

Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş.
And It's Subsidiaries

Consolidated Condensed Financial Statements
For The Interim Period 1 January - 30 June 2017
Together With Auditor's Review Report
(Convenience Translation of Financial Statements
Originally Issued In Turkish)

Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş.
And It's Subsidiaries

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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REVIEW REPORT ORIGINALLY ISSUED IN TURKISH REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret Anonim Şirketi

Introduction

We have reviewed the accompanying consolidated statement of balance sheet of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret Anonim Şirketi (the "Company") and its subsidiaries ("collectively referred as the "Group") as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, changes in equity, consolidated cash flows and other explanatory notes for the six-month period then ended ("condensed consolidated interim financial information"). The management of the Group is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the consolidated financial statements. Consequently, a review on the condensed consolidated interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to conclude that the accompanying condensed consolidated interim financial information of the Group is not prepared, in all material respects, in accordance with TAS 34.

Other Matter

The consolidated financial statements of the Group as of 31 December 2016 and for the year then ended were audited and the condensed consolidated interim financial information as of 30 June 2016 and for the six-month period then ended were reviewed by another audit firm whose audit report dated 13 March 2017 expressed an unqualified opinion and whose review report dated 18 August 2016 expressed a conclusion that no material non-compliance with respect to TAS 34 has come to their attention.

Tayyip YAŞAR, YMM
Partner

21 August 2017

İstanbul, Türkiye

Aksis Uluslararası Bağımsız Denetim Anonim Şirketi

Katmerciler Araç Üstü Ekipman San.ve Tic. A.Ş and Its Subsidiaries

Interim Condensed Consolidated Statement of Financial Position as of 30 June 2017

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

	Notes	Reviewed 30 June 2017 Current Period	Audited 31 December 2016 Previous Period
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	19.193.610	6.161.712
Financial Investments	7	2.730.722	1.076.191
Trade Receivables		122.884.286	99.400.162
- Trade Receivables from Related Parties	9	698.361	687.628
- Trade Receivables from 3rd Parties	9	122.185.925	98.712.534
Other Receivables		899.470	2.677.752
- Other Receivables from Related Parties		-	-
- Other Receivables from 3rd Parties	10	899.470	2.677.752
Inventories	11	145.866.460	92.239.330
Prepaid Expenses	12	17.052.415	10.444.912
Assets Related with Current Period Tax	22	103.811	2.193
Other Current Assets	20	19.528.006	12.324.408
Non-Current Assets			
Other Receivables	10	21.898	20.818
- Other Receivables from Related Parties		-	-
- Other Receivables from 3rd Parties	10	21.898	20.818
Equity Accounted Investees	13	199.192	-
Investment Property	14	7.200.000	7.200.000
Property Plant and Equipments	15	45.898.584	42.631.846
Intangible Assets	16	13.004.864	9.717.796
- Goodwill	17	-	-
- Other Intangible Assets	16	13.004.864	9.717.796
Prepaid Expenses	12	2.604.467	1.850.083
Deferred Tax Assets	22	8.163.241	7.616.646
TOTAL ASSETS		405.351.026	293.363.849



Interim Condensed Consolidated Statement of Financial Position as of 30 June 2017

LIABILITIES

Short-Term Liabilities		208.504.543	158.989.222
Short-Term Borrowings	8	146.950.643	107.794.967
Short Term Portion of Long Term Borrowings		3.253.495	5.067.140
Trade Payables		39.255.255	35.753.887
- Due to Related Parties		-	-
- Other Trade Payables	9	39.255.255	35.753.887
Payables Related to the Employee Benefits	19	903.595	1.331.732
Other Payables		2.125.207	2.470.473
- Due to Related Parties		-	-
- Other Trade Payables	10	2.125.207	2.470.473
Deferred Income	12	14.786.674	5.477.549
Short-Term Provisions		1.229.674	1.093.474
- Short-Term Provisions Related to Employee Benefits	19	848.002	711.803
- Other Short-Term Provisions	18	381.672	381.672
Long-Term Liabilities		119.145.738	62.199.402
Long-Term Borrowings		108.100.447	51.914.354
Other Payables	8	1.168.998	1.168.998
- Other Payables to Related Parties		-	-
- Other Payables to 3rd Parties	10	1.168.998	1.168.998
Long-Term Provisions		3.767.476	3.498.780
- Long-Term Provisions Related to Employee Benefits	19	3.767.476	3.498.780
- Other Long-Term Provisions		-	-
Deferred Tax Liability	22	6.108.817	5.617.270
Other Long-Term Liabilities		-	-
EQUITY		77.700.745	72.175.225
Equity Attributable to Owners of the Company		77.673.320	72.152.654
Paid-in Capital	21	25.000.000	25.000.000
Treasury Shares Owned by the Company (-)		(1.895.196)	(1.161.298)
Other Comprehensive Income or Expenses not to Be Reclassified On Profit or Loss		11.002.260	10.754.345
- Revaluation Surplus		11.259.003	11.259.003
- Actuarial Gain / (Loss)		(256.743)	(504.658)
Other Comprehensive Income or Expenses to be reclassified on Profit or Loss		-	-
Restricted Reserves	21	3.150.869	3.150.869
Reserve from Under Common Control Transactions	21	(1.759.039)	(1.759.039)
Retained Earnings	21	36.167.777	26.570.969
Net Profit / (Loss) of the Period		6.006.649	9.596.808
Non-Controlling Interests	21	27.425	22.571
TOTAL LIABILITIES		405.351.026	293.363.849

The accompanying accounting policies and explanatory notes are an integral part of these interim condensed statements



**Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Period
Between 01.01.2017 - 30.06.2017**

		Current Period 01.01.2017 - 30.06.2017	Previous Period 01.01.2016 - 30.06.2016	Current Period 01.04.2017 - 30.06.2017	Previous Period 01.04.2016 - 30.06.2016
Revenue	5	72.719.536	68.299.708	35.981.436	26.678.153
Cost of Sales (-)	5	(31.978.722)	(37.714.602)	(13.085.780)	(8.662.812)
GROSS PROFIT / (LOSS)		40.740.814	30.585.106	22.895.656	18.015.341
General Administrative Expenses (-)	5	(8.595.094)	(5.891.566)	(5.139.714)	(3.730.298)
Marketing Expenses (-)	5	(9.376.219)	(7.940.137)	(5.615.671)	(4.324.775)
Research and Development Expenses (-)		(128.276)	(587.292)	36.764	(44.433)
Other Income from Operating Activities	5	11.912.648	3.176.028	1.992.046	1.845.124
Other Expenses from Operating Activities (-)	5	(8.719.644)	(2.702.021)	(1.666.418)	(918.296)
OPERATING PROFIT / (LOSS)		25.834.229	16.640.118	12.502.663	10.842.663
Income from Investing Activities	5	1.232.662	331.339	909.043	295.755
Expenses from Investing Activities (-)		(888.558)	-	(888.558)	-
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES		26.178.333	16.971.457	12.523.148	11.138.418
Financial Income	5	9.940.965	1.446.110	2.224.119	99.520
Financial Expenses (-)	5	(29.410.413)	(9.897.779)	(11.139.714)	(5.797.813)
PROFIT / (LOSS) BEFORE TAXES		6.708.885	8.519.788	3.607.553	5.440.125
Tax Income / (Expense) from Operating Activities		(697.385)	(1.323.634)	(146.889)	(796.057)
- Tax for Period	22	(814.412)	(1.317.213)	(240.919)	(939.461)
- Deferred Tax Income / (Expense)	22	117.027	(6.421)	94.030	143.404
Attributable to Profit / (Loss)		6.011.500	7.196.154	3.460.664	4.644.068
Non-Controlling Interest	21	4.851	4.609	3.556	2.677
Owners of the Company	21	6.006.649	7.191.545	3.457.108	4.641.391
Earnings Per Share		0,24	0,29	0,14	0,19
Diluted Earnings Per Share from Continuing Operations		0,24	0,29	0,14	0,19
NET PROFIT / (LOSS)		6.011.500	7.196.154	3.460.664	4.644.068
Other Comprehensive Income					
Items not to be Reclassified in Profit or Loss		247.915	(116.815)	523.620	(323.086)
Defined Benefit Plans Remeasurement Gains / (Losses)		309.894	(146.019)	654.525	(403.858)
Tax Income/(Loss) related to Other Comprehensive Income not to be Reclassified in Profit or Loss		(61.979)	29.204	(130.905)	80.772
- Current Tax (Expense) / Income		-	-	-	-
- Deferred Tax Income / (Expense)		(61.979)	29.204	(130.905)	80.772
OTHER COMPREHENSIVE INCOME (AFTER TAX)		247.915	(116.815)	523.620	(323.086)
TOTAL COMPREHENSIVE INCOME		6.259.415	7.079.339	3.984.284	4.320.982
Distribution of Comprehensive Income					
Non-Controlling Interest		4.851	5.350	(4.871)	(7.161)
Owners of the Company		6.254.564	7.073.990	3.989.155	4.328.143

The accompanying accounting policies and explanatory notes are an integral part of these interim condensed statements



KATMERCİLER ARACI ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE PERIOD BETWEEN 01.01.2017 - 30.06.2017

Sıra No	Paid-in Capital	Treasury Shares Owned By the Company	Other Comprehensive Profit / (Loss) Not to be Reclassified on Profit or Loss				Retained Earnings				Equity
			Identified Benefit Plans Reclassification Income / (Loss)	Property Plant Equipment Revaluation Increase	Reserve from Under Common Control Transactions	Restricted Reserves	Retained Profit / (Loss)	Net Period Profit / (Loss)	Equity Attributable to Owners of the Company	Non Controlling Interests	
PREVIOUS PERIOD											
21	25.000.000	(38.827)	(238.563)	9.976.331	(1.759.039)	2.061.453	9.039.516	18.620.869	62.661.740	17.910	62.679.650
Transfers											
								18.620.869			
21			(116.815)			1.089.416	(1.089.416)	7.191.545	7.074.730	4.609	7.079.339
21	25.000.000	(38.827)	(355.378)	9.976.331	(1.759.039)	3.150.869	26.570.969	7.191.545	69.736.470	22.519	69.758.989
CURRENT PERIOD											
21	25.000.000	(1.161.298)	(504.658)	11.259.003	(1.759.039)	3.150.869	26.570.969	9.596.808	72.152.654	22.571	72.175.225
Transfers											
								9.596.808			
21		(733.898)	247.915					6.006.649	6.254.564	4.851	6.259.415
									(733.898)		(733.898)
21	25.000.000	(1.895.196)	(256.743)	11.259.003	(1.759.039)	3.150.869	36.167.777	6.006.649	77.673.320	27.425	77.700.745

The accompanying accounting policies and explanatory notes are an integral part of these interim condensed statements



KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND IT'S SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD
BETWEEN 01.01.2017 - 30.06.2017

		Current Period 1 January-30 June.2017	Reviewed Previous Period 1 January-30 June.2016
	Notes		
A. CASH FLOWS FROM OPERATING ACTIVITIES		(56.938.433)	(30.745.063)
Profit / (Loss) for Period		6 011 500	7 196 154
Adjustments to Reconcile Net Profit / (Loss) :		13.146.896	4.369.572
Depreciation and Amortization	5	1 491 695	1 001 005
Impairments / Reversals	11	100 380	(6 269)
Changes in Provisions	18	405 703	382 009
Interest Income and Expense		11 323 281	2 170 574
Unrealized Foreign Currency Conversion Differences		(871 548)	(506 568)
Gain / Loss from Sales of Property Plant and Equipments		--	5 187
Other Adjustments		697 385	1 323 634
Changes in Working Capital		(70.330.012)	(38.947.102)
Increases / (Decreases) in Inventories	11	(53 627 130)	(15 149 015)
Increases / (Decreases) in Trade Receivables	9	(23 584 504)	(4 659 124)
Increases / (Decreases) in Other Receivables		1 778 282	7 427 733
Increases (Decreases) in Trade Payables	9	3 501 368	(25 934 634)
Increases (Decreases) in Other Payables		(345 266)	(22 350)
Other Increase / (Decreases) in Working Capital		1 947 238	(609 712)
Cash Flow from Operating Activities		(51.171.616)	(27.381.376)
Other Cash Flows / Outflows		(5 766 817)	(3 363 687)
B. CASHLOW PROVIDED BY INVESTING ACTIVITIES		(6.317.294)	(6.582.307)
Cash Outflows for the Acquisition Shares of Other Enterprises or Funds or for the Borrowing Instruments		(200 000)	--
Proceeds from Sale of Property Plant and Equipments and Intangible Assets		--	56 235
Cash Outflows due to Purchases of Property Plant and Equipments and Intangible Assets	5	(6 870 644)	(6 941 314)
Interest Gained		753 350	268 110
Other Cash Inflows / Outflows		--	34 662
C. FİNANSMAN FAALİYETLERİNDEN NAKİT AKIŞLARI		76.287.625	30.827.387
Proceeds from Borrowings		201 831 261	102 665 230
Payments of Borrowings		(114 731 898)	(67 149 043)
Financial Lease Payments		(745 822)	(514 529)
Interest Payments		(10 065 916)	(4 174 271)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE FOREIGN CURRENCY CONVERSION ADJUSTMENTS (A+B+C)		13.031.898	(6.499.983)
D. FOREIGN CURRENCY CONVERSION ADJUSTMENTS EFFECTS ON CASH AND CASH EQUIVALENTS		--	--
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		13.031.898	(6.499.983)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6	6.161.712	16.981.050
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (A+B+C+D+E)	6	19.193.610	10.481.067

The accompanying accounting policies and explanatory notes are an integral part of these interim condensed statements



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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 JUNE 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 / İZMİR. Group has branch offices which are located in Kızılırmak 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 workshop and weld workshop 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 workshop

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 June 2017. 36,29 % (31.12.2016 : %36,29) of shares has been trading in Istanbul Stock Exchange Inc. (ISE).

As of 30 June 2017, the total number of people employed within the Group is 392. (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 Workshop 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.



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

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

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

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”).

Interim 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 TFRSs, 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 June 2017.

These condensed consolidated interim financial statements have been prepared in accordance with TAS 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 interim financial statements were authorized for issue by management on 21 August 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 1 January 2005.

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 June 2017 and 31 December 2016 is as follows:

	<u>30 June 2017</u>	<u>31 December 2016</u>
USD	3.5071	3.5192
EURO	4.0030	3.70



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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 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)

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

In order to allow the determination of financial position and performance of the Group are prepared in the comparative prior period consolidated financial statements of the current period. In order to comply with the presentation of the consolidated financial statements for the period necessary, comparative figures are reclassified.

Going Concern

The consolidated financial statements including the accounts of the parent company, its subsidiaries, joint ventures and associates have been prepared assuming that the Group will continue as a going concern on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated 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 Group’s operations. There are no relevant amendments or interpretations for the Group 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.

– 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 kinds 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.



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 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.

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', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

– TFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. Amendment to IFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.



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.

- IFRS 16 Leases, On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.
- 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.
- 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.



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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 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)

Amendments in Turkish Financial Reporting Standards ("TFRS") (continued)

- IAS 40 – Transfers of Investment Property, Amendments to IAS 40 - 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.

- 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.

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.

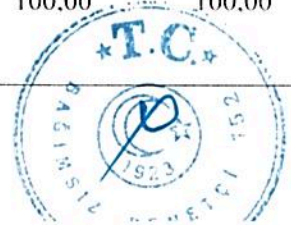
Subsidiaries

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 its 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.

As of 30 June 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>Establishment & Operation Place</u>	<u>Controlling Rate (%)</u>	
				<u>30 June 2017</u>	<u>31 December 2016</u>
Katmerciler Profil San. ve Tic. A.Ş.	Painting Works	Turkish Lira	Turkey	100.00	100.00
Isıpan 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



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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 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)

Joint Venture

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 & Operation Place</u>	<u>Shareholding Ratio (%)</u>	
				<u>30 June 2017</u>	<u>31 December 2016</u>
<u>Lika</u>	Defense Industry	Turkish Lira	Turkey	20.00	=

B. Declaration of Conformity to TAS

The accompanying interim condensed 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 ("POA"). 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.



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

5. SEGMENT INFORMATION (continued)

1 January-30 June 2017	Onboard Vehicle Equipment	Weld Works	Painting Work	Consolidation Adjustments	Total
Net Non-Group Sales	72.681.260	21.942	16.334		72.719.536
Net In-Group Sales	6.138.023	770.189	899.252	(7.807.463)	-
Net Sales Total	78.819.282	792.131	915.585	(7.807.463)	72.719.536
Cost of Sales (-)	(39.195.766)	(476.884)	(615.893)	8.309.821	(31.978.722)
Gross Profit	39.623.516	315.247	299.692	502.358	40.740.814
Research and Development Expenses (-)	(255.806)			127.530	(128.276)
Marketing Expense (-)	(9.426.907)			50.688	(9.376.219)
General Administrations Expense (-)	(8.324.079)	(222.944)	(121.716)	73.645	(8.595.094)
Other Operating Income	11.894.377	51.433	347.716	(380.878)	11.912.648
Other Operating Expenses (-)	(8.718.719)	(608)	(317)		(8.719.644)
Research and Development Expenses (-)	24.792.382	143.128	525.375	373.343	25.834.229
Income from Investment Operation	1.232.662	-	-		1.232.662
Expense from Investment Operation (-)	(888.558)	-	-	-	(888.558)
OPERATING PROFIT (LOSS) BEFORE FINANCIAL INCOME AND EXPENSES	25.244.299	143.128	525.375	265.531	26.178.333
Income from Investment Operation	11.068.862	1.339		(1.129.236)	9.940.965
Expense from Investment Operation (-)	(31.232.016)	(1.165)		1.822.768	(29.410.413)
BEFORE TAX PROFIT (LOSS)	5.081.145	143.302	525.375	959.063	6.708.885
Tax Income / (Expense) from Operating Activities					
-Tax Income / (Expense)	(647.108)	(30.641)	(136.663)		(814.412)
-Deferred Tax Income / (Expense)	92.022	(713)	25.718		117.027
NET PROFIT / (LOSS)	4.526.060	111.947	414.430	959.063	6.011.500
Capital Expenditures					
Property, Plant and Equipments	2.850.295				2.850.295
Intangible Assets	197.706				197.706
Intangible Assets (R&D)	3.822.643				3.822.643
	6.870.644				6.870.644
Depreciation and Amortization Expenses					
Depreciation	847.897	12.484	106.302		966.683
Amortization	525.012				525.012
	1.372.909	12.484	106.302	-	1.491.695
Other Information					
- Total Assets	404.420.657	1.246.119	12.985.090	(13.300.840)	405.351.026
- Total Liabilities	404.420.657	1.246.119	12.985.090	(13.300.840)	405.351.026



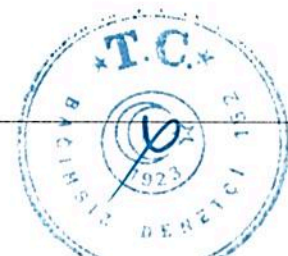
KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

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

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

5. SEGMENT INFORMATION (continued)

1 January-30 June 2016	Onboard Vehicle Equipment	Weld Works	Painting Work	Consolidation Adjustments	Total
Net Non-Group Sales	68.277.093	15.153	7.462	-	68.299.708
Net In-Group Sales	10.285.179	612.869	723.063	(11.621.111)	-
Net Sales Total	78.562.272	628.022	730.525	(11.621.111)	68.299.708
Cost of Sales (-)	(49.358.378)	(379.465)	(460.191)	12.483.432	(37.714.602)
Gross Profit	29.203.894	248.557	270.334	862.321	30.585.106
Research and Development Expenses (-)	(587.292)	-	-	-	(587.292)
Marketing Expense (-)	(7.985.033)	-	-	44.896	(7.940.137)
General Administrations Expense (-)	(5.700.146)	(151.326)	(83.364)	43.270	(5.891.566)
Other Operating Income	1.611.604	29.722	346.151	1.188.551	3.176.028
Other Operating Expenses (-)	(586.261)	(328)	(487)	(2.114.945)	(2.702.021)
Operating Profit/Loss	15.956.766	126.625	532.634	24.093	16.640.118
Income from Investment Operation	28.565	-	-	302.774	331.339
Expense from Investment Operation (-)	-	-	-	-	-
OPERATING PROFIT (LOSS) BEFORE FINANCIAL INCOME AND EXPENSES	15.985.331	126.625	532.634	326.867	16.971.457
Financial Income	3.810.439	239	-	(2.364.568)	1.446.110
Financial Expense (-)	(12.580.523)	(278)	-	2.683.022	(9.897.779)
BEFORE TAX PROFIT (LOSS)	7.215.247	126.586	532.634	645.321	8.519.788
Tax Income / (Expense) from Operating Activities	(1.193.197)	(20.234)	(110.203)	-	(1.323.634)
-Tax Income / (Expense)	(1.177.259)	(23.855)	(116.099)	-	(1.317.213)
-Deferred Tax Income / (Expense)	(15.938)	3.621	5.896	-	(6.421)
NET PROFIT / (LOSS)	6.022.050	106.352	422.431	645.321	7.196.154
Capital Expenditures					
Tangible Assets	4.660.420	-	-	-	4.660.420
Intangible Assets	2.280.894	-	-	-	2.280.894
	6.941.314				6.941.314
Amortization and Depletion Expenses					
Depreciation	629.485	10.370	67.062	-	706.917
Amortization	294.088	-	-	-	294.088
	923.573	10.370	67.062		1.001.005
Other Information					
- Total Assets	255.120.970	984.430	15.212.631	(25.689.955)	245.628.075
- Total Liabilities	255.120.970	984.430	15.212.631	(25.689.955)	245.628.075



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

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

6. CASH AND CASH EQUIVALENTS

	<u>30.06.2017</u>	<u>31.12.2016</u>
Cash	83.891	18.988
Banks	19.109.719	6.142.724
- Demand Deposits	4.815.642	6.142.724
TL	1.127.662	4.475.750
USD	105.435	1.478.273
EUR	3.582.545	188.701
- Time Deposits	14.200.000	-
Interest Accrual	94.077	-
Total	19.193.610	6.161.712

The term details of cash and cash equivalents are as follow:

	<u>30.06.2017</u>	<u>31.12.2016</u>
Between 30-90 Days	14.294.077	-

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

7. FINANCIAL INVESTMENTS

Financial Assets Available for Sale	<u>30.06.2017</u>		<u>31.12.2016</u>	
	Nominal Value	Carrying Value	Nominal Value	Carrying Value
Azimet GBK-Eurobond Debt Instrument Fund	66	720	275	197
Azimet GMA- Multiple Asset Flexible Debt Instrument Fund	700.000	792.635	700.000	742.564
Azimet GTF- Primary Debt Instrument Fund	100.000	126.745	100.000	121.248
Azimet GBL- Money Market Debt Instrument Fund	200.000	240.881	200.000	212.182
Actus-Acc	232.221	260.156	-	-
Actus-Acz	500.000	508.559	-	-
Garanti Investment Derivatives Exchange	995.000	801.026	-	-
	2.727.287	2.730.722	1.000.275	1.076.191

Financial investments of the Group are booked with fair value by using 30.06.2017 fund value for Azimet ve Actus funds and booking each derivatives exchange transaction for Garanti Investment Derivatives Exchange account.

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 30.06.2017 are as follows:

	<u>30.06.2017</u>	<u>31.12.2016</u>
As at 1 January 2017	1.076.191	-
Purchase of Financial Asset	1.748.999	-
Sales of Financial Asset	(16)	-
Fair Value Change	(94.451)	-
As at 30.06.2017	2.730.722	1.076.191



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

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

8. FINANCIAL BORROWINGS

Financial borrowings as at 30 June 2017 and 31 December 2016 are as follows:

	30.06.2017			
	Short-Term Borrowings	Short-Term Portion of Long-Term Borrowings	Long-Term Borrowings	Total
Currency				
Bank Loans	82.689.494	3.253.495	105.833.167	191.776.156
Issued Bonds	63.660.643	--	--	63.660.643
Financial Lease	600.506	--	2.267.280	2.867.786
Total	146.950.643	3.253.495	108.100.447	258.304.585

	31.12.2016			
	Short-Term Borrowings	Short-Term Portion of Long-Term Borrowings	Long-Term Borrowings	Total
Currency				
Bank Loans	57.365.824	5.067.140	49.831.400	112.264.364
Issued Bonds	49.415.666	--	--	49.415.666
Financial Lease	1.013.477	--	2.082.954	3.096.431
Total	107.794.967	5.067.140	51.914.354	164.776.461

a) Bank Loans

30 June 2017

Currency	Average Interest Rate (%)	Short-Term	Short-Term Portion of Long-Term Loans	Long-Term
TL	10.80-15.60	36.752.625	3.046.374	59.184.664
USD	4.70-4.68	100.418	-	
EUR	2.70-5.50	45.836.451	207.121	46.648.503
Total		82.689.494	3.253.495	105.833.167



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

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

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

8. FINANCIAL BORROWINGS (continued)

a) Bank Loans (continued)

31 December 2016	<u>Average Interest Rate (%)</u>	<u>Short-Term</u>	<u>Short-Term Portion of Long-Term Loans</u>	<u>Long-Term</u>
<u>Currency</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
Total		57.365.824	5.067.140	49.831.400

b) Principal Repayments of Long Term Loans

<u>Currency</u>	<u>Average Interest Rate (%)</u>	<u>30.06.2017</u>	<u>31.12.2016</u>
TL	10,25 - 15,60	3.046.374	1.952.071
USD		-	1.714.285
EUR	2,98 - 4,75	207.121	1.400.784
Total		3.253.495	5.067.140

c) Issued Bonds

30.06.2017

<u>Currency</u>	<u>Nominal Interest Rate</u>	<u>Term</u>	<u>Nominal Value</u>	<u>Book Value</u>
TL	4,0048(*)	10.08.2017	12.000.000	12.426.593
TL	3,9749(**)	08.03.2018	50.000.000	51.234.050
			62.000.000	63.660.643

(*) The amount of accrued interest is amounting to TL 1.660.643 until 30.06.2017.

(**) The coupon interest for each coupon payment period will be calculated by adding the 5.25% for TL 50.000.000 or %5,00 for TL 12.000.000 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.



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

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

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

8. FINANCIAL BORROWINGS (continued)

c) Issued Bonds (continued)

<u>31.12.2016</u>				
<u>Currency</u>	<u>Nominal Interest Rate</u>	<u>Term</u>	<u>Nominal Value</u>	<u>Book Value</u>
TL	3,60(*)	10.05.2017	36.000.000	37.083.903
TL	3,47(**)	10.08.2017	12.000.000	12.331.763
			48.000.000	49.415.666

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

(**) The coupon interest at 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.

a) d) Financial Lease Obligations

<u>Net Value</u>	<u>30.06.2017</u>	<u>31.12.2016</u>
Machinery, Equipment and Installations (net)	2.867.786	3.096.431

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

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

<u>30.06.2017</u>	<u>TL</u>	<u>TL</u>	<u>TL</u>
	<u>Less than 1 Year</u>	<u>Between 1-5 Years</u>	<u>Total</u>
Amount of Minimum Lease Payments			
TL Denominated Finance Leases	133.798	404.606	538.404
EUR Denominated Finance Leases	499.480	1.864.184	2.363.664
USD Denominated Finance Leases	49.565	208.124	257.689
Total	682.843	2.476.914	3.159.757
Present Value of Payments			
TL Denominated Finance Leases	107.715	319.725	427.440
EUR Denominated Finance Leases	449.258	1.751.762	2.201.021
USD Denominated Finance Leases	43.533	195.793	239.325
Total	600.506	2.267.280	2.867.786



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

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

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

8. FINANCIAL BORROWINGS (continued)

d) Financial Lease Obligations (continued):

31.12.2016	TL	TL	TL
	Less than 1 Year	Between 1-5 Years	Total
Amount of Minimum Lease Payments			
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
Total	1.157.733	2.309.463	3.467.196
Present Value of Payments			
TL Denominated Finance Leases	111.167	351.196	462.363
EUR Denominated Finance Leases	816.137	1.535.290	2.351.427
USD Denominated Finance Leases	86.173	196.468	282.641
Total	1.013.477	2.082.954	3.096.431

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 5% annually.



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.)

9. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

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

<u>Short-Term Trade Receivables</u>	<u>30.06.2017</u>	<u>31.12.2016</u>
Current Accounts	104.677.957	87.407.337
Postdated Checks	17.721.313	11.472.420
Less: Unrealized Finance Income	(213.345)	(167.223)
Doubtful Trade Receivables (*)	3.004.209	2.911.976
Less: Provision for Doubtful Trade Receivables	(3.004.209)	(2.911.976)
Sub Total	122.185.925	98.712.534
-Related Parties	698.361	687.628
Total	122.884.286	99.400.162

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

<u>Customers, Notes Receivables and Postdated Check</u>	<u>30.06.2017</u>	<u>31.12.2016</u>
Maturity between 1 – 3 Months	67.513.902	62.568.102
Maturity between 3 – 6 Months	53.231.258	25.343.963
Maturity between 6 – 9 Months	2.352.471	11.655.320
Total	123.097.631	99.567.385

As of 30 June 2017, the weighted average of interest rate respectively 10,83 % and 1,39 % 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 June 2017, amounting to TL 3.004.209 (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 raised 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 JUNE 2017**

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9. TRADE RECEIVABLES / PAYABLES (continued)

* The details of doubtful trade receivables are as follows:

Doubtful Trade Receivables	30.06.2017	30.06.2016
Opening	2.911.976	2.721.528
Period Expense	100.380	329.587
Less: Cancelled within the Period	(8.147)	(320.409)
Closing	3.004.209	2.730.706

b) Trade Payables:

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

Short-Term Trade Payables	30.06.2017	31.12.2016
Suppliers (*)	14.255.986	14.321.073
Notes Payables (*)	21.305.295	14.948.536
Less: Unrealized Finance Expense	(204.620)	(156.620)
Other Trade Payables	3.898.594	6.640.898
Sub Total	39.255.255	35.753.887
-Related Parties	-	-
Total	39.255.255	35.753.887

As of 30 June 2017, the weighted average of interest rates are % 10,83, % 1,39 and % 0 used to calculate unrealized finance expense for short-term trade payables in terms of TL, USD and EUR. (31.12.2016: 8,64, %0,96, % 0)

* Suppliers and Notes Payables	30.06.2017	31.12.2016
Maturity between 0 - 6 Months	24.502.322	24.410.998
Maturity between 6 - 9 Months	11.058.959	4.858.611
Total	35.561.281	29.269.609

Long-Term Trade Payables

None. (31.12.2016: None.)



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.)

10. OTHER RECEIVABLES AND PAYABLES

<u>Short-Term Other Receivables</u>	<u>30.06.2017</u>	<u>31.12.2016</u>
Deposits and Guarantees	41.893	100.657
Receivables from Tax Office	447.687	2.168.458
Receivables from Social Security Institution	19.767	18.568
Blocked Receivables (*)	378.876	378.876
Other Miscellaneous Receivables	11.247	11.193
Total	899.470	2.677.752

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

<u>Long-Term Other Receivables</u>	<u>30.06.2017</u>	<u>31.12.2016</u>
Deposits and Guarantees	21.898	20.818
Total	21.898	20.818

<u>Short-Term Other Payables</u>	<u>30.06.2017</u>	<u>31.12.2016</u>
Taxes and Funds Payable	1.555.054	1.860.315
Other Miscellaneous Payables	68.275	1.774
Restructured Tax According to 6736 Numbered Tax Law	501.878	608.384
Total	2.125.207	2.470.473

<u>Long-Term Other Payables</u>	<u>30.06.2017</u>	<u>31.12.2016</u>
Restructured Tax According to 6736 Numbered Tax Law	1.168.998	1.168.998
Total	1.168.998	1.168.998



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

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

11. INVENTORIES

	<u>30.06.2017</u>	<u>31.12.2016</u>
Raw materials and supplies	81.921.965	37.082.950
Work-in-process	45.459.200	36.711.597
Finished goods	17.029.800	15.892.952
Commercial goods	1.477.163	2.574.129
Other Inventories	9.664	9.034
Impairment on inventories (-)	(31.332)	(31.332)
Total	145.866.460	92.239.330

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>30.06.2017</u>	<u>31.12.2016</u>
Opening Balance	(31.332)	(37.600)
Additional Provision	--	--
Cancelled Provision (-)	--	6.268
Closing Balance	(31.332)	(31.332)

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>30.06.2017</u>	<u>31.12.2016</u>
Advances Given for Inventories	16.218.421	10.050.782
Prepaid Expenses for Future Months	833.994	394.130
Total	17.052.415	10.444.912

Long-Term Prepaid Expenses

	<u>30.06.2017</u>	<u>31.12.2016</u>
Advances Given for Property, Plant and Equipments	2.442.683	1.735.478
Prepaid Expenses for Future Years	161.784	114.605
Total	2.604.467	1.850.083

Short-Term Deferred Income

	<u>30.06.2016</u>	<u>31.12.2016</u>
Deferred Income for Future Months	14.786.674	5.477.549
Total	14.786.674	5.477.549



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.)

13. EQUITY ACCOUNTED INVESTEEES

	<u>30.06.2017</u>		<u>31.12.2016</u>	
	(%)	TL	(%)	TL
LİKA SAVUNMA	20	199.192	-	-
Total	20	199.192	-	-

Summary of Financial Information of Equity Accounted Investees

	<u>30.06.2017</u>	<u>31.12.2016</u>
Total Assets	996.570	-
Total Liabilities	996.570	-
Period Profit / Loss	(4.038)	-

14. INVESTMENT PROPERTIES

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 December 2016 dated expertise report, total values of factory building and lands located in Çiğli / İzmir set as TL 5.183.000, the total value of lands located in Güzelbahçe / İzmir set as TL 910.000 and the total value of buildings located in Ataşehir /İstanbul set as TL 1.107.000. Property values calculated according to coefficient comparison, cost, income comparison and direct capitalization methods.

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

Group has been earned amounting to TL 40.136 rent income from investment properties. (30.06.2016: TL 34.962). 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 2.850.295 (30.06.2016: TL 4.660.420) property, plant and equipment and has not been sold any property, plant and equipment within the interim period (30.06.2016: TL 160.223).

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 December 2016 dated expertise report, total values of factory building and lands located in Çiğli / İzmir set as TL 29.400.000, the total value of land and factory located in Ankara Industrial Estate set as TL 3.440.000. Property values calculated according to coefficient comparison, cost, income comparison and direct capitalization methods. There are TL 30.000.000, USD 5.000.000 and EUR 600.000 mortgage over Property, Plant and Equipments.



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

16. INTANGIBLE ASSETS

Group has been purchased amounting to TL 4.020.349 (30.06.2016: TL 2.280.894) intangible assets and amounting to TL 3.822.643 of this purchase arise from R&D investment. Group has not been sold any intangible fixed assets within the interim period. (30.06.2016: None.)

17. GOODWILL

None. (31.12.2016 – None.)

18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-Term Debt Provision

	30.06.2017	31.12.2016
Warranty Provision	335.900	335.900
Lawsuits Provision	45.772	45.772
Total	381.672	381.672

Ongoing Lawsuits and Execution Proceedings

As of 30 June 2017, there are 2 lawsuits filed against the Group which are still ongoing. The total amount of this lawsuits is 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, Sureties

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

	30.06.2017			
	<u>TL</u> <u>Equivalent</u>	<u>USD</u>	<u>EUR</u>	<u>TL</u>
<u>CPMB's given by the Company (Collaterals, Pledges, Mortgages, Sureties)</u>				
1. CPMS's given for company's own legal personality				
2. CPMS's given on behalf of fully consolidated Companies	104.514.390	7.657.684	5.152.676	57.031.964
3. CPMS's given of behalf of third parties for ordinary course of business	-	-	-	-
4. Other CPMS's given	-	-	-	-
- Total amount of CPMS's given on behalf of majority shareholder	-	-	-	-
- Total amount of CPMS's given on behalf of other Group companies which are not in scope of 2 and 3	-	-	-	-
- Total amount of CPMS's given on behalf of third parties which are not in scope of 3	-	-	-	-
Total	104.514.390	7.657.684	5.152.676	57.031.964



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

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

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

18. PROVISIONS, ONTINGENT ASSETS AND LIABILITIES (continued)

Collateral, Pledges, Mortgages, Sureties (continued)

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

Group has not been given any "Other CPMS". (31.12.2016: None).

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

<u>Collaterals, Pledges, Mortgages</u>	<u>30.06.2017</u>				<u>31.12.2016</u>			
	<u>Total TL</u> <u>Equivalents</u>	<u>USD</u>	<u>EUR</u>	<u>TL</u>	<u>Total TL</u> <u>Equivalents</u>	<u>USD</u>	<u>EUR</u>	<u>TL</u>
Collaterals	38.280.740	2.657.684	4.552.676	10.735.614	29.818.512	1.584.186	4.859.952	6.213.509
Pledges	696.350	-	-	696.350	-	-	-	-
Mortgages	65.537.300	5.000.000	600.000	45.600.000	65.421.940	5.000.000	600.000	45.600.000
Total	104.514.390	7.657.684	5.152.676	57.031.964	95.240.452	6.584.186	5.459.952	51.813.509



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

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

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

19. EMPLOYEE BENEFITS

Under the Turkish Legislations, 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, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

Termination pay 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.

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 March, 31 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 (31.12.2016: TL 4.297) which is effective from 01 January 2017.

Provision for Short-Term

Employee Benefits

	<u>30.06.2017</u>	<u>31.12.2016</u>
Unused Vacation Provision	848.002	711.803
Total	848.002	711.803

Provision for Long-Term

Employee Benefits

	<u>30.06.2017</u>	<u>31.12.2016</u>
Termination Pay Provision	3.767.476	3.498.780
Total	3.767.476	3.498.780

Payables Related to the Employee

Benefits

	<u>30.06.2017</u>	<u>31.12.2016</u>
Payables to Personnel	215.293	193.819
Social Security Premiums Payable	688.302	1.137.913
Total	903.595	1.331.732



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19. EMPLOYEE BENEFITS (continued)

The movement of retirement pay are as follows:

	1 January - 30 June 2017	1 January – 30 June 2016
Provision as of 1st January	3.498.780	2.609.471
Service Cost	453.786	494.271
Interest Cost	152.877	112.174
Severance Pay Cancelled	(28.073)	(366.089)
Defined Benefit Plans Premeasurement Gain / Loss (*)	(309.894)	146.019
Total Provisions as of Period End	3.767.476	2.995.846

(*) As of June 30, 2017, amounting to TL 309.894 (2016: TL 146.019) 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>	<u>30.06.2017</u>	<u>31.12.2016</u>
Deferred VAT	18.308.004	12.054.163
Work Advances	166.536	270.245
Personnel Advances	1.053.466	--
Total	19.528.006	12.324.408

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 JUNE 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 June 2017 and 31 December 2016 are as follows;

	30.06.2017		31.12.2016	
	Ownership Rate	Share Amount	Ownership Rate	Share Amount
Shareholders	(%)	TL	(%)	TL
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
Capital	100,00	25.000.000	100,00	25.000.000
Unpaid Capital (-)		-		-
Paid-in Capital		25.000.000		25.000.000

(*) The listed 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 give 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 (Treasury 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 amounting to TL 733.898 therefore Company's own shares has been increased to amounting to TL 264.971 after this purchase.



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21. CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS (continued)**c) Revaluation and Remeasurement Gain / (Loss)**

	<u>30.06.2017</u>	<u>30.06.2016</u>
Revaluation and Surplus on Property and Equipments	11.259.003	9.976.331
<u>Revaluation Surplus</u>	<u>30.06.2017</u>	<u>30.06.2016</u>
Opening Balance	11.259.003	9.976.331
Increase from Surplus in Revaluation	-	-
Deferred Tax Liability from Revaluation	-	-
Closing Balance	<u>11.259.003</u>	<u>9.976.331</u>

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

	<u>30.06.2017</u>	<u>31.12.2016</u>
Defined Benefit Plans Remeasurement Gain / Loss	(256.743)	(504.658)
	<u>(256.743)</u>	<u>(504.658)</u>

e) Restricted Reserves Outgoing from Profit

	<u>30.06.2017</u>	<u>31.12.2016</u>
Legal Reserves	3.150.869	3.150.869
Total	<u>3.150.869</u>	<u>3.150.869</u>

f) Retained Profit / (Loss)

	<u>30.06.2017</u>	<u>31.12.2016</u>
Retained Profit / (Loss)	36.167.777	26.570.969
Total	<u>36.167.777</u>	<u>26.570.969</u>

g) Non-Controlling Interests

	<u>30.06.2017</u>	<u>31.12.2016</u>
Balance at 1 January	22.571	17.910
Additions / Disposals	3	(3)
Income / (Loss) for the period	4.851	4.664
Total	<u>27.425</u>	<u>22.571</u>

h) Merge Effect of Common Control Transactions

	<u>30.06.2017</u>	<u>31.12.2016</u>
Merge Effect of Common Control Transaction (*)	(1.759.039)	(1.759.039)
Total	<u>(1.759.039)</u>	<u>(1.759.039)</u>



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

(*) Company has been purchased Isıpan 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 Ismail 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.

Dividend 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 annunciation announced on 23 January 2014. The decision approved by shareholders on 2013 dated ordinary meeting of the general assembly.



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

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22. INCOME TAXES**Current Income Tax Assets**

	<u>30.06.2017</u>	<u>30.06.2016</u>
Prepaid Taxes and Funds	103.811	2.193

Tax Expense

	<u>30.06.2017</u>	<u>31.12.2016</u>
Current Income Tax Expenses (-)	(814.412)	(1.317.213)
Deferred Tax Provision Income / (Loss)	117.027	(6.421)
Total	(697.385)	(1.323.634)

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:

	<u>01.01- 30.06.2017</u>	<u>01.01- 30.06.2016</u>
Profit for the Period	6.011.500	7.196.154
Deduction: Tax Expense	(697.385)	(1.323.634)
Profit Before Tax	% 6.708.885	% 8.519.788
Calculated Tax (%20)	20 (1.341.777)	20 (1.703.958)
Non-Deductible Expense	3 (189.473)	1 (78.720)
Exemptions and Deductions	(11) 764.529	0 18.243
Other	(-1) 69.336	(5) 440.801
Total	10 (697.385)	16 (1.323.634)



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22. INCOME TAX (continued)

The tax legislation provides for a temporary tax (prepaid tax) of 20% (20% in 2016) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final tax liability for the year.

Carried back to Turkey on tax there is no procedure. The annual accounting period until the close of the fourth month following the month of 25th. However, the tax authorities review the accounting records for five years and amount of tax payable may vary if errors are detected.

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.

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)

Deferred Tax Assets and Liabilities

	30.06.2017	31.12.2016
Deferred Tax Asset	8.163.241	7.616.646
Deferred Tax Liability	(6.108.817)	(5.617.270)
Total	2.054.424	1.999.376

Deferred Tax Movement

	2017	2016
1 st January Balance	1.999.376	1.870.081
Accounted in profit or loss	117.027	(6.421)
Accounted in other comprehensive income	(61.979)	29.204
Balance as at Period End	2.054.424	1.892.864



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23. EARNING PER SHARE

<u>Earnings Per Share</u>	<u>01.01.2017</u> <u>30.06.2017</u>	<u>01.01.2016</u> <u>30.06.2016</u>
Net Profit Attributable to the Owners of the Company	6.006.649	7.191.545
Weighted Average Number of Shares	25.000.000	25.000.000
Earnings / (Loss) Per Share from Operating Activities	0,24	0,29
Diluted Earnings / (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 risk 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 are counted by cash and cash equivalents minus total liabilities which appears in balance sheet.

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

	<u>30.06.2017</u>	<u>31.12.2016</u>
Financial Liabilities	258.304.585	164.776.461
Less: Cash and Cash Equivalents	(19.193.610)	(6.161.712)
Net Financial Liabilities	239.110.975	158.614.749
Total Equity	77.700.745	72.175.225
Liabilities / Equity Ratio	3,32	2,28

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



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

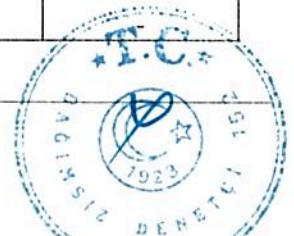
b) Financial Risk Factors (continued)

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 minimize potential adverse effects on the Company's financial performance.

b.1) Credit Risk

Financial losses due to Group's receivables and financial assets which result from not implementing agreement clauses related to financial assets by a customer or other party constitutes credit risk. Company trying to decrease credit risk by making operations with confidential parties and attain enough collateral. Trade receivables contain lots of customers operating on same sector and geographical area. Credit consideration making over Customer's trade receivables permanently.

30.06.2017	Receivables				Cash and Cash Equivalents
	Trade Receivables		Other Receivables		Banks Deposit
Current Period	Related Parties	3rd Parties	Related Parties	3rd Parties	
The maximum amount of exposure to credit risk at the end of the reporting period					
(A+B+C+D) (1)	698.361	122.185.925	-	921.288	19.109.719
- Maximum risk guaranteed with collateral etc.(*)	-	-	-	-	-
	-	-	-	-	-
A. Financial assets that are either past due or impaired (2)	698.361	122.185.925		921.288	19.109.719
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 (-)	-	3.004.209	-	-	-
- Net value guaranteed with collateral etc.	-	(3.004.209)	-	-	-
- Not overdue (gross book value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Net value guaranteed with collateral etc.	-	-	-	-	-
D. Off balance sheet credit risk amount	-	-	-	-	



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

31.12.2016	Receivables				Cash and Cash Equivalents
	Trade Receivables		Other Receivables		
Current Period	Related Parties	3rd Parties	Related Parties	3rd Parties	Banks Deposit
The maximum amount of exposure to credit risk at the end of the reporting period					
(A+B+C+D) (1)	687.628	98.712.534	-	2.699.570	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	-	2.699.570	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 another 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:



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

CONSOLIDATED FOREIGN EXCHANGE POSITION TABLE	30.06.2017				31.12.2016			
	TL Equivalent	ABD Dollars	EURO	STERLİN	TL Equivalent	ABD Dollars	EURO	GBP
1. Trade Receivables	96.151.391	12.451.298	13.111.028		70.561.877	9.472.878	10.033.943	-
2a. Monetary Financial Assets (including cash and bank accounts)	3.490.188	(48.788)	914.648		2.681.875	427.582	317.294	
2b. Non-Monetary Financial Assets	11.116.927	1.115.680	1.796.198	3.071	8.054.318	870.289	1.345.481	-
3. Other					-	-	-	-
4. Current Assets (1+2+3)	110.758.506	13.518.190	15.821.874	3.071	81.298.070	10.770.749	11.696.718	-
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-	-	-	-	-	-
9. Total Assets (4+8)	110.758.506	13.518.190	15.821.873	3.071	81.298.070	10.770.749	11.696.718	-
10. Trade Payables	(19.835.916)	(1.358.248)	(3.765.286)		12.974.100	474.895	3.046.236	375
11. Financial Liabilities	(46.636.781)	(41.045)	(11.614.497)		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	(14.361.418)	(3.032.790)	(930.582)	-	5.317.899	719.391	751.023	-
13. Short-Term Liabilities (10+11+12)	(80.834.115)	(4.432.083)	(16.310.365)	-	70.288.299	2.197.295	16.861.360	375
14. Trade Payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	(48.596.058)	(55.828)	(12.090.998)		18.082.505	342.258	4.549.457	
16a. Other Monetary Financial Liabilities	-	-	-	-	-	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	(48.596.058)	(55.828)	(12.090.998)	-	18.082.505	342.258	4.549.457	-
18. Total Liabilities (13+17)	(129.430.173)	(4.487.911)	(28.401.363)	-	88.370.804	2.539.553	21.410.817	375
19. Off Balance Sheet Derivative Instruments Net Assets / (Liabilities) (19a-19b)	-	-	-	-	-	-	-	-
19a. Total Assets Hedged	-	-	-	-	-	-	-	-
19b. Total Liabilities Hedged	-	-	-	-	-	-	-	-
20. Net Foreign Currency Assets / (Liabilities) (9-18+19)	(18.671.667)	9.030.279	(12.579.490)	3.072	(7.072.734)	8.231.196	(9.714.100)	(375)
21. Monetary Items Net Foreign Currency Assets / (Liability) Position (IFRS 7.B23) (1+2a+5+6a-10-11-12a-14-15-16a)	(15.427.176)	10.947.389	(13.445.105)	-	(9.809.153)	8.080.299	(10.308.558)	(375)
22. Total Fair Value of Financial Instruments Used for Currency Hedge	-	-	-	-	-	-	-	-



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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 have 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 Sensitivity Analysis

30.06.2017

	Appreciated Exchange Rate	Depreciated Exchange Rate
Increase of 10% change in USD against TL:		
1- USD Net Assets / Liabilities	3.167.009	(3.167.009)
2- The Amount of USD Hedging (-)		
3- USD Net Effect (1+2)	3.167.009	(3.167.009)
Increase of 10% change in EUR against TL:		
4- EUR Net Assets / Liabilities	(5.035.570)	5.035.570
5- The Amount of EUR Hedging (-)		
6- EUR Net Effect (4+5)	(5.035.570)	5.035.570
Increase of 10% change in GBP against TL:		
4- GBP Net Assets / Liabilities	1.395	(1.395)
5- The Amount of GBP Hedging (-)		
6- GBP Net Effect (4+5)	1.395	(1.395)
TOTAL (3+6+9+12)	(1.867.166)	1.867.166

Exchange Rate Sensitivity Analysis

31.12.2016

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



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

	Financial Assets Measured at Fair Value	Loans and Receivables (Including Cash and Cash Equivalents)	Financial Assets Available for Sale	Financial Liabilities are Measured at Amortized Cost	Carrying Value	Notes
30.06.2017						
Financial Assets						
Cash and Cash Equivalents	-	19.193.610	-	-	19.193.610	6
Trade Receivables	-	122.884.286	-	-	122.884.286	9
Financial Investments	2.730.722	-	-	-	2.730.722	7
Financial Liabilities						
Financial Payables	-	-	-	258.304.585	258.304.585	8
Trade Payables	-	-	-	39.255.255	39.255.255	9
Other Financial Liabilities	-	-	-	-	-	-
	Financial Assets Measured at Fair Value	Loans and Receivables (Including Cash and Cash Equivalents)	Financial Assets Available for Sale	Financial Liabilities are Measured at Amortized Cost	Carrying Value	Notes
31.12.2016						
Financial Assets						
Cash and Cash Equivalents	-	6.161.712	-	-	6.161.712	6
Trade Receivables	-	99.400.162	-	-	99.400.162	9
Financial Investments	1.076.191	-	-	-	1.076.191	7
Financial Liabilities						
Financial Payables	-	-	-	164.776.461	164.776.461	8
Trade Payables	-	-	-	35.753.887	35.753.887	9
Other Financial Liabilities	-	-	-	-	-	-



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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 valuated with market values of the similar instruments which traded on active market.
- Second Level: Financial Instruments valuated with data uses to find price which observable directly or indirectly on the market in addition to first level.
- Third Level: Financial Instruments valuated 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)	2.730.722		

26. SUBSEQUENT EVENTS

- Company has been applied to Capital Market Board on 11.07.2017, to able to issue debt instrument to qualified investors up to TL 150.000.000 nominal value as lump sum or multiple time to be decided on the basis within the investment period according to 12.06.2017 dated and 2017/19 numbered Board Decision.
- Fourth coupon payment amounting to TL 480.576 made on 10.08.2017 regarding TRSKTMR81718 ISIN coded Private Sector Bond amounting to TL 12.000.000 and 365 days maturity which was issued on 10.08.2016.

27. DISCLOSURE OF OTHER MATTERS

None. (31.12.2016: None).

