified Benefit Plans Reclassification Income / (Loss)	21	(514.373)	(504.658)
Restricted Reserves	21	3.765.426	3.150.869
The Merge Effect of Entities subject to Common Control	21	(1.759.039)	(1.759.039)
Retained Earnings	21	35.553.220	26.570.969
Net Profit / (Loss) of the Period	23	8.820.855	9.596.808
<b>Minority Shares</b>	21	29.435	22.571
<b>TOTAL LIABILITIES</b>		<b>447.523.533</b>	<b>293.363.849</b>

**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**Condensed Consolidated Statement Of Profit Or Loss For The Period Between 01.01.2017 - 30.09.2017**

	Notes	<u>Reviewed</u>			
		Current Period 01.01~ 30.09.2017	Previous Period 01.01~ 30.09.2016	Current Period 01.07~ 30.09.2017	Previous Period 01.07~ 30.09.2016
Revenue	5	115.552.667	96.406.780	42.833.131	28.107.072
Cost of Sales (-)	5	(54.354.699)	(54.712.474)	(22.375.977)	(16.997.872)
<b>GROSS PROFIT / (LOSS)</b>		<b>61.197.968</b>	<b>41.694.306</b>	<b>20.457.154</b>	<b>11.109.200</b>
General Administrative Expenses (-)	5	(12.812.060)	(8.570.620)	(4.216.966)	(2.679.054)
Marketing Expenses (-)	5	(13.311.058)	(10.494.011)	(3.934.839)	(2.553.874)
Research and Development Expenses (-)		(434.436)	(1.095.339)	(306.160)	(508.047)
Other Income from Operations	5	15.892.949	6.041.455	3.980.301	2.865.427
Other Expenses from Operations (-)	5	(10.286.015)	(3.279.612)	(1.566.371)	(577.591)
<b>OPERATING PROFIT / (LOSS)</b>		<b>40.247.348</b>	<b>24.296.179</b>	<b>14.413.119</b>	<b>7.656.061</b>
Income from Investing Activities	5	4.864.175	490.589	3.631.513	159.250
Expenses from Investing Activities (-)	5	(2.800.263)	-	(1.911.705)	-
<b>OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES</b>		<b>42.311.260</b>	<b>24.786.768</b>	<b>16.132.927</b>	<b>7.815.311</b>
Financial Income	5	11.001.249	2.128.933	1.060.284	682.823
Financial Expenses (-)	5	(43.283.586)	(16.941.152)	(13.873.173)	(7.043.373)
<b>PROFIT / (LOSS) BEFORE PROVISION FOR TAXES</b>		<b>10.028.923</b>	<b>9.974.549</b>	<b>3.320.038</b>	<b>1.454.761</b>
<b>Tax Income / (Expense) from Operating Activities</b>		<b>(1.201.207)</b>	<b>(1.208.652)</b>	<b>(503.822)</b>	<b>114.982</b>
- Tax for Period	22	(1.214.341)	(1.228.367)	(399.929)	88.846
- Deferred Tax Income / (Expense)	22	13.134	19.715	(103.893)	26.136
<b>Distribution of Period Profit / (Loss)</b>		<b>8.827.716</b>	<b>8.765.897</b>	<b>2.816.216</b>	<b>1.569.743</b>
Non-Controlling Shares	21	6.861	(6.417)	2.010	(11.026)
<b>Parent Company Shares</b>	<b>21</b>	<b>8.820.855</b>	<b>8.772.314</b>	<b>2.814.206</b>	<b>1.580.769</b>
<b>Earnings Per Share</b>		<b>0,35</b>	<b>0,35</b>	<b>0,11</b>	<b>0,06</b>
<b>Diluted Earnings Per Share from Continuing Operations</b>		<b>0,35</b>	<b>0,35</b>	<b>0,11</b>	<b>0,06</b>
<b>NET PROFIT / (LOSS)</b>		<b>8.827.716</b>	<b>8.765.897</b>	<b>2.816.216</b>	<b>1.569.743</b>

**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

	<u>Reviewed</u>			
<b>Other Comprehensive Income / (Expense)</b>				
<b>Items not to be Reclassified in Profit or Loss</b>	<b>3.734.145</b>	<b>(169.701)</b>	<b>3.486.230</b>	<b>(52.887)</b>
Tangible Assets Revaluation Gain / (Loss)	3.940.905	-	3.940.905	-
Defined Benefit Plans Remeasurement Gains / (Losses)	(12.144)	(212.126)	(322.038)	(66.108)
Tax Income/(Loss) related to Other Comprehensive Income not to be Reclassified in Profit or Loss	(194.617)	42.425	(132.638)	13.221
- Current Tax (Expense) / Income	-	-	-	-
- Deferred Tax Income / (Expense)	(194.617)	42.425	(132.638)	13.221
<b>OTHER COMPREHENSOVE INCOME (AFTER TAX)</b>	<b>3.734.145</b>	<b>(169.701)</b>	<b>3.486.230</b>	<b>(52.887)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>12.561.861</b>	<b>8.596.196</b>	<b>6.302.446</b>	<b>1.516.856</b>
Distribution of Comprehensive Income				
Non-Controlling Shares	7.046	(7.071)	2.195	(12.421)
Parent Company Shares	12.554.816	8.603.267	6.300.252	1.529.277

**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**Condensed Consolidated Statement Of Changes In Equity For The Period Between 01.01.2017 - 30.09.2017**

	Notes	Paid-in Capital	Reacquired Shares	Other Comprehensive Profit / (Loss) Not to be Reclassified on Profit or Loss		Retained Earnings						
				Identified Benefit Plans Reclassification Income / (Loss)	Tangible Fixed Assets Revaluation Increase	The Merge Effect of Entities subject to Common Control	Restricted Reserves	Retained Profit / (Loss)	Net Period Profit / (Loss)	Equity Holders of the Parent	Non-Controlling Shares	Equity
<b>PREVIOUS PERIOD</b>												
<b>01 January 2016 Opening</b>	21	<b>25.000.000</b>	<b>(38.827)</b>	<b>(238.563)</b>	<b>9.976.331</b>	<b>(1.759.039)</b>	<b>2.061.453</b>	<b>9.039.516</b>	<b>18.620.869</b>	<b>62.661.740</b>	<b>17.910</b>	<b>62.679.650</b>
Transfers								18.620.869	(18.620.869)	-		-
Total Comprehensive Income	21			(169.701)			1.089.416	(1.089.416)	8.772.314	<b>8.602.613</b>	<b>6.417</b>	8.609.030
Increase / Decrease from Reacquired Shares			(889.823)							<b>(889.823)</b>		(889.823)
<b>Balance at 30 September 2016 Closing</b>	21	<b>25.000.000</b>	<b>(928.650)</b>	<b>(408.264)</b>	<b>9.976.331</b>	<b>(1.759.039)</b>	<b>3.150.869</b>	<b>26.570.969</b>	<b>8.772.314</b>	<b>70.374.530</b>	<b>24.327</b>	<b>70.398.857</b>
<b>CURRENT PERIOD</b>												
<b>01 January 2017 Opening (Opening)</b>	21	<b>25.000.000</b>	<b>(1.161.298)</b>	<b>(504.658)</b>	<b>11.259.003</b>	<b>(1.759.039)</b>	<b>3.150.869</b>	<b>26.570.969</b>	<b>9.596.808</b>	<b>72.152.654</b>	<b>22.571</b>	<b>72.175.225</b>
Transfers								8.982.251	(9.596.808)	<b>(614.557)</b>		(614.557)
Total Comprehensive Income	21			(9.715)	<b>3.940.905</b>		614.557		8.820.855	<b>13.366.602</b>	<b>6.864</b>	13.373.466
Increase / Decrease from Reacquired Shares			(733.898)							<b>(733.898)</b>		(733.898)
Increase / Decrease from Other Changes					(197.045)					<b>(197.045)</b>		(197.045)
<b>30 Balance at 30 September 2017 Closing</b>	21	<b>25.000.000</b>	<b>(1.895.196)</b>	<b>(514.373)</b>	<b>15.002.863</b>	<b>(1.759.039)</b>	<b>3.765.426</b>	<b>35.553.220</b>	<b>8.820.855</b>	<b>83.973.756</b>	<b>29.435</b>	<b>84.003.191</b>

**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**Condensed Consolidated Statement Of Cash Flow For The Period Between 01.01.2017 - 30.09.2017**

	Notes	Reviewed	
		Current Period 30 September 2017	Previous Period 30 September 2016
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>(81.581.740)</b>	<b>(33.678.236)</b>
Profit / (Loss) for Period		8.827.716	8.765.897
<b>Adjustments to reconcile net profit to cash provided by operating activities</b>		<b>2.282.891</b>	<b>3.605.438</b>
Depreciation and Amortization		2.486.181	1.454.644
Impairments / Reversals	11	-	(6.269)
Changes in Provisions	18	1.079.008	853.676
Interest Income and Expense		(168.014)	2.869.673
Unrealized Foreign Currency Conversion Differences		(2.315.491)	(2.780.125)
Gain / Loss from Sales of Tangible Fixed Assets		-	5.187
Profit / (Loss) Reconciliations		1.201.207	1.208.652
<b>Changes in Working Capital</b>		<b>(115.493.642)</b>	<b>(42.177.830)</b>
Increases / (Decreases) in Inventories	11	(77.330.696)	(15.722.735)
Increases / (Decreases) in Trade Receivables	9	(41.526.441)	(948.277)
Increases / (Decreases) in Other Receivables		583.013	6.328.909
Increases (Decreases) in Trade Payables	9	5.904	(27.194.659)
Increases (Decreases) in Other Payables		(570.538)	(1.006.035)
Other Increase / (Decreases) in Working Capital		3.345.116	(3.635.033)
<b>Cash Flow from Operating Activities</b>		<b>(104.383.035)</b>	<b>(29.806.495)</b>
Tax Payments / Refunds		(2.193)	
Other Cash Flows / Outflows		22.803.488	(3.871.741)
<b>B. CASHFLOW PROVIDED BY INVESTING ACTIVITIES</b>		<b>(10.294.167)</b>	<b>(11.030.066)</b>
Cash Outflows for the Acquisition Shares of Other Enterprises or Funds or for the Borrowing Instruments		(200.000)	
Proceeds from Sale of Tangible and Intangible Assets		-	56.235
Cash Outflows due to Purchases of Tangible and Intangible Assets		(13.719.993)	(11.548.322)
Interest Gained		3.625.826	409.523
Other Cash Inflows / Outflows		-	52.498
<b>C. CASHFLOW PROVIDED BY FINANCING ACTIVITIES</b>		<b>94.007.693</b>	<b>44.837.641</b>
Cash Outflows for the Acquisition Shares of Own Enterprises or Funds or for the Borrowing Instruments		(1.895.196)	-
Proceeds from Borrowings		298.535.118	133.145.501
Payments of Borrowings		(184.651.052)	(91.985.696)
Financial Lease Payments		(1.115.498)	(827.426)
Interest Payments		(16.865.680)	4.505.262
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE FOREIGN CURRENCY CONVERSION ADJUSTMENTS (A+B+C)</b>		<b>2.131.786</b>	<b>129.339</b>
<b>D. FOREIGN CURRENCY CONVERSION ADJUSTMENTS EFFECTS ON CASH AND CASH EQUIVALENTS</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>2.131.786</b>	<b>129.339</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>6.161.712</b>	<b>16.981.050</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (A+B+C+D+E)</b>		<b>8.293.498</b>	<b>17.110.389</b>

# KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

## CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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# KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

### 1. ORGANIZATION AND ACTIVITIES

Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret Anonim Şirketi ("Company") was established in 1985 by registered to İzmir Trade Registry and announced at 1380 numbered and 05.11.1985 dated trade registry gazette.

The Group's head office address : Ataturk Organized Industrial Zone 10032 Sokak No: 10 Çiğli / IZMIR. Group has a branch offices which are located in Kızıllırmak Mah. 1445 Sok. No: 2b/82 The Pragon İş Merkezi Çukurambar – Çankaya / ANKARA and Küçükbakkalköy Mah. Küçük Setli Sk. Denge Panorama Plaza 2015 No:5 D:24 K:6 Ataşehir İstanbul. Group also has a production facility located in Malıköy Mah. 23.Cad.No:3 Başkent OSB Sincan Ankara.

The Company and its subsidiaries together referred as (the "Group" ) operate in all manner of onboard equipment manufacturing , painting work ship and weld work ship fields. The business segment which details given below underlie Group's reporting by field of activity .

Group 's main activities are as follows :

- Painting Work - Painting of vehicle equipment
- Weld Work - Onboard equipment weld work ship
- Vehicle Equipment Manufacturing- onboard equipment manufacturing for the fire, trash , vacuum , grooving, ecological vehicle , transport vehicle , defense industry vehicles and construction industry vehicles.

Company shares were offered to the public in 2010, as at 30 September 2017, 36,29 % (31.12.2016 : %36,29) of shares has been trading in Istanbul Stock Exchange Inc. (ISE).

As of 30 September 2017, the total number of people employed within the Group is 436. (31 December 2016: 353).

The ultimate parent of Group is managed by İsmail Katmerci. (Note 21).

The nature of operations and the operation groups of the companies included in consolidation are presented as follows:

#### Companies included in consolidation:

<u>Company Title</u>	<u>Nature of Business</u>	<u>Establishment Place</u>
Katmerciler Profil San. ve Tic. A.Ş. (Katmerciler Profil)	Painting Works	Turkey
Isıpan Otomotiv ve Üst Ekipman Metal ve Makine San. ve Tic. A.Ş. (Isıpan)	Weld Work Ship Onboard Equipment	Turkey
Gimkat Araç Üstü Ekipman San. ve Tic. A.Ş. (Gimkat)	Manufacturing	Turkey

Company does not have any listed subsidiary whose shares are traded on the stock market.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS**

**A. Basic Standards of Presentation**

**Summary of basis of presentation of the interim condensed of consolidated financial statements**

The Group maintains its books of accounts and prepare its statutory financial statements in accordance with the regulation of Turkish Commercial Code and Tax Legislation.

The accompanying interim condensed consolidated financial statements are based in accordance with Turkish Accounting Standards (“TAS”) issued by Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) as set out in the Communiqué serial II, No: 14.1 announcement of Capital Markets Board (“CMB”) dated 13 June 2013 related to “Capital Market Communiqué on Principles Regarding Financial Reporting” (“Communiqué”) which is published in official gazette, no 28676. TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards, appendixes and interpretations.

In accordance with article 5th of the CMB Accounting Standards, companies should apply Turkish Accounting Standards (TAS) /Turkish Financial Reporting Standards (TFRS) and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority (“POA”).

Condensed consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with the Accounting Standards of the POA and are presented in TL.

In order to prepare financial statements in accordance with IFRSs, certain assumptions affecting notes to the financial statements and critical accounting estimations related to assets, liabilities, contingent assets and contingent liabilities are required to be used. Although these estimations are made upon the best afford of the management by interpreting the cyclical circumstances, actual results may differ from the forecasts. Issues that are complex and needs further interpretation, which might have a critical impact on financial statements. There is no change in judgements and critical accounting estimates used in interim condensed consolidated financial statements as of 30 September 2017.

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2016.

The condensed consolidated financial statements were authorized for issue by management on 09 November 2017. General Assembly and the other reporting bodies have the power to amend the condensed consolidated interim financial statements after their issue.

**Preparation of Financial Statements in Hyperinflationary Periods**

Company’s financial statements are prepared in accordance with Finance Ministry’s inflation accounting legislation until 31 December 2004, inflation accounting application has been terminated since 01 January 2005.

# KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

#### A. Basic Standards of Presentation (continued)

##### Functional and presentation currency

The financial statements of the Group’s subsidiaries are reported in terms of their local currencies. The consolidated financial statements are presented in Turkish Lira (“TL”).

Exchange rate information as of 30 September 2017 and 31 December 2016 is as follows;

	<u>30 September 2017</u>	<u>31 December 2016</u>
American Dollar (USD)	3,5521	3,5192
Euro (EURO)	4,1924	3,7099

##### Comparative information, changes in accounting policies and restatement of prior period financial statements

In order to allow the determination of financial position and performance, Company’s financial statements are prepared comparative with prior period financial statements. In order to comply with the presentation of the financial statements for the period, comparative figures are reclassified and explained.

##### Going Concern

The consolidated financials are prepared in comply with going concern assuming that the Group will get benefit from its assets and fulfill its liabilities in the normal course of business.

##### 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.

##### Amendments in Turkish Financial Reporting Standards (“TFRS”)

The Group has applied new standards, amendments and interpretations to existing TAS/ TFRS standards published by IASB and TASC/IFRIC that are effective as at 1 January 2017 and are relevant to the Company’s operations. There are no relevant amendments or interpretations for the Company which have been enforced as of 1 January 2017 and in year ends to 31 December 2017.

– **Amendment to TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets'**, on depreciation and amortization, effective from annual periods beginning on or after 1 January 2017. In this amendment, it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

– **Amendment to TFRS 11, 'Joint arrangements'** on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2017. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)**

**A. Basic Standards of Presentation (continued)**

**Amendments in Turkish Financial Reporting Standards (“TFRS”) (continued)**

– **Amendments to TAS 27, ‘Separate financial statements’** on the equity method, effective from annual periods beginning on or after 1 January 2017. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

According to this article; Company’s these kind of investments must be booked according to,

Cost price,  
TFRS 9 or,  
TAS 28.

Company must do the same booking method to each investment category. These amendments do not include Group and has no effect to Group’s financial position or performance.

– **Amendments to TFRS 10, ‘Consolidated financial statements’ and IAS 28, ‘Investments in associates and joint ventures’**, effective from annual periods beginning on or after 1 January 2017. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

– **TFRS 10, TFRS 12 and TAS 28, ‘Investment Entities: Applying the Consolidation Exception’ (Amendments to TFRS 10 and TAS 28) amendments issued to TFRS 10, TFRS 12 and TAS 28**, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

– **TAS 1 "Presentation of Financial Statements"**; effective from annual periods beginning on or after 1 January 2017. These amendments address to improve the presentation and disclosure of financial statements.

– **Annual improvements 2014**, effective from annual periods beginning on or after 1 January 2017. These set of amendments impacts 4 standards:

- TFRS 5, Non-current assets held for sale and discontinued operations’ regarding methods of disposal
- TFRS 7, Financial instruments: Disclosures’, (with consequential amendments to IFRS 1) regarding servicing contracts
- TAS 19, Employee benefits’ regarding discount rates
- TAS 34, Interim financial reporting’ regarding disclosure of information.

These amendments do not include Group and has no effect to Group’s financial position or performance.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)**

**A. Basic Standards of Presentation (continued)**

**Amendments in Turkish Financial Reporting Standards (“TFRS”) (continued)**

*Standards and interpretations issued but not yet effective*

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

**TFRS 9 - Financial Instruments**

In January 2016, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called ‘own credit’ issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

**TFRS 15 Revenue from Contracts with Customers**

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). Effective date for TFRS 15 is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)**

**A. Basic Standards of Presentation (continued)**

**Amendments in Turkish Financial Reporting Standards (“TFRS”) (continued)**

*The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA*

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The company will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

**TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)**

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

**TFRS 13 Fair Value Measurement**

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

**IFRS 16 Leases**

In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

**Amendments to IAS 7 – Disclosure Initiative**

IAS 7 Statement of Cash Flows has been amended as part of the IASB’s broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)**

**A. Basic Standards of Presentation (continued)**

**Amendments in Turkish Financial Reporting Standards (“TFRS”) (continued)**

**Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses**

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

**Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions**

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Company does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Company.

**IAS 40 – Transfers of Investment Property**

Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management’s intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Company.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)**

**A. Basic Standards of Presentation (continued)**

**Amendments in Turkish Financial Reporting Standards (“TFRS”) (continued)**

**IFRIC 22 Foreign Currency Transactions and Advance Consideration**

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds. The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

**Annual Improvements to IFRSs - 2014-2016 Cycle**

- Annual improvements 2014–2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:

- TFRS 1, ‘First-time adoption of IFRS’, regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
- TFRS 12, ‘Disclosure of interests in other entities’ regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
- TAS 28, ‘Investments in associates and joint ventures’ regarding measuring an associate or joint venture at fair value effective 1 January 2018.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

**Consolidation Principles**

The consolidated financial statements include the accounts of the parent company, its subsidiaries on the basis set out in sections below. Control is obtained by controlling over the activities of an entity's financial and operating policies in order to benefit from those activities.

*Subsidiaries*

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies so as to benefit from its activities. In case of Group has income from company because of it's relation or rights-holder of income also has power to effect income than Group is controlling the company.

Subsidiaries' financial statements from the date control commences until the date that end have been included in the consolidated financial statements. Accounting policies of subsidiaries, if necessary, to ensure compliance with policies agreed by the Group has been changed.

## KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

##### A. Basic Standards of Presentation (continued)

##### Consolidation Principles (continued)

As of 30 September 2017, direct and indirect participation rate of subsidiaries subject to consolidation are as follows;

<u>Subsidiaries</u>	<u>Main Activity</u>	<u>Functional Currency</u>	<u>Establishmt &amp; Operation Place</u>	<u>Controlling Rate (%)</u>	
				<u>30 September 2017</u>	<u>31 December 2016</u>
Katmerciler Profil San. ve Tic. A.Ş.	Painting Works	Turkish Lira	Turkey	100,00	100,00
İspan Otomotiv ve Üst Ekipman Metal ve Makine San. ve Tic. A.Ş.	Weld Workshop	Turkish Lira	Turkey	95,67	95,67
Gimkat Araç Üstü Ekipman San. ve Tic. A.Ş.	Onboard Equipment Manufacturing	Turkish Lira	Turkey	100,00	100,00

##### Joint Ventures

The equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income.

Lika Savunma San. And Tic. Inc. ("Lika") is a joint venture company and accounted under the equity method which can be seen in the table below.

<u>Affiliates</u>	<u>Main Activity</u>	<u>Functional Currency</u>	<u>Establishment &amp; Operation Place</u>	<u>Shareholding Ratio (%)</u>	
				<u>30 September 2017</u>	<u>31 December 2016</u>
<u>Lika</u>	Defense Industry	Turkish Lira	Turkey	20,00	--

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)**

**B. Declaration of Conformity to TAS**

The accompanying interim consolidated financial statements are prepared in accordance with Communiqué Serial II, No:14.1, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”) published in the Official Gazette numbered 28676 on 13 June 2013.

According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards issued by Public Oversight Accounting and Auditing Standards Authority (“POAASA”). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards (“TFRS”) and its addendum and interpretations (“IFRIC”).

**C. Changes in Accounting Policies**

The preparation of financial statements in conformity with TAS/IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

There is not any changes in significant accounting policies mentioned for the period ended 31 December 2016.

**3. BUSINESS COMBINATIONS**

None. (31.12.2016: None).

**4. JOINT VENTURES**

None. (31.12.2016: None).

**5. SEGMENT REPORTING**

Each reportable segment derives its revenues as the types of products and services are as follows;

- **On-board equipment production:** On-board production and sales for firefighters, garbage van, transportation vehicle, vehicles for the defense industry and vehicles for the construction industry.
- **Painting Works:** Painting of vehicles and on-board equipments.
- **Weld Works:** Welding work of on-board equipments.

**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**5. SEGMENT INFORMATION (continued)**

30.09.2017	Onboard Vehicle Equipment	Weld Works	Painting Work	Consolidation Adjustments	Total
Net Non-Group Sales	115.494.567	33.333	24.767	-	<b>115.552.667</b>
Net In-Group Sales	8.945.136	1.216.301	1.413.000	(11.574.436)	-
Net Sales Total	124.439.702	1.249.634	1.437.767	(11.574.436)	<b>115.552.667</b>
Cost of Sales (-)	(63.890.875)	(755.031)	(981.157)	11.272.364	<b>(54.354.699)</b>
Gross Profit	60.548.827	494.603	456.610	(302.072)	<b>61.197.968</b>
Research and Development Expenses(-)	(454.154)	-	-	19.718	<b>(434.436)</b>
Marketing Expense (-)	(13.369.247)	-	-	58.189	<b>(13.311.058)</b>
General Administrations Expense (-)	(12.391.170)	(343.829)	(168.534)	91.474	<b>(12.812.060)</b>
Other Operating Income	15.805.387	58.933	541.040	(512.411)	<b>15.892.949</b>
Other Operating Expenses (-)	(10.277.604)	(8.094)	(317)	-	<b>(10.286.015)</b>
Operating Profit / (Loss)	39.862.040	201.612	828.798	(645.102)	<b>40.247.348</b>
Income from Investment Activities	4.864.175	-	-	-	<b>4.864.175</b>
Expense from Investment Activities (-)	(2.800.263)	-	-	-	<b>(2.800.263)</b>
<b>OPERATING PROFIT (LOSS) BEFORE FINANCIAL INCOME AND EXPENSES</b>	41.925.952	201.612	828.798	(645.102)	<b>42.311.260</b>
Income from Investment Activities	12.318.715	1.283	-	(1.318.749)	<b>11.001.249</b>
Expense from Investment Activities (-)	(45.700.188)	(4.031)	-	2.420.633	<b>(43.283.586)</b>
<b>BEFORE TAX PROFIT (LOSS)</b>	8.544.479	198.865	828.798	456.782	<b>10.028.923</b>
<b>Tax Income / (Expense) from Operating Activities</b>					
-Tax Income / (Expense)	(956.046)	(50.367)	(207.928)	-	<b>(1.214.341)</b>
-Deferred Tax Income / (Expense)	(28.600)	5.792	35.943	-	<b>13.134</b>
<b>NET PROFIT / (LOSS)</b>	7.559.833	154.289	656.813	456.782	<b>8.827.716</b>
<b>Capital Expenditures</b>					
Tangible Fixed Assets	5.192.092	-	-	-	<b>5.192.092</b>
Intangible Assets	2.455.424	-	-	-	<b>2.455.424</b>
Intangible Assets (r&d)	6.072.477	-	-	-	<b>6.072.477</b>
<b>Total Investment Expenditures</b>	<b>13.719.992</b>	-	-	-	<b>13.719.992</b>
Depreciaton Expense	(1.413.378)	(18.799)	(160.333)	-	<b>(1.432.177)</b>
Amortization Expense	(893.671)	-	-	-	<b>(1.054.004)</b>
<b>Total Amortization Expense</b>	<b>(2.307.049)</b>	<b>(179.132)</b>	-	-	<b>(2.486.181)</b>
<b>Other Information</b>					
- Total Assets	452.112.542	1.880.714	20.341.280	(26.811.003)	<b>447.523.533</b>
- Total Liabilities	452.112.542	1.880.714	20.341.280	(26.811.003)	<b>447.523.533</b>

**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**5. SEGMENT INFORMATION (continued)**

30.09.2016	Onboard Vehicle Equipment	Weld Works	Painting Work	Consolidation Adjustments	Total
Net Non-Group Sales	96.479.115	23.609	11.902	(107.846)	96.406.780
Net In-Group Sales	13.688.929	980.508	989.761	(15.659.198)	-
Net Sales Total	110.168.044	1.004.117	1.001.663	(15.767.044)	96.406.780
Cost of Sales (-)	(70.355.699)	(593.348)	(652.076)	16.888.649	(54.712.474)
Gross Profit	39.812.345	410.769	349.587	1.121.605	41.694.306
Research and Development Expenses (-)	(1.095.339)	-	-	-	(1.095.339)
Marketing Expense (-)	(10.561.940)	-	-	67.929	(10.494.011)
General Administrations Expense (-)	(8.260.154)	(272.355)	(125.168)	87.057	(8.570.620)
Other Operating Income	2.086.598	41.138	497.034	3.416.685	6.041.455
Other Operating Expenses (-)	(601.352)	(328)	(487)	(2.677.445)	(3.279.612)
Operating Profit / (Loss)	21.380.158	179.224	720.966	2.015.831	24.296.179
Income from Investment Activities	28.565	-	-	462.024	490.589
Expense from Investment Activities (-)	-	-	-	-	-
<b>OPERATING PROFIT (LOSS) BEFORE FINANCIAL INCOME AND EXPENSES</b>	21.408.723	179.224	720.966	2.477.855	24.786.768
Income from Investment Activities	7.580.980	887	-	(5.452.934)	2.128.933
Expense from Investment Activities (-)	(20.663.754)	(1.156)	-	3.723.758	(16.941.152)
<b>BEFORE TAX PROFIT (LOSS)</b>	8.325.949	178.955	720.966	748.679	9.974.549
<b>Tax Income / (Expense) from Operating Activities</b>	<b>(1.185.699)</b>	<b>(30.878)</b>	<b>(147.881)</b>	<b>155.806</b>	<b>(1.208.652)</b>
-Tax Income / (Expense)	(1.027.068)	(40.196)	(161.103)	-	(1.228.367)
-Deferred Tax Income / (Expense)	(158.631)	9.318	13.222	155.806	19.715
<b>NET PROFIT / (LOSS)</b>	<b>7.140.250</b>	<b>148.077</b>	<b>573.085</b>	<b>748.679</b>	<b>8.765.897</b>
<b>Capital Expenditures</b>					
Tangible Assets	6.187.651	-	-	-	6.187.651
Intangible Assets	5.360.670	-	-	-	5.360.670
<b>Total Investment Expenditures</b>	<b>11.548.322</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11.548.322</b>
Depreciation Expense	924.738	16.676	100.092	-	1.041.507
Amortization Expense	452.204	-	-	(39.067)	413.137
<b>Total Amortization Expense</b>	<b>1.376.942</b>	<b>16.676</b>	<b>100.092</b>	<b>(39.067)</b>	<b>1.454.644</b>
<u>Other Information</u>					
- Total Assets	258.214.605	1.104.598	15.399.162	(18.630.486)	256.087.879
- Total Liabilities	258.214.605	1.104.598	15.399.162	(18.630.486)	256.087.879

## KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

#### 6. CASH AND CASH EQUIVALENTS

	<u>30.09.2017</u>	<u>31.12.2016</u>
Cash	72.992	18.988
Banks	<b>8.220.506</b>	<b>6.142.724</b>
- Demand Deposits	<b>6.317.645</b>	<b>6.142.724</b>
TL	3.616.472	4.475.750
USD	444.214	1.478.273
EUR	2.256.959	188.701
- Time Deposits	<b>1.902.070</b>	-
Interest Accrual	791	
Total	<b>8.293.498</b>	<b>6.161.712</b>
	<u>30.09.2017</u>	<u>31.12.2016</u>
Between 30-90 Days	1.902.861	-

Explanations on the nature and level of risks in cash and cash equivalents are made on note 24.

#### 7. FINANCIAL INVESTMENTS

	<u>30.09.2017</u>		<u>31.12.2016</u>	
Financial Assets Available for Sale	Nominal Value	Carrying Value	Nominal Value	Carrying Value
Azimut GBK-Eurobond Debt Instrument Fund	-	-	275	197
Azimut GMA- Multiple Asset Flexible Debt Instrument Fund	-	-	700.000	742.564
Azimut GTF- Primary Debt Instrument Fund	-	-	100.000	121.248
Azimut GBL- Money Market Debt Instrument Fund	-	-	200.000	212.182
Halkbank Bond	87.648	84.120	-	-
	<b>87.648</b>	<b>84.120</b>	<b>1.000.275</b>	<b>1.076.191</b>

Financial investments of the Group; Halkbank bond has been accounted at fair value.

Explanations on the nature and level of risks in financial investments are made in notes 24 and 25.

The movements of financial investments as of 30.09.2017 are as follows;

	<b>30.09.2017</b>	<b>31.12.2016</b>
<b>As at 1 January 2017</b>	1.076.191	-
Purchase of Financial Asset	1.831.785	-
Sales of Financial Asset	(2.825.190)	-
Fair Value Change	1.334	-
<b>As at 30 September 2017</b>	<b>84.120</b>	<b>1.076.191</b>

**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**8. FINANCIAL BORROWINGS**

As at 30 September 2017 and 31 December 2016, financial borrowings are as follows:

	<u>30.09.2017</u>	<u>31.12.2016</u>
a) Bank Loans	233.603.884	107.197.223
b) Principal Installments of Long Term Loans	1.212.908	5.067.140
c) Issued Bonds	51.537.832	49.415.666
d) Financial Lease	4.876.339	3.096.432
<b>Total</b>	<b><u>291.230.962</u></b>	<b><u>164.776.461</u></b>

**a) Bank Loans**

30 September 2017

<u>Currency</u>	<u>Average Interest Rate ( %)</u>	<u>Short-Term</u>	<u>Short-Term Portion of Long-Term Loans</u>	<u>Long-Term</u>
TL	13,25-16	62.378.927	1.212.908	74.698.747
EURO	2,70-5,75	35.634.417	-	60.891.793
<b>Total</b>		<b><u>98.013.344</u></b>	<b><u>1.212.908</u></b>	<b><u>135.590.540</u></b>

31 December 2016

<u>Currency</u>	<u>Average Interest Rate ( %)</u>	<u>Short-Term</u>	<u>Short-Term Portion of Long-Term Loans</u>	<u>Long-Term</u>
TL	4,25-14	11.701.863	2.872.765	33.480.653
USD	3,50-4,75	596.993	-	1.008.007
EUR	4,25-4,50	45.066.968	2.194.375	15.342.740
<b>Total</b>		<b><u>57.365.824</u></b>	<b><u>5.067.140</u></b>	<b><u>49.831.399</u></b>

**b) Principal Repayments of Long Term Loans**

<u>Currency</u>	<u>Average Interest Rate (%)</u>	<u>30.09.2017</u>	<u>31.12.2016</u>
TL	13,25 - 16	1.212.908	1.952.071
USD	3,25-4,50	-	1.714.285
EUR	2,98 - 4,75	-	1.400.784
<b>Total</b>		<b><u>1.212.908</u></b>	<b><u>5.067.140</u></b>

**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**8. FINANCIAL BORROWINGS (continued)****c) Issued Bonds**30.09.2017

<b>Currency</b>	<b>Nominal Interest Rate</b>	<b>Term</b>	<b>Nominal Value</b>	<b>Book Value</b>
TL	3,9403(*)	08.03.2018	50.000.000	51.537.832
			<u>50.000.000</u>	<u>51.537.832</u>

(\*) Amounting to TL 1.537.832 interest has been accrued until 30.09.2017.

(\*) The coupon interest for each coupon payment period will be calculated by adding the 5.25% for TL 50.000.000 per annum to the weighted average over the last five business days of the indicative government domestic borrowing date of the BIC Bond and Bills final purchase and sale market. Bond are paid in quarterly and principal will be paid in date of maturity.

31.12.2016

<b>Currency</b>	<b>Nominal Interest Rate</b>	<b>Term</b>	<b>Nominal Value</b>	<b>Book Value</b>
TL	3,60(*)	10.05.2017	36.000.000	37.083.903
TL	3,47(**)	10.08.2017	12.000.000	12.331.763
			<u><b>48.000.000</b></u>	<u><b>49.415.666</b></u>

(\*) The amount of accrued interest is amounting to TL 1.415.666 until 31.12.2016.

(\*\*) The coupon interest for each coupon payment period will be calculated by adding the 4.00% per annum to the weighted average over the last five business days of the indicative government domestic borrowing date of the BIC Bond and Bills final purchase and sale market. Bond are paid in quarterly and principal will be paid in date of maturity.

**d) Financial Lease Obligations**

<b><u>Net Value</u></b>	<b><u>30.09.2017</u></b>	<b><u>31.12.2016</u></b>
Machinery, Equipment and Installations (net)	4.876.339	3.096.432

Finance lease obligations, shows the unpaid portion of leasing obligations of plant, machinery and equipment acquired through financial leasing.

**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**8. FINANCIAL BORROWINGS (continued)**

**d) Financial Lease Obligations (continued):**

- Net carrying value of financial lease assets as at balance sheet date:

<u>30.09.2017</u>	<u>TL</u>	<u>TL</u>	<u>TL</u>
	Less than 1 Year	Between 1-5 Years	Total
<b>Amount of Minimum Lease Payments</b>			
TL Denominated Finance Leases	99.516	1.082.759	1.182.275
EUR Denominated Finance Leases	406.053	3.582.305	3.988.358
USD Denominated Finance Leases	50.829	271.844	322.673
<b>Total</b>	<b>556.398</b>	<b>4.936.908</b>	<b>5.493.306</b>
<b>Present Value of Payments</b>			
TL Denominated Finance Leases	77.838	928.684	1.006.522
EUR Denominated Finance Leases	356.242	3.284.416	3.640.657
USD Denominated Finance Leases	39.647	189.512	229.159
<b>Total</b>	<b>473.727</b>	<b>4.402.612</b>	<b>4.876.339</b>

<u>31.12.2016</u>	<u>TL</u>	<u>TL</u>	<u>TL</u>
	Less than 1 Year	Between 1-5 Years	Total
<b>Amount of Minimum Lease Payments</b>			
TL Denominated Finance Leases	147.068	468.417	615.485
EUR Denominated Finance Leases	911.193	1.632.204	2.543.397
USD Denominated Finance Leases	99.472	208.842	308.314
<b>Total</b>	<b>1.157.733</b>	<b>2.309.463</b>	<b>3.467.196</b>
<b>Present Value of Payments</b>			
TL Denominated Finance Leases	111.167	351.197	460.364
EUR Denominated Finance Leases	816.137	1.535.290	2.351.427
USD Denominated Finance Leases	86.173	196.468	282.641
<b>Total</b>	<b>1.013.477</b>	<b>2.082.955</b>	<b>3.096.432</b>

Financial leasing, related with purchasing of machinery and fixtures whose rental period of 2 years. Company has option to buy those machinery and fixtures. The Company's obligations under finance leases, the lessor of the leased asset is secured by property right on.

Convention relating to the leasing transactions on interest rates are fixed for the entire rental period. Contract average effective interest rate is about 17% annually.

## KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

#### 9. TRADE RECEIVABLES AND PAYABLES

##### a) Trade Receivables:

As at balance sheet date, the details of Group's trade receivables are as follows:

<b><u>Short-Term Trade Receivables</u></b>	<b><u>30.09.2017</u></b>	<b><u>31.12.2016</u></b>
Current Accounts	121.820.302	87.407.337
Postdated Checks	18.392.639	11.472.420
Less: Unrealized Finance Income	(422.570)	(167.223)
Doubtful Trade Receivables (*)	3.408.913	2.911.976
Less: Provision for Doubtful Trade Receivables	(3.408.913)	(2.911.976)
Sub Total	139.790.371	98.712.534
- Related Parties	1.136.232	687.628
<b>Total</b>	<b>140.926.603</b>	<b>99.400.162</b>

Current Accounts, Notes Receivables and Postdated Check maturity details are as follows:

<b><u>Customers, Notes Receivables and Postdated Check</u></b>	<b><u>30.09.2017</u></b>	<b><u>31.12.2016</u></b>
Maturity between 1 – 3 Months	77.277.218	62.568.102
Maturity between 3 – 6 Months	39.237.038	25.343.963
Maturity between 6 – 9 Months	24.834.917	11.655.320
<b>Total</b>	<b>141.349.173</b>	<b>99.567.385</b>

As of 30 September 2017, the weighted average of interest rate respectively 11,50 % and 1,42 % and 0 % used to calculate unrealized finance income for short-term trade receivables in terms of TL, USD and EUR. (31.12.2016: respectively % 8,64, % 0,96, % 0 )

As of 30 September 2017, amounting to TL 3.408.913 (31.12.2016: TL 2.911.976) trade receivables are doubtful receivables. The amounting to TL 100.380 (31.12.2016: TL 320.409) provision made within the period. Doubtful receivables are consisting of uncollected amounts of customer receivables.

##### **Long-Term Trade Receivables**

None. (31.12.2016: None.)

**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**9. TRADE RECEIVABLES / PAYABLES (continued)****a) Trade Receivables (continued):**

\* The details of doubtful trade receivables are as follows;

<b>Doubtful Trade Receivables</b>	<b>30.09.2017</b>	<b>31.12.2016</b>
Opening	2.911.976	2.721.528
Period Expense	505.084	320.409
Less: Cancelled within the Period	(8.147)	(129.961)
<b>Closing</b>	<b>3.408.913</b>	<b>2.911.976</b>

**b) Trade Payables:**

As at balance sheet date, the details of Group's trade payables are as follows:

<b>Short-Term Trade Payables</b>	<b>30.09.2017</b>	<b>31.12.2016</b>
Suppliers (*)	14.604.797	14.321.073
Notes Payables (*)	17.325.436	14.948.536
Less: Unrealized Finance Expense	(228.063)	(156.620)
Other Trade Payables	4.057.621	6.640.898
<b>Total</b>	<b>35.759.791</b>	<b>35.753.887</b>

As of 30 September 2017, the weighted average of interest rates are % 11,50, % 1,42 and % 0 used to calculate unearned finance expense for short-term trade payables in terms of TL, USD and EUR. (31.12.2016:%8,64, %0,96, % 0)

<b>* Suppliers and Notes Payables</b>	<b>30.09.2017</b>	<b>31.12.2016</b>
Maturity between 0 - 6 Months	22.351.163	24.410.998
Maturity between 6 - 9 Months	9.579.070	4.858.611
<b>Total</b>	<b>31.930.233</b>	<b>29.269.609</b>

**Long-Term Trade Payables**

None. (31.12.2016: None.)

## KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

#### 10. OTHER RECEIVABLES AND PAYABLES

<b><u>Short-Term Other Receivables</u></b>	<b><u>30.09.2017</u></b>	<b><u>31.12.2016</u></b>
Deposits and Guarantees	151.026	100.657
Receivables from Tax Office	1.576.316	2.168.458
Receivables from Social Security Institution	19.767	18.568
Blocked Receivables(*)	-	378.876
Other Miscellaneous Receivables	347.630	11.193
<b>Total</b>	<b><u>2.094.739</u></b>	<b><u>2.677.752</u></b>

(\*)The amount consists of Eximbank loans and would be collected accordingly with closing of loans.

<b><u>Long-Term Other Receivables</u></b>	<b><u>30.09.2017</u></b>	<b><u>31.12.2016</u></b>
Deposits and Guarantees	21.898	20.818
<b>Total</b>	<b><u>21.898</u></b>	<b><u>20.818</u></b>

<b><u>Short-Term Other Payables</u></b>	<b><u>30.09.2017</u></b>	<b><u>31.12.2016</u></b>
Taxes and Funds Payable	1.581.173	1.860.315
Other Miscellaneous Payables	29.429	1.774
Restructured Tax According to 6736 Numbered Tax Law	289.333	608.384
<b>Total</b>	<b><u>1.899.935</u></b>	<b><u>2.470.473</u></b>

<b><u>Long-Term Other Payables</u></b>	<b><u>30.09.2017</u></b>	<b><u>31.12.2016</u></b>
Restructured Tax According to 6736 Numbered Tax Law	1.168.998	1.168.998
<b>Total</b>	<b><u>1.168.998</u></b>	<b><u>1.168.998</u></b>

#### 11. INVENTORIES

	<b><u>30.09.2017</u></b>	<b><u>31.12.2016</u></b>
Raw materials and supplies	95.530.117	37.082.950
Work-in-process	54.752.513	36.711.597
Finished goods	17.831.901	15.892.952
Merchandise	1.477.163	2.574.129
Other Inventories	9.664	9.034
Impairment on inventories (-)	(31.332)	(31.332)
<b>Total</b>	<b><u>169.570.026</u></b>	<b><u>92.239.330</u></b>

# KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 11. INVENTORIES (continued)

The Group's inventories amounting to TL 31.332 which are net realizable value is under the cost value. (31.12.2016: TL 31.332).

<u>Provision for Impairment of Inventories</u>	<u>30.09.2017</u>	<u>31.12.2016</u>
Opening Balance	(31.332)	(37.600)
Additional Provision	-	-
Cancelled Provision (-)	-	6.268
<b>Closing Balance</b>	<b>(31.332)</b>	<b>(31.332)</b>

Group does not have any pledged inventory in return for loans as at 30 June 2017. (31.12.2016: None).

### 12. PREPAID EXPENSES AND DEFERRED INCOME

#### Short-Term Prepaid Expenses

	<u>30.09.2017</u>	<u>31.12.2016</u>
Advances Given for Inventories	18.245.646	10.050.782
Prepaid Expenses for Future Months	507.588	394.130
<b>Total</b>	<b>18.753.234</b>	<b>10.444.912</b>

#### Long-Term Prepaid Expenses

	<u>30.09.2017</u>	<u>31.12.2016</u>
Advances Given for Property, Plants and Equipments	4.036.632	1.735.478
Prepaid Expenses for Future Years	233.306	114.605
<b>Total</b>	<b>4.269.938</b>	<b>1.850.083</b>

#### Short-Term Deferred Income

	<u>30.09.2017</u>	<u>31.12.2016</u>
Deferred Income for Future Months	19.550.842	5.477.549
<b>Total</b>	<b>19.550.842</b>	<b>5.477.549</b>

### 13. INVESTMENTS ACCORDING TO EQUITY METHOD

	<u>30.09.2017</u>		<u>31.12.2016</u>	
	(%)	TL	(%)	TL
LİKA SAVUNMA	20	198.925	-	-
<b>Total</b>	<b>20</b>	<b>198.925</b>	<b>-</b>	<b>-</b>

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**13. INVESTMENTS ACCORDING TO EQUITY METHOD**

**Summary of Financial Equity Accounted Investees**

	<b><u>30.09.2017</u></b>	<b><u>31.12.2016</u></b>
Total Assets	996.538	-
Total Liabilities	996.538	-
Period Profit / (Loss)	(5.374)	-

**14. INVESTMENT PROPERTY**

Group valuated land and building located in Gaziemir / İzmir and land located in Güzelbahçe / İzmir and lands located in Ataşehir /İstanbul to CMB licensed independent expertise company TSKB Gayrimenkul Değerleme A.Ş. Group management believes that valuation company has the relevant professional experience and current information regarding investment property.

According to 30 September 2017 dated expertise report, total values of factory building and lands located in Çiğli / İzmir set as TL 5.780.000, the total value of lands located in Güzelbahçe / İzmir set as TL 1.050.000 and the total value of buildings located in Ataşehir /İstanbul set as TL 1.122.000. Property values calculated according to coefficient comparison, cost, income comparison and direct capitalization methods.

Company does not has any liabilities arising from building, developing and maintenance agreements for Investment properties as of balance sheet date.

Group has been earned amounting to TL 60.496 rent income from investment properties. (30.09.2016: TL 52.798). There is amounting to TL 15.600.000 mortgage over investment properties. (31.12.2016: TL 15.600.000).

**15. PROPERTY, PLANT AND EQUIPMENT**

Group has been purchased amounting to TL 5.192.092 (30.09.2016: TL 6.187.651) property, plant and equipment and has not been sold any property, plant and equipment within the interim period. (30.09.2016: None)

Group valuated land and building located in Gaziemir / İzmir and land which factory construction ongoing on and located in Ankara to CMB licensed independent expertise company TSKB Gayrimenkul Değerleme A.Ş. Group management believes that valuation company has the relevant professional experience and current information regarding investment property.

According to 30 September 2017 dated expertise report, factory land valued as amounting to TL 11.935.000 and building valued as amounting to TL 6.540.000 TL which is located in Çiğli / İzmir 2127 block 4 layout, factory land valued as amounting to TL 10.150.000 and building valued as amounting to TL 4.040.000 TL which is located in Çiğli / İzmir 2127 block 3 layout, factory land valued as amounting to TL 755.000 and incomplete building valued as amounting to TL 2.508.000 TL which is located in Ankara Capital Organized Industrial Zone 335 block 20 layout, factory land valued as amounting to TL 1.510.000 and incomplete building valued as amounting to TL 3.135.000 TL which is located in Ankara Capital Organized Industrial Zone 335 block 7 layout, factory land valued as amounting to TL 1.510.000 and incomplete building valued as amounting to TL 4.187.000 TL which is located in Ankara Capital Organized Industrial Zone 335 block 8 layout. Property values calculated according to coefficient comparison and cost methods. There are amounting to TL 45.000.000, USD 5.000.000 and EUR 600.000 mortgage over Property, Plant And Equipment.

## KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

#### 16. INTANGIBLE FIXED ASSETS

Group has been purchased amounting to TL 8.527.901 (30.09.2016: TL 5.360.671) intangible fixed assets and amounting to TL 6.072.477 of this purchase arising from r&d investment. Group has not been sold any intangible fixed assets within the interim period. (30.09.2016: None.)

#### 17. GOODWILL

None. (31.12.2016 – None.)

#### 18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

<u>Short-Term Debt Provision</u>	<u>30.09.2017</u>	<u>31.12.2016</u>
Warranty Expense Provision	335.900	335.900
Lawsuits Expense Provision	45.772	45.772
Total	<b>381.672</b>	<b>381.672</b>

#### Ongoing Lawsuits And Execution Proceedings

As of 30 September 2017, there are 2 lawsuits filed against the Group which are still ongoing. The total amount of this lawsuits are amounting to TL 45.772 and provision has been made for the total amount. (31 December 2016: 2 lawsuits- TL 45.772).

#### Collateral, Pledges, Mortgages, Bails

Collaterals, Pledges, Mortgages and Bails position table as of 30 September 2017 ve 31 December 2016 as below;

	<u>30.09.2017</u>			
<u>CPMB's given by the Company (Collaterals, Pledges, Mortgages, Sureties)</u>	<u>TL Equivalent</u>	<u>USD</u>	<u>EUR</u>	<u>TL</u>
1. CPMB's given for company's own legal personality	121.938.194	7.993.322	6.006.871	68.361.909
2. CPMB's given on behalf of fully consolidated Companies	-	-	-	-
3. CPMB's given of behalf of third parties for ordinary course of business	-	-	-	-
4. Other CPMB's given	-	-	-	-
- Total amount of CPMB's given on behalf of majortary shareholder	-	-	-	-
- Total amount of CPMB's given on behalf of other Group companies which are not in scope of 2 and 3	-	-	-	-
- Total amount of CPMB's given on behalf of third parties which are not in scope of 3	-	-	-	-
<b>Total</b>	<b>121.938.194</b>	<b>7.993.322</b>	<b>6.006.871</b>	<b>68.361.909</b>

**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**18. PROVISIONS, ONTINGENT ASSETS AND LIABILITIES (continued)**

**Collateral, Pledges, Mortgages, Sureties (continued)**

<b><u>CPMB’s given by the Company (Collaterals, Pledges, Mortgages, Sureties)</u></b>	<u>31.12.2016</u>			
	<b><u>TL</u></b> <b><u>Equivalent</u></b>	<b><u>USD</u></b>	<b><u>EUR</u></b>	<b><u>TL</u></b>
1. CPMB’s given for company’s own legal personality	95.240.452	6.584.186	5.459.952	51.813.509
2. CPMB’s given on behalf of fully consolidated Companies	-	-	-	-
3. CPMB’s given of behalf of third parties for ordinary course of business	-	-	-	-
4. Other CPMB’s given				
- Total amount of CPMB’s given on behalf of majotary shareholder	-	-	-	-
- Total amount of CPMB’s given on behalf of other Group companies which are not in scope of 2 and 3	-	-	-	-
- Total amount of CPMB’s given on behalf of third parties which are not in scope of 3	-	-	-	-
<b>Total</b>	<u>95.240.452</u>	<u>6.584.186</u>	<u>5.459.952</u>	<u>51.813.509</u>

Group has not been given any “Other CPMB”. (31.12.2016: None).

As of 30 September 2017 and 31 December 2016, Collaterals, Pledges, Mortgages and Bails position table are as below;

<b><u>Collaterals, Pledges, Mortgages</u></b>	<u>30.09.2017</u>				<u>31.12.2016</u>			
	<b><u>Total TL</u></b> <b><u>Equivalents</u></b>	<b><u>USD</u></b>	<b><u>EUR</u></b>	<b><u>TL</u></b>	<b><u>Total TL</u></b> <b><u>Equivalents</u></b>	<b><u>USD</u></b>	<b><u>EUR</u></b>	<b><u>TL</u></b>
Collaterals	55.365.904	2.993.322	5.406.871	22.065.559	29.818.512	1.584.186	4.859.952	6.213.509
Pledges	696.350	-	-	696.350	-	-	-	-
Mortgages	65.875.940	5.000.000	600.000	45.600.000	65.421.940	5.000.000	600.000	45.600.000
<b>Total</b>	<u>121.938.194</u>	<u>7.993.322</u>	<u>6.006.871</u>	<u>68.361.909</u>	<u>95.240.452</u>	<u>6.584.186</u>	<u>5.459.952</u>	<u>51.813.509</u>

# KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 19. EMPLOYEE BENEFITS

Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or who retires after completing 25 years of service form an or 20 years for women (58 years old woman and 60 years old man).

Termination pay liability is not subject to any kind of funding legally. Provision for termination pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 (“Employee Benefits”) stipulates the development of Company’s liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

As at balance sheet date, provisions calculated according to assumption % 5 expected salary increasing rate and % 8,64 discount rate and about %3,81 real discount rate and retiring assumption as follows.

Main assumption is that maximum liability amount increases parallel to inflation rate for every service year. Therefore, discount rate used is the expected real rate adjusted for the future inflationary effects. Because of this, provisions in the accompanying financial statements as of 30 September 2017 are calculated by estimating present value of probable liabilities arising due to retirement of employees.

Group’s termination pay provision calculated over amounting to TL 4.426 retirement pay ceiling (31.12.2016: TL 4.297) which is effective from 01 January 2017.

#### **Provision for Short-Term**

<b><u>Employee Benefits</u></b>	<b><u>30.09.2017</u></b>	<b><u>31.12.2016</u></b>
Unused Vacation Provision	923.959	711.803
<b>Total</b>	<b>923.959</b>	<b>711.803</b>

#### **Provision for Long-Term**

<b><u>Employee Benefits</u></b>	<b><u>30.09.2017</u></b>	<b><u>31.12.2016</u></b>
Termination Pay Provision	4.024.719	3.498.780
<b>Total</b>	<b>4.024.719</b>	<b>3.498.780</b>

#### **Payables Related to the Employee Benefits**

	<b><u>30.09.2017</u></b>	<b><u>31.12.2016</u></b>
Payables to Personnel	445.277	193.819
Social Security Premiums Payable	1.542.957	1.137.913
<b>Total</b>	<b>1.988.234</b>	<b>1.331.732</b>

## KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

#### 19. EMPLOYEE BENEFITS (continued)

The movement of provision for severance pay are as follows:

	1 January - 30 September 2017	1 January - 31 December 2016
Provision as of 1 st January	3.498.780	2.609.471
Service Cost	705.185	865.242
Interest Cost	215.228	219.251
Severance Pay Cancelled	(406.618)	(416.930)
Defined Benefit Plans		
Remeasurement Gain / Loss (*)	12.144	221.746
<b>Total Provisions as of Period End</b>	<b>4.024.719</b>	<b>3.498.780</b>

(\*) As of 30 September 2017, amounting to TL 12.144 (31.12.2016: TL 221.746) defined benefit plans remeasurement gain / losses booked in statement of comprehensive income.

The total expense has been charged to the general administrative, marketing and general production expenses.

#### 20. OTHER ASSETS AND LIABILITIES

<u>Other Current Assets</u>	30.09.2017	31.12.2016
Deferred VAT	20.111.831	12.054.163
Work Advances	734.671	270.245
Personnel Advances	266.477	-
<b>Total</b>	<b>21.112.979</b>	<b>12.324.408</b>

#### Other Non-Current Assets

None. (31.12.2016: None.)

#### Other Short-Term Liabilities

None. (31.12.2016: None.)

#### Other Long-Term Liabilities

None. (31.12.2016: None.)

## KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

#### 21. CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS

##### a) Capital

Company’s capital structure as of 30 September 2017 and 31 December 2016 are as follows;

	<u>30.09.2017</u>		<u>31.12.2016</u>	
	<u>Equity Ratio</u>	<u>Share Amount</u>	<u>Equity Ratio</u>	<u>Share Amount</u>
<b><u>Shareholders</u></b>	<u>(%)</u>	<u>TL</u>	<u>(%)</u>	<u>TL</u>
İsmail Katmerci	46,11	11.528.333	46,11	11.528.333
Havva Katmerci	4,40	1.100.000	4,40	1.100.000
Mehmet Katmerci	4,40	1.100.000	4,40	1.100.000
Ayşenur Çobanoğlu	4,40	1.100.000	4,40	1.100.000
Furkan Katmerci	4,40	1.100.000	4,40	1.100.000
Public Part (*)	36,29	9.071.667	36,29	9.071.667
<b>Capital</b>	<b>100,00</b>	<b>25.000.000</b>	<b>100,00</b>	<b>25.000.000</b>
Unpaid Capital (-)		-		-
<b>Paid-in Capital</b>		<b>25.000.000</b>		<b>25.000.000</b>

(\*) The public part of the capital are trading in Istanbul Stock Exchange, Inc. (BIST).

Company’s paid capital is amounting to TL 25.000.000. (31.12.2016: TL 25.000.000) Capital consist of 25.000.000 registered shares. Each shares nominal value is amounting to 1 TL. 2.000.000 pcs. of shares nominative A Group and 23.000.000 pcs. of shares are nominative B Group shares. (31.12.2016 None.). There is not any restriction on Katmerciler shares (31.12.2016 None).

A group shares are privileged and 1.600.000 pcs. own by İsmail Katmerci, 100.000 pcs. own by Havva Katmerci, 100.000 pcs own by Mehmet Katmerci, 100.000 pcs own by Ayşenur Çobanoğlu and 100.000 pcs own by Furkan Katmerci. Privileged shares gives right to owner as mentioned below;

Company manages by the board of management consist of 5 people chosen by general assembly from the A group shareholders accordingly with Turkish Commercial Code. (Articles of Association article 10) issued shares are fully paid.

##### **b) Re-acquired Shares**

Company has been finished repurchase program by 23.05.2014 dated and 2014/17 numbered board decision which was started by 27.12.2013 dated and 2013/29 numbered board decision. Meanwhile, Company has been reacquired amounting to TL 16.000 nominal valued shares on 27.01.2014 date to amounting to TL 38.827 from 2,40 – 2,45 price range.

Company has been re-started repurchase program on 22.07.2016 according to 21.07.2016 dated Capital Market Board’s decision to be applied until a Board’s second decision. Meanwhile, Company has been reacquired amounting to TL 139.609 nominal valued shares on 22.07.2016, 25.07.2016, 24.08.2016 and 29.08.2016 dates to amounting to TL 889.823 from 5,64 – 6,83 price range, amounting to TL 33.500 nominal valued shares amounting to TL 232.648 from 6,91 – 6,96 price range and amounting to TL 75.862 nominal valued shares on 07.04.2017-18.04.2017 amounting to TL 733.898 from 9,55-9,78 price range therefore Company has been reacquired amounting to TL 264.971 nominal valued own shares amounting to TL 1.895.196 price in total.

**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**21. CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS (continued)**

<b><u>c) Revaluation and Remeasurement Gain / (Loss)</u></b>	<b><u>30.09.2017</u></b>	<b><u>31.12.2016</u></b>
Revaluation and Surplus on Property and Equipments	15.002.863	11.259.003
<b><u>Revaluation Surplus</u></b>	<b><u>30.09.2017</u></b>	<b><u>31.12.2016</u></b>
Opening Balance	11.259.003	9.976.331
Increase from Surplus Assets Revaluation	3.940.905	1.350.607
Deferred Tax Liability from Revaluation	(197.045)	(67.935)
<b>Closing Balance</b>	<b><u>15.002.863</u></b>	<b><u>11.259.003</u></b>

**d) Other Cumulative Comprehensive Income / Expense not to be Reclassified in Profit or Loss**

	<b><u>30.09.2017</u></b>	<b><u>31.12.2016</u></b>
Defined Benefit Plans Remeasurement Gain / Loss	(514.373)	(504.658)
	<b><u>(514.373)</u></b>	<b><u>(504.658)</u></b>

**e) Restricted Reserves**

	<b><u>30.09.2017</u></b>	<b><u>31.12.2016</u></b>
Legal Reserves	3.765.426	3.150.869
<b>Total</b>	<b><u>3.765.426</u></b>	<b><u>3.150.869</u></b>

**f) Retained Profit / (Loss)**

	<b><u>30.09.2017</u></b>	<b><u>31.12.2016</u></b>
Retained Profit / (Loss)	35.553.220	26.570.969
<b>Total</b>	<b><u>35.553.220</u></b>	<b><u>26.570.969</u></b>

**g) Non-Controlling Interests**

	<b><u>30.09.2017</u></b>	<b><u>31.12.2016</u></b>
Balance at 1 January	22.571	17.910
Additions / Disposals	3	(3)
Income / Loss for the period	6.861	4.664
<b>Total</b>	<b><u>29.435</u></b>	<b><u>22.571</u></b>

**h) Merge Effect of Common Controlled Entity and Business**

	<b><u>30.09.2017</u></b>	<b><u>31.12.2016</u></b>
Merge Effect of Common Controlled Transaction (*)	(1.759.039)	(1.759.039)
<b>Toplam</b>	<b><u>(1.759.039)</u></b>	<b><u>(1.759.039)</u></b>

## KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

#### 21. CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS (continued)

(\*) Company has been purchased İspan and Profil’s amounting to TL 89.000 and TL 466.677 nominal amount of shares by paying respectively amounting to TL 89.000 and TL 4.017.133 from shareholder İsmail Katmerci. This operation considered as “Merging of Common Controlled Entity and Business” and amounting to TL 1.759.039 difference between purchasing price and fair value discounted from purchasing price and presented as “Merge Effect of Common Controlled Entity and Business” in equity.

#### Profit distribution

Publicly held companies , the CMB's dividend distribution came into force from the date of February 1, 2014 II-1.19 Dividend accordance with the notification.

Partnerships, profits will be determined by the General Assembly in accordance with the dividend distribution policy and in accordance with the provisions of the relevant legislation by the General Assembly distributes . Comes within the scope of the notification a minimum distribution rate has not been determined . Companies based in contract or in the manner specified in the dividend distribution policy will pay dividends . In addition, dividends may be paid in installments of equal or different, consistent and interim financial statements of the profits in advance may distribute dividends in cash .

TCC based on separation of reserves required by the articles of association or dividend distribution policy for the shareholders determine dividend allocates other reserves to allocate to the next year to transfer profit and dividend shareholders , management board members subsidiaries to their employees and shareholders, persons other than the profit share to be distributed could not be given , as determined for the shareholders in cash dividends are paid on these shares may not be distributed to persons on the card .

Company’s board of directors changed dividend distribution policy with 29.04.2014 dated and 2014/13 numbered board decision which was related to 2010 and following years and decided with 25.02.2011 dated and 2011/12 numbered board decision within the scope of 6362 numbered Capital Market Board Law II.19.1 Dividend Distribution announcement announced on 23 January 2014. The decision approved by shareholders on 2013 dated ordinary meeting of the general assembly.

#### 22. INCOME TAXES

##### Current Income Tax Assets

	<u>30.09.2017</u>	<u>31.12.2016</u>
Prepaid Taxes and Funds	2.193	2.193

##### Tax Expense

	<u>30.09.2017</u>	<u>31.12.2016</u>
Current Income Tax Provision (-)	(1.214.341)	(2.196.848)
Deferred Tax Provision Income / (Loss)	13.134	239.557
<b>Total</b>	<b>(1.201.207)</b>	<b>(1.957.291)</b>

## KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

#### 22. INCOME TAXES (continued)

##### Corporate Tax

The Group is subject to Turkish corporate taxes. The estimated tax liabilities of the Group's results for the period is recognized in the accompanying consolidated financial statements.

The corporate tax rate on taxable profit will be accrued expense in determining accounting profit and tax-exempt non-deductible expenses, gains and other non-taxable income deductions (prior year losses and investment incentives) on taxable income after the deduction of calculated.

Corporations calculate and pay quarterly temporary corporate tax of 20%. (2016: %20).

##### Tax Reconciliation

*A reconciliation of income tax expense in the period are as follows:*

##### Dönem Karı Vergi Yükümlülüğü

	<u>30.09.2017</u>	<u>31.12.2016</u>
Profit / (Loss) before Tax	10.028.923	11.558.763
Taxable Profit / (Loss)	10.028.923	11.558.763
Corporate Tax Rate (% 20)	20%	20%
Calculated Tax (%20)	2.005.785	2.311.753
Non-Deductable Charges (% 20)	326.692	338.864
Exceptions and Deductions	(1.214.495)	(1.487.920)
Deferred Tax Income / Expense, Net	13.134	239.557
Other Adjustments (%20)	83.226	794.594
<b>Total</b>	<b>1.214.341</b>	<b>2.196.848</b>

The Company is subject to Turkish corporate taxes and corporate tax rate is % 20. Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting the revenues exempted from tax, non-taxable revenues and other discounts (if any previous year losses, if preferred investment allowances and also R&D center incentive) are deducted.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 - 25 April following the close of the accounting year to which they relate (Companies with special accounting periods file their tax returns between 1- 25 of the fourth month subsequent to the fiscal year end). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years

##### Income Tax Withholding

In addition to corporate taxes, their share of the profit from the distribution of dividends in the event of the company's income in the statements, including non-resident institutions and branches of foreign companies in Turkey on any dividends distributed, except for the calculation of income tax withholding is required. Income tax 24 April 2003 - 22 July 2006 was 10% in all companies. This rate uses as 15% from 22 July 2006 with 2006/10731 numbered decision of the Council of Ministers. Undistributed dividends incorporated in share capital are not subject to income tax withholding.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**22. INCOME TAXES (continued)**

Deferred Tax:

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable (statutory) profit. Deferred tax is calculated using tax rates that have been enacted in the period in which assets acquired and/or liabilities carried out and included in the statement of income as income or expense.

Deferred tax rate is %20. (2016 :%20)

**23. EARNINGS PER SHARE**

	<u>01.01.2017</u> <u>30.09.2017</u>	<u>01.01.2016</u> <u>31.12.2016</u>
<b>Earnings Per Share</b>		
Attributable to the Owners of the Company	8.820.855	9.596.808
Weighted Average Number of Shares	25.000.000	25.000.000
Earning / (Loss) Per Share from Operating Activities	0,353	0,384
Diluted Earning / (Loss) Per Share from Operating Activities		

**24. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS**

**a) Capital Risk Management**

The aims of Group are to be beneficial for all shareholders and maintaining the best capital combination to reduce capital cost and keeping on entity when managing the capital. The Group's capital risk management, calculating as disclosed in note 8 including loans, debts, and, respectively, of cash and cash equivalents as disclosed in note 6 , paid-in capital, defined benefit plans, re-measurement gains / losses, capital reserves, profit reserves and retained earnings / (loss) comprising shareholders' equity are taken into account and as disclosed in note 21.

Group capital cost and each risks regarding capital evaluate by executives. According to the evaluate company aim to equalize the capital structure by borrowing, redemption, dividend payment and issuance of shares.

The Group uses Liabilities / Equity rate while they follow capital sufficiency. This rate is found by net liabilities divided by total equity. Net liabilities is counted by cash and cash equivalents minus total liabilities which appears in balance sheet.

Equity to debts ratio as of 30 September 2017 and 31 December 2016 are as follows:

	<u>30.09.2017</u>	<u>31.12.2016</u>
Financial Liabilities	291.230.962	164.776.461
Less : Cash and Cash Equivalents	(8.293.498)	(6.161.712)
Net Financial Liabilities	282.937.464	158.614.749
Total Equity	84.003.191	72.175.225
Liabilities / Equity Ratio	3,37	2,20

The Group's current period capital risk management strategy doesn't differ compared to previous periods.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

24. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

**b) Financial Risk Factors**

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company’s financial performance.

Credit risk is defined as the risk of a financial loss to the Company as a result of a party failing to fulfill its contractual obligation. Group seeks to reduce credit risk by performing transactions only with credibility parties, where possible, by obtaining sufficient collateral. Credit risks of the Company and the credit ratings of its customers are monitored continuously.

Group seeks to reduce credit risk by performing transactions only with credibility parties, where possible, by obtaining sufficient collateral.

Trade receivables generally include a large number of customers, who are concentrated in the same sector and geographical area. Customers are continuously subject to credit evaluation over their trade receivables.

30.09.2017	Receivables				Cash and Cash Equivalents
	Trade Receivables		Other Receivables		
Current Period	Related	3rd	Related	3rd	Banks Deposits
	Parties	Parties	Parties	Parties	
<b>The maximum amount of exposure to credit risk at the end of the reporting period</b>					
<b>(A+B+C+D) (1)</b>	<b>1.136.232</b>	<b>139.790.371</b>	<b>-</b>	<b>2.116.637</b>	<b>8.220.506</b>
- Maximum risk guaranteed with collateral etc.(*)	-	-	-	-	-
A. Financial assets that are either past due or impaired (2)	1.136.232	139.790.371		2.116.637	8.220.506
B. The amount of financial assets that are past due as at the end of reporting period but not impaired (4)	-	-	-	-	-
C. The amount of financial assets that are impaired (3)	-	-	-	-	-
- Overdue (gross book value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Net value guaranteed with collateral etc.	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-
- Impairment (-)	-	3.408.913	-	-	-
- Net value guaranteed with collateral etc.	-	(3.408.913)	-	-	-
D. Off balance sheet credit risk amount	-	-	-	-	-

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

## 24. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

31.12.2016	Receivables				Cash and Cash Equivalents
	Trade Receivables		Other Receivables		
	Previous Period	Related Parties	3rd Parties	Related Parties	3rd Parties
<b>The maximum amount of exposure to credit risk at the end of the reporting period</b>					
(A+B+C+D) (1)	687.628	98.712.534	-	2.698.570	6.142.724
- Maximum risk guaranteed with collateral etc. (*)	-	-	-	-	-
A. Financial assets that are either past due or impaired (2)	687.628	98.712.534		2.698.570	6.142.724
B. The amount of financial assets that are past due as at the end of reporting period but not impaired (4)	-			-	-
C. The amount of financial assets that are impaired (3)	-			-	-
- Overdue (gross book value)	-			-	-
- Impairment (-)	-	2.911.976		-	-
- Net value guaranteed with collateral etc.	-	(2.911.976)		-	-
- Not overdue (gross book value)	-			-	-
- Impairment (-)	-			-	-
- Net value guaranteed with collateral etc.	-			-	-
D. Off balance sheet credit risk amount	-			-	-

**b.2) Market Risk Management**

The market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Corporate Management periodically assign strategies and limits regarding asset management, asset management manage by asset managers within this scope.

**b.2.1) Foreign Exchange Risk Management**

Foreign currency transactions expose the Group to foreign currency risk. These risks are monitored and limited by the analysis of foreign currency position.

The group's foreign currency denominated monetary and non-monetary assets and liabilities as of the date of the balance sheet are as follows:

**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**24. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**

**b.2.1) Foreign Exchange Risk Management (continued)**

CONSOLIDATED EXCHANGE POSITION TABLE	30.09.2017				31.12.2016			
	TL Equivalent	US Dollars	EURO	STERLİN	TL Equivalent	US Dollars	EURO	GBP
1. Trade Receivables	103.297.884	12.238.418	14.270.060	-	70.561.877	9.472.878	10.033.943	-
<b>2a. Monetary Financial Assets (including cash and bank accounts)</b>	<b>2.915.093</b>	<b>147.464</b>	<b>567.813</b>	<b>2.280</b>	<b>2.681.875</b>	<b>427.582</b>	<b>317.294</b>	<b>-</b>
2b. Non-Monetary Financial Assets	9.984.753	678.549	1.811.359	-	8.054.318	870.289	1.345.481	-
3. Other	-	-	-	-	-	-	-	-
<b>4. Current Assets (1+2+3)</b>	<b>116.197.731</b>	<b>13.064.431</b>	<b>16.649.231</b>	<b>2.280</b>	<b>81.298.070</b>	<b>10.770.749</b>	<b>11.696.717</b>	<b>-</b>
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
<b>8. Non-Current Assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total Assets (4+8)</b>	<b>116.197.731</b>	<b>13.064.431</b>	<b>16.649.231</b>	<b>2.280</b>	<b>81.298.070</b>	<b>10.770.749</b>	<b>11.696.717</b>	<b>-</b>
10. Trade Payables	13.136.230	1.685.984	1.701.688	850	12.974.100	474.895	3.046.236	375
11. Financial Liabilities	36.152.293	17.132	8.608.777	-	48.760.647	194.126	12.959.239	-
12a. Other Monetary Financial Liabilities	-	-	-	-	3.235.653	808.883	104.863	-
12b. Other Non-Monetary Financial Liabilities	19.152.936	3.265.536	1.801.695	-	5.317.899	719.391	751.023	-
<b>13. Short-Term Liabilities (10+11+12)</b>	<b>68.441.460</b>	<b>4.968.653</b>	<b>12.112.160</b>	<b>850</b>	<b>70.288.299</b>	<b>2.197.295</b>	<b>16.861.360</b>	<b>375</b>
14. Trade Payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	65.352.067	214.022	15.406.888	-	18.082.505	342.258	4.549.457	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-	-	-	-	-	-
<b>17. Long-Term Liabilities (14+15+16)</b>	<b>65.352.067</b>	<b>214.022</b>	<b>15.406.888</b>	<b>-</b>	<b>18.082.505</b>	<b>342.258</b>	<b>4.549.457</b>	<b>-</b>
<b>18. Total Liabilities (13+17)</b>	<b>133.793.526</b>	<b>5.182.675</b>	<b>27.519.048</b>	<b>850</b>	<b>88.370.804</b>	<b>2.539.553</b>	<b>21.410.817</b>	<b>375</b>
<b>19. Off Balance Sheet Derivative Instruments Net Assets / (Liabilities) (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19a. Total Assets Hedged</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19b. Total Liabilities Hedged</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>20. Net Foreign Currency Assets / (Liabilities) (9-18+19)</b>	<b>(17.595.796)</b>	<b>7.881.756</b>	<b>(10.869.817)</b>	<b>1.430</b>	<b>(7.072.734)</b>	<b>8.231.196</b>	<b>(9.714.100)</b>	<b>(375)</b>
<b>21. Monetary Items Net Foreign Currency Assets / (Liability) Position (IFRS 7.B23) (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(8.427.613)</b>	<b>10.468.743</b>	<b>(10.879.481)</b>	<b>1.430</b>	<b>(9.809.153)</b>	<b>8.080.299</b>	<b>(10.308.558)</b>	<b>(375)</b>
<b>22. Total Fair Value of Financial Instruments Used for Currency Hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**24. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**

The Group is exposed to foreign exchange risk arising primarily with respect to transactions denominated in USD, EURO and GBP.

The following table details the Company’s sensitivity to a 10% increase and decrease in the TL against USD, Euro and GBP. 10% is used in the reporting of currency risk to the key management and it represents the management’s expectation on the potential exchange rate fluctuations. Sensitivity analysis can only made on the year-end outstanding foreign currency denominated monetary items and it shows the year-end effects of the 10% of exchange currency fluctuation on the related items.

**Exchange Rate Sensivity Analysis**

**30.09.2017**

	<b>Appreciated Exchange Rate</b>	<b>Depreciated Exchange Rate</b>
<b>Increase of 10% change in USD against TL:</b>		
1- USD Net Assets / Liabilities	2.799.679	(2.799.679)
2- The Amount of USD Hedging (-)	-	-
<b>3- USD Net Effect (1+2)</b>	<b>2.799.679</b>	<b>(2.799.679)</b>
<b>Increase of 10% change in EUR against TL:</b>		
4- EUR Net Assets / Liabilities	(4.557.062)	4.557.062
5- The Amount of EUR Hedging (-)	-	-
<b>6- EUR Net Effect (4+5)</b>	<b>(4.557.062)</b>	<b>4.557.062</b>
<b>Increase of 10% change in GBP against TL:</b>		
4- GBP Net Assets / Liabilities	679	(679)
5- The Amount of GBP Hedging (-)	-	-
<b>6- GBP Net Effect (4+5)</b>	<b>679</b>	<b>(679)</b>
<b>TOTAL (3+6+9+12)</b>	<b>(1.756.705)</b>	<b>1.756.705</b>

**Exchange Rate Sensivity Analysis**

**31.12.2016**

	<b>Appreciated Exchange Rate</b>	<b>Depreciated Exchange Rate</b>
<b>Increase of 10% change in USD against TL:</b>		
1- USD Net Assets / Liabilities	2.896.723	(2.896.723)
2- The Amount of USD Hedging (-)	-	-
<b>3- USD Net Effect (1+2)</b>	<b>2.896.723</b>	<b>(2.896.723)</b>
<b>Increase of 10% change in EUR against TL:</b>		
4- EUR Net Assets / Liabilities	(3.603.834)	3.603.834
5- The Amount of EUR Hedging (-)	-	-
<b>6- EUR Net Effect (4+5)</b>	<b>(3.603.834)</b>	<b>3.603.834</b>
<b>Increase of 10% change in GBP against TL:</b>		
4- GBP Net Assets / Liabilities	(162)	162
5- The Amount of GBP Hedging (-)	-	-
<b>6- GBP Net Effect (4+5)</b>	<b>(162)</b>	<b>162</b>
<b>TOTAL (3+6+9+12)</b>	<b>(707.273)</b>	<b>707.273</b>

**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

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(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**25. FINANCIAL INSTRUMENTS (FAIR VALUE OF FINANCIAL RISK MANAGEMENT DISCLOSURES)**

	<b>Financial Assets Measured at Fair Value</b>	<b>Loans and Receivables (Including Cash and Cash Equivalents)</b>	<b>Financial Assets Available for Sale</b>	<b>Financial Liabilities are Measured at Amortized Cost</b>	<b>Carrying Value</b>	<b>Notes</b>
<b>30.09.2017</b>						
<b>Financial Assets</b>						
Cash and Cash						
Equivalents	-	8.293.498	-	-	8.293.498	6
Trade Receivables	-	140.926.603	-	-	140.926.603	9
Financial Investments	84.120		-	-	84.120	7
<b>Financial Liabilities</b>						
Financial Payables	-	-	-	291.230.962	291.230.962	8
Trade Payables	-	-	-	35.759.791	35.759.791	9
Other Financial Liabilities	-	-	-	-	-	

	<b>Financial Assets Measured at Fair Value</b>	<b>Loans and Receivables (Including Cash and Cash Equivalents)</b>	<b>Financial Assets Available for Sale</b>	<b>Financial Liabilities are Measured at Amortized Cost</b>	<b>Carrying Value</b>	<b>Notes</b>
<b>31.12.2016</b>						
<b>Financial Assets</b>						
Cash and Cash						
Equivalents	-	6.161.712	-	-	6.161.712	6
Trade Receivables	-	99.400.164	-	-	99.400.164	9
Financial Investments	1.076.191	-	-	-	1.076.191	
<b>Financial Liabilities</b>						
Financial Payables	-	-	-	164.776.461	164.776.461	8
Trade Payables	-	-	-	35.753.887	35.753.887	9
Other Financial Liabilities	-	-	-	-	-	

## KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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#### 25. FINANCIAL INSTRUMENTS (FAIR VALUE OF FINANCIAL RISK MANAGEMENT DISCLOSURES) (continued)

Financial Instrument fair values determine as follows;

- First Level: Financial Instruments valued with market values of the similar instruments which traded on active market.
- Second Level: Financial Instruments valued with data uses to find price which observable directly or indirectly on the market in addition to first level.
- Third Level: Financial Instruments valued with data which not based on data uses to find fair value of the instruments on the market.

#### Financial Assets carried at fair value in the Statement of Financial Position

	Level1	Level 2	Level 3
Financial Investments (Note:7)	84.120		

#### 26. SUBSEQUENT EVENTS

- In accordance with the Board of Directors' dated 13.10.2017 and numbered 2017/29 decision, it was decided on 13.10.2017 to terminate the share repurchase program which was started by the Capital Markets Board's dated 21.07.2016 and 25.07.2016 press announcements. The reacquired amounting to TL 264.971 nominal value shares were sold on 16.10.2017 amounting to TL 3.762.588 in total. Company does not has any own share on Katmerciler Araç Üstü Ekipman San. ve Tic.A.Ş. capital with this transaction.
- The valuation made by the international credit rating company JCR Eurasia Rating Company authorized by the Capital Markets Board dated 20.10.2017 and assessments is given below. Group's Long Term National Note and outlook set as “A- (Trk)/Stable”, and Long Term International Foreign and Domestic Currency Note and outlook set as ‘BBB-/ Stable’ by evaluating Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and It's subsidiaries consolidate structure and cash flow of Existing Bonds Issued the high-level investment grade. Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş.'s bonds / bills planned to be issued in the current and future periods has not been created any change or privilege in the legal and / or collateralization aspects of the repayment of other liabilities therefore the ratings given for legal entity of the company also represent bond issues.

#### 27. DISCLOSURE OF OTHER MATTERS

None. (31.12.2016: None).