

**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

**Consolidated Financial Statements and Independent Audit Report for the Account Term January
1 – December 31, 2010**

INDEPENDENT AUDIT REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS OF
KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES FOR THE ACCOUNT TERM ENDING ON DECEMBER 31, 2010

Kind attention to the Board of Directors of
Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret Anonim Şirketi;

We have audited the enclosed consolidated financial statement prepared as of December 31, 2010 by Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret Anonim Şirketi (Company) and its subsidiaries (hereinafter referred to together as “Group”) as well as their detailed consolidated income, equity change and cash flow tables for the year ending on the same, abstract of important accounting policies and footnotes.

Responsibility of company management as to the financial tables

Company management is responsible for preparing the consolidated financial statements in accordance with the standards published by the Free Market Board and for presenting the same in honesty. Such responsibility includes designing, applying and maintaining necessary internal control system, concluding accounting estimates as required by the conditions, and selecting suitable accounting policies in order to prepare consolidated financial reports without any mistakes resulting from errors or manipulations and fraud and to ensure them reflect the truth.

Responsibility of independent auditing company

Our responsibility is to present our opinions on such consolidated financial statements based on our independent audit. Our independent audit has been performed in compliance with the independent auditing standards published by Free Market Board. Such standards require complying with ethical principles and plan and fulfill the independent audit to ensure a reasonable guarantee as to whether the consolidated financial statements reflect the truth in a correct and reliable way.

Our independent audit includes the use of independent auditing techniques for the purpose of collecting independent audit proof with regards to the totals and footnotes in the consolidated financial statements. Selection of independent auditing techniques has been performed in accordance with our professional satisfaction in a way to include also the risk evaluation as to whether the consolidated financial statements include any significant errors, including also the issue as to whether they result from errors or manipulation and fraud. In such evaluation risk, internal control system of company was also considered. However, our purpose is not to present our opinion about the efficiency of internal control system but to reveal the relation between the internal control system and consolidated financial statements prepared by the company in order to design independent auditing techniques in compliance with the conditions. Our independent audit also includes the evaluation of the compliance of the presentation of important accounting estimates and consolidated financial statements as a whole as performed with the accounting policies adopted by the company management.

We believe that the independent auditing proofs we provided during the independent audit ensured sufficient and suitable basis for forming our opinion.

Opinion

From our point of view, the enclosed consolidated financial statements reflect the consolidated financial performance and consolidated cash flows of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret Anonim Şirketi and its subsidiaries as of December 31, 2010 in a correct and reliable way within the framework of financial reporting standards published by the Free Market Board.

Izmir, March 25, 2011

AC İSTANBUL ULUSLAR ARASI BAĞIMSIZ DENETİM VE SMMM A. Ş.

Fatma Saka
Independent Accountant & Financial Advisor

Responsible Partner & Chief Auditor

Address: Mecidiyeköy Ortaklar Cad. No.26 Şişli / Istanbul

**Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü
Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December
2010**

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

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Enclosed footnotes are an integral part of the financial statements.

Consolidated Balance Sheet (Financial Status Statement) of

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

as of December 31, 2010

(All amounts are shown in Turkish Liras ("TL"))

	Footnote References	Current Term December 31, 2010 as subjected to Independent Audit	Previous Term December 31, 2009 as subjected to Independent Audit
ASSETS			
Current Assets		38.947.047	27.869.389
Cash and cash equivalents	6	2.074.438	419.443
Trade receivables		15.643.023	18.702.190
- Trade receivables from affiliates	37	0	1.590.993
- Other trade receivables	10	15.643.023	17.111.197
Other receivables	11	5.877.073	1.157.949
- Other receivables from affiliates	37	4.416.064	1.121.714
- Other receivables	10	1.461.009	36.234
Inventories	13	11.416.680	5.979.627
Other Current Assets	26	3.935.833	1.610.180
(Sub Total)		38.947.047	27.869.389
Fixed Assets		20.602.676	14.171.450
Trade receivables	10	108.668	-
Other receivables	11	16.163	3.375
Investment properties	17	7.219.437	6.329.438
Tangible fixed assets	18	11.914.946	6.674.574
Intangible fixed assets	19	161.439	85.009
Goodwill	20	1.093.640	981.614
Deferred tax assets	35	62.316	61.823
Other fixed assets	26	26.067	35.617
ASSETS TOTAL		59.549.723	42.040.839
SOURCES			
Short term liabilities		24.609.672	27.003.080
Financial liabilities	8	7.182.429	7.843.977
Trade payables		10.674.481	14.379.399
- Other trade payables	10	10.674.481	14.379.399
Other payables	11	3.797.487	3.583.180
- Other payables		3.797.487	3.583.180
Term profit tax liabilities	35	-	90.250
Debt provisions	22	376.878	-
Other short term liabilities	26	2.578.396	1.106.275
(Sub total)		24.609.672	27.003.080
Long term liabilities		8.466.208	3.852.047
Financial liabilities	8	6.606.667	2.287.198
Other payables	11	-	83.043
Provisions for employee benefits	24	683.194	301.375
Deferred tax liability	35	1.176.347	1.176.347
Other long term liabilities	22	-	4.083
EQUITIES		26.473.844	11.185.712
Equities of parent company		26.337.683	10.940.124
Paid in capital	27	12.500.000	3.500.000
Share premiums		6.005.230	-
Limited reserves from profit	27	749.194	395.566
Special funds	27	-	176.394
Accumulated profit/losses	27	-927.969	2.010.654
Net term profit/loss		8.011.228	4.857.510
Minority shares	27	136.160	245.588
SOURCES TOTAL		59.549.723	42.040.839

Consolidated Balance Sheet (Financial Status Statement) of
Katmerciler Araç Üstü Ekipman San.ve Tic. A.Ş and its Subsidiaries
as of December 31, 2010
(All amounts are shown in Turkish Liras ("TL"))

	Footnote References	Current Term December 31, 2010 as subjected to Independent Audit	Previous Term December 31, 2009 as subjected to Independent Audit
INCOME STATEMENT			
ONGOING OPERATIONS			
Incomes from sales	28	61.659.456	66.472.134
Cost of sales (-)	28	-43.200.869	-46.431.504
Gross profit from trade activities (Loss)		18.458.587	20.040.630
GROSS PROFIT/LOSS		18.458.587	20.040.630
Marketing, Sales and Distribution Expenses (-)	29	-3.296.335	-8.248.553
General management expenses (-)	29	-4.553.629	-1.689.009
Other operating incomes	31	745.225	529.472
Other operating expenses (-)	31	-948.664	-3.495.719
OPERATING PROFIT/LOSS		10.405.183	7.136.821
Financial income	32	3.537.544	2.598.254
Financial expenses (-)	33	-3.687.304	-3.347.471
ONGOING OPERATIONS PRE-TAX PROFIT/LOSS		10.255.423	6.387.604
Ongoing operations tax income/expense	35	-2.328.447	-1.517.967
- Term tax income/expense	35	-2.361.447	-1.879.434
- Deferred tax income/expense	35	33.001	361.467
ONGOING OPERATIONS TERM PROFIT/LOSS		7.926.977	4.869.637
NET TERM PROFIT/LOSS		7.926.977	4.869.637
COMPREHENSIVE INCOME TOTAL		7.926.977	4.869.637
Minority Shares	27	-84.252	12.126
Shares of parent company	27	8.011.228	4.857.511
Distribution of term profit/loss	27	7.926.977	4.869.637
Minority shares	27	-84.252	12.126
Shares of parent company		8.011.228	4.857.511
Earnings per share with a nominal value of 1 TL		0,634	1,391
Earnings per diluted share		0,703	2,134
Earnings per share from ongoing operations		0,634	1,391
Earnings per diluted share from ongoing operations		0,703	2,134

**TABLE OF CHANGES IN CONSOLIDATED EQUITIES OF KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş.
AND ITS SUBSIDIARIES AS SUBJECTED TO INDEPENDENT AUDIT OF 31.12.2010**

	Capital	Extraordinary reserves	Share premiums	Special fund	Tangible fixed assets increment value fund	Legal reserves	Minority shares	Net term profit or loss	Accumulated profit/loss	Profit / loss of subsidiaries	Total
Balance as of January 01, 2009	1.600.000	170.774	0	0	0	127.453	53.062	1.603.936	2.404.059	0	5.959.284
Capital increase	1.900.000	--	--	--	--	--	--	--	-1.900.000	--	0
Legal reserves	--	--	--	--	--	97.339	--	--	-97.339	--	0
Extraordinary reserves	--	--	--	--	--	--	--	--	--	--	0
Value increase of financial investments	--	--	--	--	--	--	--	--	--	--	0
Corrections due to value increase of tangible fixed assets	--	--	--	--	--	--	180.400	--	--	--	180.400
Government promotion investment	--	--	--	176.394	--	--	--	--	--	--	176.394
Dividends paid	--	--	--	--	--	--	--	--	--	--	0
Transfer to accumulated losses	--	--	--	--	--	--	--	-1.603.936	1.603.936	0	0
Net term profit	--	--	--	--	--	--	--	4.857.510	--	0	4.857.510
Minority share	--	--	--	--	--	--	12.126	--	--	--	12.126
Balance as of December 31, 2009	3.500.000	170.774	0	176.394	0	224.792	245.588	4.857.510	2.010.656	0	11.185.712
Capital increase	7.500.000	--	0	-176.394	--	--	--	--	-7.323.606	--	0
Legal reserves	--	--	--	--	--	353.629	--	--	-353.629	--	0
Extraordinary reserves	--	--	--	--	--	--	--	--	--	--	0
Capital increase through public offerings	1.500.000	--	6.005.230	--	--	--	--	--	--	--	7.505.230
Corrections due to valuation of tangible fixed assets	--	--	--	--	--	--	--	--	--	--	0
Value increase of subsidiaries	--	--	--	--	--	--	--	--	--	--	0
Correction due to International Accounting Standards	--	--	--	--	--	--	-25.176	--	-118.900	--	-144.076
Transfer to accumulated profits	--	--	--	--	--	--	--	-4.857.510	4.857.510	0	0
Net term profit	--	--	--	--	--	--	--	8.011.228	--	0	8.011.228
Profit/loss of minority share	--	--	--	--	--	--	-84.252	--	--	--	-84.252
Balance as of December 31, 2010	12.500.000	170.774	6.005.230	0	0	578.421	136.160	8.011.228	-927.968	0	26.473.844

**CONSOLIDATED CASH FLOW TABLES OF KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SAN VE TİC. A.Ş. AND ITS SUBSIDIARIES
AS SUBJECTED TO INDEPENDENT AUDIT OF DECEMBER 31, 2010**

(The amounts are shown in Turkish Liras ("TL"))

	Footnotes	Current Term 31.12.2010 as subjected to Independent Audit	Previous Term 31.12.2009 as subjected to Independent Audit
Cash provided from operating activities:			
Net term profit		7.926.977	4.869.637
Corrections on the reconciliation of net cash provided from operating activities with net profit:			
Depreciation and redemption	18, 19	355.657	195.296
Gain on sale of assets	31	(14.221)	25.269
Increase against severance pay	24, 30	381.820	89.624
Interest income	32	(549.800)	(384.271)
Interest expense	33	365.632	382.980
Deferred tax	35	(33.001)	1.176.347
Income from exchange differences	32	(2.747.549)	(2.213.982)
Exchange difference expenses	33	1.677.683	1.189.660
Provisions for bad debts	10	0	927.853
Provisions for guarantee expenses	22	139.929	0
Provisions for leave pays	22	236.949	0
Cash current used in operating activities prior to change in the operating assets and liabilities:		7.740.075	6.258.413
Decrease/(increase) in short term trade receivables		3.059.166	(9.636.781)
Decrease/(increase) in inventories	13	(5.409.006)	1.817.558
Decrease/(increase) in other short term receivables		(4.719.124)	(1.404.397)
Decrease/(increase) in other current assets		(2.325.653)	(34.616)
(Decrease)/increase in short term trade payables		(3.704.918)	845.888
Increase in financial leasing payables		0	(48.313)
Increase in short term debt provisions		376.878	0
(Decrease)/increase in other short term payables		214.307	(109.066)
(Decrease)/increase in other short term liabilities		1.472.121	0
Tax paid		(739.436)	(1.809.387)
Other long term liabilities	22		4.083
Severance pay paid	24	(109.649)	(18.647)
Cash flow used from operating activities:		(4.145.238)	(4.135.265)
Investment activities			
Interest collected		240.195	0
Tangible and intangible fixed asset purchases		(6.577.105)	(6.173.738)
Proceeds from tangible fixed assets sold		47.141	249.017
Cash used in investment activities-net		(6.529.965)	(5.924.721)
Financing activities			
Capital increase		1.500.000	0
Share premiums	27	6.005.230	0
Long and short term loan use		37.951.673	20.576.856
Payment of long/short term bank loans		(32.603.703)	(14.609.217)
Interest paid		(523.001)	(1.775.030)
Cash used in financing activities-net		12.330.198	4.192.609
Increase/decrease in cash and cash equivalents		1.654.995	57.346
Cash and cash equivalents at the beginning of term		419.443	362.097
Cash and cash equivalents at the end of term		2.074.438	419.443

Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December 2010
(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 1 : COMPANY ORGANIZATION AND SCOPE OF ACTIVITY

Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. (Parent Company) and three subsidiaries form the Katmerciler group.

The company was established in 1985 by İsmail Katmerci. The scope of activity of company is the production of all kinds of vehicle top equipments of all kinds. İsmail Katmerci has a share of 58,40% and holds the control in management as of the date of balance sheet.

Headquarters Address and Partnership Structure of Company

The partnership structure of company is presented in Footnote 27. The company is registered in Turkey and its contact information is provided below:

Atatürk Organize Sanayi Bölgesi 10032 Sokak No:10 Çiğli/İZMİR
Tel: +90 232 376 75 75 (6 lines)
Fax: +90 232 376 85 81
<http://www.katmerciler.com.tr>

The number of personnel members of group is totally 231, including 58 administrative members and 173 blue collars as of 31.12.2010. (31.12.2009- 100 members)

Companies included in the Consolidation:

Subsidiaries	Scope of Activity	Partnership Share of Group (%)	
		31 Dec. 2010	31 Dec. 2009
Katmerciler Profil Sanayi ve Ticaret A.Ş	Painting Work	93,33	93,33
Isıpan Otomotiv ve Üst Ekipman Metal Makine San. ve Tic.A.Ş	Welding Work	89,00	
Kat Araç Üstü Ekipman Pazarlama ve Dış Ticaret Ltd.Şti (*)	Marketing	90,00	

*It has been resolved in the Board of Directors meeting of 31.01.2011 and no. 2011/07 to sell the whole of 1.800 shares of 45.000-TL with a nominal value of 25,00 TL as equivalent to 90% of the capital of Kat Araç Üstü Ekipman Pazarlama ve Dış Ticaret Ltd. Şti., being a subsidiary of company, at a value of 54.000-TL. in cash, and the transfer was concluded at the same date. The company did not have any shares in more in the capital of Kat Araç Üstü Ekipman Pazarlama ve Dış Ticaret Ltd. Şti. as of January 31, 2011 in conclusion to the transfer of shares.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 2 : PRINCIPLES ON THE PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basic Principles on the Presentation:

Principles on the Preparation of Financial Statements and Important Accounting Policies:

The company and its subsidiaries prepare its legal books and legal financial statements in compliance with the accounting principles specified by Turkish Commercial Law and Tax Regulations.

“Notification of the Principles on Financial Reporting in Capital Market” of the Capital Market Law, Serial XI No: 19 (“Notification of Serial XI No:29”) determines the principles and procedures on the financial statements to be issued by companies and preparing and presenting the same to related parties. Such notification entered into effect to be valid as of first interim financial statements of account terms starting after the 1st of January 2008. Based on such notification, the companies are required to prepare their financial statements in accordance with the International Financial Reporting Standards (“IAS/IFRS”) as accepted by the European Union. However, IAS/IFRS will be applied until the differences of IAS/IFRS accepted by the European Union from those published by International Accounting Standards Council (“IASB”) are promulgated by the Accounting Standards Council of Turkey (“TMSK”). Turkish Accounting / Financial Reporting standards (“TMS/IFRS”) not being against the standards adopted within this framework and published by TMSK will be based on.

The differences of IAS/IFRS accepted by the European Union from those published by IASB has not been promulgated by TMSK yet as of the date of balance sheet; therefore, enclosed financial statements have been prepared in accordance with IAS/IFRS within the framework of the Notification of Capital Markets Board, Serial XI No: 29; and the financial statements and footnotes have been presented in compliance with the formats required to be applied with the notices of April 14, 2008 and January 9, 2009 provided by the Capital Markets Board.

The group bases on the principles and conditions stipulated by Capital Markets Board, conditions of Uniform Chart of Accounts stipulated by the Turkish Commercial Law (“TTK”), Tax Regulations and Ministry of Finance of Republic of Turkey (“Ministry of Finance”) in keeping its accounting records and preparing its legal financial statements. These consolidated financial statements prepared in accordance with the Financial Reporting Standards of SPK (Capital Markets Board of Turkey) have been issued in Turkish Liras taking the historical cost principle as the basis other than the financial assets and liabilities shown with their reasonable values. The Consolidated Financial Statements have been issued by reflecting the required correction classifications on legal records presented in accordance with the historical cost principle for the purpose of making correct presentation in compliance with the Financial Reporting Standards of SPK.

Enclosed consolidated financial statements have been prepared in accordance with IAS/IFRS and include the following corrections available in capitals markets accounting book.

- Reserving provisions to bad debts
- Reserving allowance for decline in value of inventories
- Rediscount calculation for postdated checks, buyers and sellers
- Discounting loans through effective interest method
- Depreciation correction
- Calculation of provisions for severance pay,
- Reserving provisions for paid leaves
- Deferred tax correction
- Eliminating inter-group balances and processes in compliance with the consolidation procedure
- Reserving guarantee provisions for sales
- Correction of finished products with invoices issued but not delivered.
- Correction of immovable properties in accordance with expertise values

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 2: PRINCIPLES ON THE PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basic Principles on the Presentation (Continued):

Principles on the Preparation of Financial Statements and Important Accounting Policies (Continued):

Currency Used

Financial Statements of company has been expressed in Turkish Liras (TL) being functional currency and the currency of presentation for consolidated financial statements.

Correction of Financial Statements in High Inflation Terms

Inflation accounting practice has been terminated as of January 1st, 2005 for those companies performing business in Turkey and preparing financial statements in compliance with the Accounting Standards of SPK (those which adopt IFRS practices) in accordance with the Resolution of SPK rendered on March 17, 2005 under no. 11/367. Based on this, “Financial Reporting High Inflation Economies” Standard no. 19 published by IASB has been applied as of January 1, 2005.

The Going Concern

Consolidated financial statements have been prepared based on the going concern principle under the assumption that the company and subsidiaries included in the consolidation will obtain benefit from its assets within the following year and the natural course of its activities and will fulfill its obligations.

Comparative Information and Correction of Financial Statements of Previous Term

In order to allow the determination of financial status and performance trends, current term consolidated financial statements of group are prepared in comparison with the previous term. Comparative information is reclassified when necessary in terms of ensuring compliance with the presentation of current term consolidated financial statements.

Consolidated financial statements include the accounts of Company, its Subsidiaries prepared in accordance with the principles of consolidation. During the preparation of financial statements of companies included in the scope of consolidation, required corrections and classifications have been made in terms of compliance with the Financial Reporting Standards of SPK and compliance with the accounting policies and presentation styles applied by the Group.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 2: PRINCIPLES ON THE PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basic Principles on the Presentation (Continued):

Principles on the Preparation of Financial Statements and Important Accounting Policies (Continued):

Principles on Consolidation Subsidiaries

The consolidation has been performed within the partner company Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş.

The control is ensured through a control power over financial and operational policies for the purpose of obtaining benefit from the activities of a company. Subsidiaries represent the companies which belong to the Company directly and/or indirectly and in which the company has the authority to use more than 50% of voting rights regarding the shares in companies as a result of shares the Company has voting rights thereon or in which it does not have the authority to use more than 50% of the voting right but has the authority and power to control its financial and operating policies in line with the interests of Company by way of using its actual control effect on its financial and operating policies.

Capital shares of Subsidiaries subjected to consolidation as of December 31, 2010 and December 31, 2009 are shown in Footnote 1.

Subsidiaries have been included in the scope of consolidation as of the date the control over activities was transferred to the Group.

Following principles have been applied in the preparation of consolidated financial statements:

Full Consolidation Method

Items of financial status table other than the equities of Parent Company and its affiliates at the date of paid in capital and purchase are added. In such addition, mutual receivables and payables of partnerships subjected to the consolidation method are deducted.

Shares of Parent Company in the subsidiaries are eliminated mutually from the account of Financial Investments in Parent and Capital in subsidiaries.

The cost of obtaining the shares that the Parent owns in the capital of subsidiary is offset from the value of such shares represented in the equities in the financial status table of subsidiary as valued in accordance with the fair value as of the date the partnership under the consolidation becomes a subsidiary and to be for a one time basis in the following share purchases. Difference in favor of the registered value is shown in a separate item in the assets of consolidated financial status table as positive goodwill; the difference against the registered value is associated with the comprehensive statement income as negative goodwill.

The totals falling to the shares outside the Parent and subsidiaries are deducted from all equities account group items including paid in/issued capital of subsidiaries under the scope of consolidation; and they are shown in the equities as separate from the share of Parent in the equities in consolidated financial status table and under the title “Minority Shares” in the consolidated comprehensive income statement.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 2: PRINCIPLES ON THE PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basic Principles on the Presentation (Continued):

Principles on the Preparation of Financial Statements and Important Accounting Policies (Continued):

Principles on Consolidation (Continued)

Full Consolidation Method (Continued)

Purchase and sale transactions between the Partner and Subsidiaries and the profits and losses resulting from such transactions are cancelled in the comprehensive consolidated income statement. Such cancelled profits and losses include financial investments, inventories, tangible and intangible fixed assets and other assets as the subject of purchase-sales between the partners under consolidation.

2.2 Changes in the Accounting Policies

Important changes in accounting policies are applied retrospectively and financial statements of previous term are rearranged.

2.3 Changes and Errors in Accounting Estimates

If the changes in accounting estimates are concerning only one term and if it is concerning following terms in the current term of change, they are applied prospectively both in the term of change and the following terms. There have been no significant changes in the accounting estimates of group within the current year. Significant accounting errors determined are applied retrospectively and the financial statements of previous term are rearranged.

2.4 Changes in the International Financial Reporting Standards (IFRS)

New and Revised International Financial Reporting Standards

New and revised standards applied by the Company

None.

Standards valid as of 2010 but not related with the activities of Company, changes and comments to present standards

"Initial Application of IFRS – Other Exceptional Situations" (amendment to IFRS 1) was published in July 2009. It is obligatory to apply such changes for the financial terms starting on or after January 1, 2010. The company does not apply such change since it is not applying IFRS for the first time.

IFRS 2 "Share based Payments – Share based agreements of Company paid in cash" is valid for financial terms starting on or after January 1, 2010. The company does not apply such change because it does not have any share based payment plan.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 2: PRINCIPLES ON THE PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Changes in the International Financial Reporting Standards (IFRS) (Continued)

Standards valid as of 2010 but not related with the activities of Company, changes and comments to present standards (Continued)

IAS 12, Income Tax - IAS 12 "Income Tax" standard was amended in December 2010. The deferred tax of asset should be calculated in accordance with IAS 12 as associated with the asset depending on the use of book value of asset or recovering, not recovering the same as a result of its sale. In cases where the asset is calculated by using the fair value method specified in IAS 40 "Immovable Properties for the purpose of Investment" standard, it can be a difficult and subjective decision to determine as to whether the recovery of book value is through the use or sale of asset. The change in standard has brought a practical solution by mentioning to select the estimate that the recovery of asset would be through sale in such cases.

IAS 32 (Changes) 'Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements' The changes in IAS 32 and IAS 1 standards are valid for the financial terms starting on or after February 1, 2010. Such changes are related with the recognition of rights (rights, options or guarantees) of a company preparing the financial statement as issued by using a currency other than the functional currency. Such rights had been recognized in previous terms as derivative obligations; however, such changes specify that such issued rights should be recognized as equities regardless of the currency determined for the optional use price of such issued rights in line with meeting specific conditions. The company does not have any rights issued other than the functional currency and therefore such standard is not applied.

IFRIC 19 'Payment of Financial Liabilities by using Equity Instruments'

IFRIC 19 is valid for financial terms starting on or after July 1, 2010. IFRIC 19 clarifies the accounting applications that the companies exporting equity instruments would use for the purpose of paying the whole or a part of only one liability. The company does not apply this standard because it does not have any equity exports for the purpose of paying its financial liabilities.

Improvements performed in 2009 with regards to International Financial Reporting Standards were published in April 2009. Such improvements cover the following standards and comments: IFRS 2 Share Based Payments, IFRS 5 Assets kept for sales purposes and Discontinued Operations, IFRS 8 Operation Sections, IAS 1 Presentation of Financial Statements, IAS 7 Cash Flow Table, IAS 17 Financial Leasing, IAS 18 Revenues, IAS 36 Impairment of Assets, IAS 38 Intangible Fixed Assets, IAS 39 Financial Instruments: Recognition and Measurement, IFRIC 9 Revaluation of Embedded Derivative Instruments, IFRIC 16 Protection of Net Investment available in a Foreign seated Company from Financial Risks. Effective dates of such improvements are different for each standard; however, most of the same are valid as of January 1, 2010.

Standards not entered into effect yet and not adopted by the Company to implement early as well as the changes and comments to previous available standards

IFRS 1 (changes) 'Initial Application of IFRS – Other Exceptional Situations'

IFRS 1 standard was rearranged on December 20, 2010 for the purpose of performing following changes:

- Ensuring ease in the restructuring of transactions occurring prior to the period of transition to IFRS standards for financial table users who will apply IFRS standards for the first time; and
- Providing explanatory information for the companies affected seriously from high inflation economies for the purpose of preparing and presenting financial statements in accordance with IFRS or for the first time in accordance with IFRS.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 2: PRINCIPLES ON THE PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Changes in the International Financial Reporting Standards (IFRS) (Continued)

Standards valid as of 2010 but not related with the activities of Company, changes and comments to present standards (Continued)

Such changes are not applicable to the company because it is currently preparing financial statements in compliance with IFRS.

IFRS 9 'Financial Instruments: Classification and Measurement'

International Accounting Standards Board (IASB) published the first section of IFRS 9 regarding the classification and measurement of financial instruments in November 2009. IFRS 9 shall be used in place of IAS 39 Financial Instruments: Recognition and Measurement'. Such Standard requires the classification of financial assets by taking as the basis the cash flow features based on the model and contract used by the company in managing its financial assets and then evaluating the same with fair value or amortized cost. It is obligatory to apply such new standard in financial terms starting on or after January 1, 2013. The company has not yet evaluated the effects that may occur in the financial statements as a result of applying such standard.

IAS 24 (2009) 'Related Party Disclosures

IAS 24 "Related Party Disclosures" has been updated in November 2009. Updating in the standard ensures partial exemption regarding the government transactions, footnote explanations required to be presented. It is obligatory to apply this updated standard in financial terms starting on or after January 1, 2011. The company has not yet evaluated the effects that may occur in financial statements as a result of the application of revised standard.

IFRIC 14 (Changes) 'Payment of Minimum Funding Requirement'

Changes in the interpretation of IFRIC 14 are applicable to the financial terms beginning on or after January 1, 2011. Companies which are obliged to make minimum funding addition to its defined benefit retirement plan and preferring to pay such additions in cash will be affected from such changes. In accordance with such changes, the surplus total arising from optional advance payments are recognized as assets. The company considers that such change will not be an effect on the financial statements.

IFRS 7 'Financial Instruments – Explanations'

IASB amended IFRS 7 Financial Instruments: Explanations standard in October 2010 as a part of its comprehensive examination works with regards to activities off-the balance sheet. Such changes would help the users of financial statements understand the transfer transactions regarding financial assets and the effects that the remaining risks may create in the company. In addition, in accordance with such changes, more explanation should be made in case of fulfilling disproportional process transfers at the end of reporting term. The company considers that such change would not be an effect on the financial statements.

May 2010, Annual Improvements

IASB published the explanations in issues specified below and covering mainly 7 standards/comments in May

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 2: PRINCIPLES ON THE PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Changes in the International Financial Reporting Standards (IFRS) (Continued)

Standards valid as of 2010 but not related with the activities of Company, changes and comments to present standards (Continued)

2010 in addition to the foregoing changes and updated standards: IFRS 1 Initial Application of International Financial Reporting Standards; IFRS 3 Company Mergers; IFRS 7 Financial Instruments: Explanations; IAS 1 Presentation of Financial Statements; IAS 27 Consolidated and Non-Consolidated Financial Statements; IAS 34 Interim Term Financial Reporting and IFRIC 13 Customer Loyalty Programs. All the changes other than those in IFRS 3 and IAS 27 valid on or after July 1, 2010 shall be applicable to financial terms starting on or after January 1, 2011 with an option of early practice. The company has not yet evaluated the effects that may occur in financial statements as a result of applying the foregoing standards and changes.

2.5. Summary of Important Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include the cash in hand, bank deposits, as well as the investments that are of specified totals, easily convertible to cash, having short term and high liquidity and having insignificant exchange risk of value and with maturities of three months or less. (Footnote-6).

Prompt cash consists of balances in Turkish Liras and foreign currency. Balances in Turkish Liras are shown in the records at their registered values and the balances in foreign currency at their values converted into Turkish Liras by using the foreign exchange buying rate of the Central Bank of Republic of Turkey at the end of reporting term.

Bank deposits consist of demand deposits in TL and foreign currency balances. Foreign exchange deposits accounts show the records at the values converted into Turkish Liras by using the exchange rate of the Central Bank of Republic of Turkey at the date of reporting term.

Such checks received that have a maturity exceeding the reporting term are shown in notes receivable and they have been subjected to rediscount over the interest rate of Government Debt Securities valid in the reporting term.

Fair Value

Cash and cash equivalents in foreign currency are converted into Turkish Liras at exchange rates valid at the reporting date and therefore it is accepted that fair values of such assets are in compliance with their registered values.

It is assumed that the bank deposits, registered values of cash and the checks-bonds received are the same because of disposing such assets at short terms and because there is not the risk of value impairment.

Trade Receivables and Provisions for Bad Debts

It implies the receivables of group from its customers against the sale of trade goods or services within its principal activities. Trade receivables and other receivables of group are included in the records with their fair values at the initial registry dates.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 2: PRINCIPLES ON THE PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5. Summary of Important Accounting Policies (Continued)

Trade Receivables and Provisions for Bad Debts (Continued)

Trade receivables recorded at their values on invoice are transferred with their net values from which the provisions for bad debts are deducted. Trade receivables are shown over their cost values reduced by using the interests of Government Debt Securities in their reporting terms after the date of recording the same. Short term receivables having no interest rate specified are recorded by taking as the basis the invoice total in case the original effective interest rate is not significant

Deposits and securities given are reported by classifying in other receivables and payables not under this item.

Provisions for bad debts are separated when there is the case of impossibility to collect the trade receivables, and they are reflected to consolidated financial statements as an expense. The provision is the difference between the registered value of receivables and the collectable total, being the total that may be collected from the securities and guarantees.

While evaluating whether the receivables suffered value decrease, previous performances of debtors including the related companies and key customers, their credibility in market and performances from the balance sheet date and approval date of financial statements as well as the conditions negotiated again should be considered. If the total of value decrease is reduced due to a situation to arise after writing off, then such total is reflected to other income in the current term.

It is assumed that the values of trade receivables discounted and provisions for bad debts reserved are equivalent to the fair values of assets.

Related Parties

In line with the purpose of financial statements; the partners, senior management personnel and members of board of directors and the companies controlled by the same or having significant effects on the same are accepted and expressed as related parties.

Processes with related parties with regards to the scope of activity of the group have been concluded at prices suitable to the market conditions. (Footnote-37)

Netting/Offsetting

All kinds of items of importance in terms of content and amount are shown separately in financial tables, even if having the same quality. Non-significant totals are shown by adding similar items in terms of principles and functions. If the essence of processes and events require offsetting, showing such processes and events over their net totals or following over the totals after impairment of assets are deducted is not evaluated as a violation of the rule of failure to offset.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 2: PRINCIPLES ON THE PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5. Summary of Important Accounting Policies (Continued)

Fair Value

It is assumed that the fair value of short and long term bank loans is equivalent to the registered values formed by adding the interest debts calculated over the effective interest rate and accrued at the end of reporting term to the cost of financial liabilities. Similarly, it is accepted as the discounted cost value of trade payables and their fair values.

Inventories

Inventories are evaluated with the net realizable value or those less than the acquiring value. Cost of inventories includes all the purchasing costs and other costs incurred for bringing the inventories to present situation and location. The company valued its inventories according to the FIFO methods. Net realizable value is the total obtained by deducting the total of estimated completion cost and estimated sales cost required for the sale from the estimated sales value that occur within ordinary commercial activity. (Footnote-13)

Other Receivables and Payables

Other receivables and payables not included in trade receivables and payables class are shown in this item. Items such as deposits and guarantees given, receivables from tax offices and taxes payable, other various receivables are reported in this group. Other payables not included in any payables class defined here are shown here. (Footnote-11)

Other Assets and Liabilities

Accounts such as short-term prepaid expenses and accrued income not included in other assets class in the balance sheet, taxes and funds paid in advance, work advances, deferred VAT, other VAT and other various current / fixed assets are reported in this item. (Footnote-26)

Short term deferred income and accrued expenses are classified and reported here.

Subsidiaries and Goodwill

The title of company, in which the group has a voting right at 93,33%, consolidated in all financial statements, considered as the subsidiary subjected to joint management and which has an effect thereon, is Katmerciler Profil Sanayi ve Ticaret A.Ş..

The titles of companies considered as subsidiaries subjected to joint management after the group purchased their shares on March 31, 2010 are respectively Isipan Otomotiv ve Üst Ekipman Metal Makine San. Ve Tic. A.Ş. and Kat Araç Üstü Ekipman Pazarlama ve Dış Ticaret Ltd. Şti. They have been included in financial statements by being subjected to full consolidation.

Income statement reflects the share of activity consequences of the subsidiaries of Company. Investment in the subsidiaries of company is shown with the total excluding betterment that occurs in purchase. The balances

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 2: PRINCIPLES ON THE PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5. Summary of Important Accounting Policies (Continued)

Subsidiaries and Goodwill (Continued)

and processes between the subsidiaries of company have been eliminated through the profits between companies including unrealized profits and losses. Consolidated financial statements have been prepared by using similar accounting principles applied for the processes and events of similar situations.

Consolidated income statement reflects the share of company in the consequences of activities of subsidiaries.

Purchasing cost incurred by purchasing a company, identifiable asset at the date of purchasing date of acquired company are distributed to the liabilities and conditional liabilities. The difference between purchasing cost and the fair value of identifiable asset, liabilities and conditional liabilities of the company acquired are recognized as betterment in the consolidated financial statements. Assets not included in the financial statements of company purchased in company mergers (movable financial losses, etc.) in tangible fixed assets, conditional liabilities are reflected to the consolidated financial statements with their fair values. Betterment totals included in the financial statements of the company purchased are not evaluated as an identifiable asset.

Registered value of betterment is reviewed annually and is subjected to correction in consideration of continuous loss of value when deemed necessary.

The portion exceeding the acquiring cost of the share of company at the fair value of acquired identifiable assets and payables at the date of change is reflected as negative goodwill in the financial statements.

Investment properties

Any part or both of a building site or building kept (by the owner or the leaseholder in accordance with the financial leasing contract) for the purpose obtain rental income or appreciation proceeds or both rather than using in the production or supply of goods and services or for administrative purposes or during normal course of works are classified as investment properties.

An investment property is recognized as an asset in case the entry of future economical benefits regarding the immovable property to the company is possible and that the cost of investment property is measurable reliably.

Fair Value Method

The group has adopted the fair value method following the initial recognition process and all the investment properties have been measured by the fair value method. (Footnote-17)

The earnings and loss resulting from the change in the fair value of investment property has been reflected on the consolidated financial statements in the term of its occurrence and included in the profit/loss of related term.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 2: PRINCIPLES ON THE PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5. Summary of Important Accounting Policies (Continued)

Immovable properties for use

The group continues its production activity in its building. It has adopted the fair value method after the initial recognition process and measured all its immovable properties for use through the fair value method. (Footnote-18)

The earnings and loss resulting from the change in the fair value of immovable properties for use have been classified separately as appreciation of tangible fixed assets under the equities. The losses have been transferred to the remaining profit loss accounts offset from the increment value fund.

Revaluation

The buildings and lands reported in the financial statements of the group are shown over their revaluated totals. Fair value of buildings has been determined by an independent valuation company licensed by SPK. Revaluated total is found by deducting the following depreciation and impairment loss from the fair value at revaluation date. Increases in the revaluated value are reported in equities.

If the book value of an asset has increased as a result of revaluation, such increase is recognized in the other comprehensive income and shown directly under the revaluation increment value in the account group of equities. However, revaluation increment value is recognized as income as much as the same asset reverses the revaluation increased associated with the previous profit or loss.

If the book value of an asset has decreased as a result of revaluation, such decrease is recognized as expense. However, such decrease is recognized as much as the content of all kinds of credit balance included in the revaluation surplus with regards to such asset in the other comprehensive income. Such decreased recognized in the other comprehensive income is offset from the accumulated total in equities under the title of revaluation surplus. (Footnote-18)

Tangible Fixed Assets

Tangible fixed assets are shown by deducting the accumulated depreciation and impairment provisions from the cost value. Lands are not subjected to depreciation.

Depreciation has been calculated using the “linear” depreciation” method over the following economical lives.

Tangible fixed assets	Depreciation Rate (%)
Buildings	40-50
Facility, machinery and devices	2-10
Vehicles	5
Fixtures	2-10

In cases when the values of tangible fixed assets, the values of events and cases transferred in the balance sheet cannot be converted into cash, it is reviewed as to whether there is impairment in tangible fixed assets.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 2: PRINCIPLES ON THE PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5. Summary of Important Accounting Policies (Continued)

Tangible Fixed Assets

If there is such an indication and if the value of asset transferred in the balance sheet exceeds the estimated realizable value, such assets or items creating cash are brought to their realizable values. The realizable value of tangible fixed assets is the one higher than the net sales value or net book value in use. When finding the use value, the estimated further cash flow is reduced to its present values by using the discount rate before tax reflecting the cost of cash to be obtained in today's market conditions and the risks peculiar to such asset. The net book value in use for an asset not creating independent cash flow is specified for the group of items providing cash flow in which the asset is included.

Intangible Fixed Assets

Intangible fixed assets obtained separately for a company are capitalized over the cost value of intangible fixed assets. Intangible fixed assets obtained as a part of taking the transfer of a company are capitalized in cases when the current market value of related asset can be measured reliably. However, it is noted that such current market value does not create negative goodwill resulting from purchase or not increase the present negative goodwill. Intangible fixed assets are amortized throughout the best estimated economical life of asset in accordance with the linear depreciation method.

Purchase cost of new software is capitalized if it is not a part of related hardware and classified as intangible fixed asset. Software is amortized in 3 years through the normal depreciation method. The depreciation has been calculated by using "linear depreciation" method over the following estimated economical lives.

<u>Intangible Fixed Assets</u>	<u>Useful Life</u>
Rights	3 years
Special Costs	5 years or the period of lease contract

Special costs have been amortized over the remaining life of main building to which the special cost belongs to until 31.12.2009; depreciation is reserved over the cost valued for buildings in Katmerciler Profil sanayi ve Ticaret A.Ş. as of 01.01.2010 and so no additional depreciation is reserved.

Provisions for Tax Assets/Liabilities

Related current tax liability or assets in current term and previous terms are calculated in accordance with the tax regulations in force over the tax rates in force and valid as of the balance sheet date.

Deferred tax has been calculated by considering the balance sheet liabilities method. Deferred tax is reflected by considering tax effect of interim differences between the values of assets and liabilities reflected in financial statements and the legal tax base.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 2: PRINCIPLES ON THE PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5. Summary of Important Accounting Policies (Continued)

Provisions for Tax Assets/Liabilities (Continued)

Deferred tax liabilities are entered into records for interim differences subjected to entire tax except for the following situations:

- in cases when the deferred tax liability results from the amortization of betterment or an asset or debt in a processes other than company merger is entered into records for the first time and they neither effect the accounting profit or the taxable profit or loss at the time of fulfilling the process,
- in cases when the taxable interim differences regarding the investments in subsidiaries, affiliates and partnerships are considered except for those cases when the timing of reversal of interim difference can be controlled and when it is possible that the interim difference can not be reversed in a predictable future.

Value born by the deferred tax claims is reviewed in each balance sheet date and reduced in cases when it is not possible to have sufficient taxable profit to ensure complete or partial use of deferred tax claims.

Deferred tax claims and liabilities are calculated in accordance with the tax rate valid at the term the asset is realized or the liability is fulfilled and in force at the date of balance sheet.

Financial Liabilities and Borrowing Expenses

Bank loans are recorded with their values after the transaction expenses and commissions are deducted from the loan total at the date of their receipt. Bank loans are shown over the discounted cost value by using the interest method effective in the following terms. The difference between the total remaining after the transaction expenses is deducted and the discounted cost value is reflected to the income statement as financing cost throughout the term of loan. In case of assets obtained with their purpose of use, the borrowing costs are included in the cost of related asset that may be associated directly with its purchase. If the term of loans received is shorter than 12 months, then they are shown in short term liabilities and if longer than 12 months, then they are shown in long term liabilities. (Footnote-8)

Financial Leasing

The group enters in records the fixed assets obtained by way of financial leasing at the fair value of related asset in the consolidated financial status table and over the one that is less than its present value in the reporting terms of minimum lease payments. While calculating present value of minimum lease payments in the reporting term, the interest rate valid in the financial leasing transaction is used in discounting the lease payments in following terms. The capital financial leasing liabilities as of the reporting term are shown in the short and long term financial status table based on their terms and the interest expenses of the current term are associated with the detailed income table.

Fixed assets obtained by way of financial leasing are included in the related tangible fixed assets item in the consolidated financial status table and they are subjected to depreciation according to among economical life and leasing period, whichever is shorter. (Footnote-8)

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 2: PRINCIPLES ON THE PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5. Summary of Important Accounting Policies (Continued)

Trade Payables

It is considered that the trade payables and other pecuniary obligations are of short term and therefore their current market value approach to the value they carry. Bills payable are expressed with a discounted cost. Since the interest rates thereon are updated in consideration of the changing market conditions, it is considered that the current market value of bills payable expresses the value they carry. It is estimated that the current market value of commercial liabilities remaining after deducting the rediscount provisions they carry. (Footnote-10)

Employee Benefits

a) Defined Benefit Plans

The group is obliged to pay a severance pay at a specific quantity to the member of personnel who leave the work due to retirement after at least one year of service or who are dismissed due to reasons other than resignation and misbehavior.

The severance pay is calculated and reflected to consolidated financial statements based on the estimated inflation rates and on the information the Company have resulting from its experiences with respect to the member of personnel leaving work or dismissed and by using the “projection method” stipulating to enter the deserved benefits at their reduced net value by using the government bonds valid as of the balance sheet date.. (Footnote-24)

b) Defined Contribution Plans

The Group is paying Social Security Premiums to the Social Security Institution on a mandatory basis. There are no obligations as long as such premiums are paid. Such premiums are reflected to the personnel expenses at the term of their accrual.

Provisions, Conditional Asset and Liabilities

a) Provisions

The provisions are entered into records if and only if the Company has a past and continuing obligation (legal or structural), there is the possibility to dispose the sources providing economical interest to the company due to such obligation and such obligation total can be determined securely.

When the decrease in value of money through time gains importance, the provisions are reflected at the reduced values of expenses possible to arise further at the date of balance sheet. When reduced value is used, increases possible to arise in the provisions due to running time are entered as interest expense.

b) Conditional Asset and Liabilities

Conditional liabilities are such liabilities that the existence of which can be confirmed with the realization or non-realization of an event which result from previous incidents and the existence of which is not under full

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 2: PRINCIPLES ON THE PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5. Summary of Important Accounting Policies (Continued)

Provisions, Conditional Asset and Liabilities (continued)

b) Conditional Asset and Liabilities (continued)

control of company or which does not have a more certain nature. There is not the possibility to remove the sources including economic benefit to fulfill the liability or the liability total can not be measured securely enough. Conditional liabilities are not reflected to consolidated financial statements but explained in the footnotes if the situation requiring transfer of sources does not have a high probability. Conditional assets are not reflected on the consolidated financial statements and they are explained in the footnotes if the possibility to create economic return. (Footnote-22)

Transactions in Foreign Currency

While doing the exchange of transactions in foreign currency, related exchange rates valid in the date of transaction are taken as the basis. The expense or income of exchange rate differences is reflected to the income statement in the related term. Term end exchange buying rates of the Central Bank of Turkey as used in the exchange of balance sheet items of group in foreign currency are as follows:

	<u>USD/TL</u>	<u>EURO/TL</u>
December 31, 2010	1,5460	2,0491
December 31, 2009	1,5057	2,1603

Return

In cases when the important risks and proceeds regarding the property ownership is transferred to the buyer, the company is not related as necessary with the management of property sold and does not have an effective control on such property, measuring the quantity of return in a secure way, it is possible that the economic benefit regarding the transaction will be obtained by the company and the costs incurred and to be incurred regarding the transaction can be measured in a reliable way, then the sale of property is entered as a return. The group has considered that the property of sale was delivered to the buyer in a clear and provable way before any sale of property is entered in the financial statements as a return and eliminated from its financial statements those that are not delivered.

Service

In cases when the consequences of transactions regarding the rendering of services can be estimated in a secure way, the return regarding the transaction is included in the financial statements by considering the completion level of the same at the date of balance sheet.

Interest

The interest income is accrued in the related term in proportion to the effective interest rate reducing estimated cash entries from the related financial asset through its expected life with the remaining capital balance to the registered value of such asset and it is transferred to the financial statements in proportion to time on condition to consider the effective proceeds of asset. The Group issues invoices by applying interest accrual on the non-commercial payables and receivables to related persons within the framework of Corporate Tax Law, article 13 (distribution of hidden income by way of transfer pricing).

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 2: PRINCIPLES ON THE PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5. Summary of Important Accounting Policies (Continued)

Taxes calculated over the corporate earnings

The income tax obligation over the profit and loss of term includes the current year tax and deferred tax. Current term obligation includes the tax obligation calculated with tax rates valid on the date of balance sheet over the taxable portion of term profit. (Footnote-35)

Reporting according to sections

The Group makes half of its sales to Turkey and exports the remaining half mainly to the Middle East and Africa countries. There are no different products and different geographical regions requiring reporting according to sections and therefore the financial information is not reported according to the sections.

Cash Flow Reporting

Cash flows related to term are classified and reported in the cash flow table based on the principle, investment and financing activities. Cash flows related to the investment activities shows the cash flows used and acquired by the Group in investment activities (fixed investments and financial investments). Cash flows regarding financing activities show the sources used by the Group in financing activities and repayments of such sources. Cash and cash equivalents include cash bank deposits and the short term investments of specific quantity that can be turned into cash easily and having short term and high liquidity and maturities shorter than three months.

Provision of decrease in value of inventories

The inventories are examined physically and as to how much they are dating back with respect to decrease in the value of inventories; their usability is determined in line with the opinions of technical personnel; and provisions are reserved for items as estimated that will not be used. In the determination of net realizable value of inventories, data on the listed sales prices and average discount rates provided within the year are used and estimates are made with regards to the sales expenses to be incurred. In conclusion to such procedures, provisions were reserved for those inventories with net realizable value under the cost value.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 2: PRINCIPLES ON THE PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5. Summary of Important Accounting Policies (Continued)

Dividend

Dividend claims are entered as income at the term of their declaration. Dividend liabilities are reflected to the consolidated financial statements as a liability at the term of their declaration as an element of distribution of profit.

Guarantee Expenses

Guarantee expenses repair-maintenance expenses incurred for the products manufactured and sold by the Company, workmanship and material expenses provided within the scope of guarantee without payment from the customer, first maintenance expenses undertaken by the company as well as the consequences of the estimates resulting from previous data of returning and repair-maintenance levels that may arise in the following years for the products with proceeds recorded as income in the current term are entered in the related term.

Paid in Capital

Ordinary shares are classified in equities. New share certificates and costs related to optional issue are deducted from the total collected as reduced tax effect are shown in the equities.

Share Premiums

Share premiums are formed as a result of the difference arising due to selling the shares of subsidiaries or investments valuated through equity method under the possession of Company at a price higher than its nominal value or as a result of selling Company shares at a higher price than the nominal value during public offering.

2.6. Important Accounting Evaluations, Estimates and Assumptions

Preparation of consolidated financial statements require the declaration of totals of assets and liabilities reported as of the balance sheet date as well as the conditional assets and liabilities and the use of estimates and assumptions that may affect the totals of income and expenses reported throughout the account term.

Preparation of financial statements require the declaration of totals of assets and liabilities reported as of the balance sheet date as well as the conditional assets and liabilities and the use of estimates and assumptions that may affect the totals of income and expenses reported throughout the account term. The group makes prospective estimates. Accounting estimates may not be concluded with the same totals exactly with the results obtained due to their nature. The estimates and assumptions that may cause significant changes in the registered value of assets and liabilities in the following financial reporting term are specified below.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 2: PRINCIPLES ON THE PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6. Important Accounting Evaluations, Estimates and Assumptions (continued)

Determination of impairment of tangible fixed assets and goodwill with unlimited useful life:

In accordance with the accounting policies regarding tangible fixed assets and betterment having unlimited useful life as mentioned in Note 2.5, such totals are reviewed for impairment by the group every year or more frequently in cases when there are conditions pointing at the presence of impairment. Recoverable value of units producing cash has been determined by taking as the basis the calculations of use value. (Note 19 and 20). No impairment was determined as a result of such studies.

NOTE- 3: COMPANY MERGERS

None. (31.12.2009 - None.)

NOTE- 4: BUSINESS PARTNERSHIPS

None. (31.12.2009 - None.)

NOTE- 5: REPORTING BASED ON SECTIONS

None. (31.12.2009 - None.)

NOTE-6: CASH AND CASH EQUIVALENTS

	31 Dec. 2010	31 Dec. 2009
Cash	198.652	371.054
Banks	1.875.786	48.389
<u>Demand deposit</u>	<u>725.610</u>	<u>48.389</u>
TL	340.264	12.610
USD*	24.713	28.804
EURO*	360.633	6.855
GBP*		119
<u>Time Deposits in TL</u>	<u>1.150.176</u>	=
Unblocked totals with a term shorter than 3 months	1.150.000	
Interest income accrual	176	
Total	2.074.438	419.443

**provided in TL.*

The interest rates applied to time deposits as of 31.12.2010 is 6,5% for deposits in TL (31.12.2009 – None.)

Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December 2010

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-6: CASH AND CASH EQUIVALENTS (continued)

Deposits in foreign currency	31 Dec. 2010	31 Dec. 2009
Banks / Demand deposit		
USD	15.985	19.130
EURO	175.996	3.173
GBP	–	50

Cash total is specified as “Other” in the Loan Risk Table available in Footnote 38 b-1.

NOTE- 7: FINANCIAL INVESTMENTS

None. (31.12.2009 – None.)

NOTE- 8 : FINANCIAL LIABILITIES

Short term financial liabilities	31 Dec. 2010	31 Dec. 2009
Bank Loans	7.182.429	7.839.868
Debts from financial leasing transactions	-	4.109
Total	7.182.429	7.843.977
Long term financial liabilities	31 Dec. 2010	31 Dec. 2009
Bank Loans	6.573.757	2.287.198
Debts from financial leasing transactions	34.922	-
Deferred financial borrowing cost (-)	-2.012	-
Total	6.606.667	2.287.198

Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December 2010

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 8 : FINANCIAL LIABILITIES (continued)

	31 Dec. 2010		31 Dec. 2009	
	Original Currency Value	Equivalent in TL	Original Currency Value	Equivalent in TL
Short term loans		7.182.429		7.839.868
Loans in USD	859.357	1.328.566	1.535.665	2.312.252
Loans in Euro	2.856.797	5.853.863	1.646.620	3.557.193
Loans in TL	-	-	1.970.423	1.970.423
Short term portions of long term loans				
Loans in USD				
Loans in Euro				
Loans in TL				
Short term loans total		7.182.429		7.839.868
Long term loans total		6.573.757		2.287.198
Loans in USD	3.049.027	4.713.795	-	-
Loans in Euro	907.697	1.859.962	1.045.540	2.287.198
Loans in TL	-	-	-	-
Loans total		13.756.186		10.127.066

Table of refunding loans used by the Group as of the terms are provided below.

TABLE OF LOAN REFUNDING LIABILITIES		
	31 Dec. 2010	31 Dec. 2009
01.01.2014-31.12.2014	662.571	
01.01.2013-31.12.2013	1.828.807	360.050
01.01.2012-31.12.2012	2.033.646	720.100
01.01.2011-31.12.2011	9.231.162	818.481
01.07.2010-31.12.2010		1.309.280
01.04.2010-30.06.2010		1.362.178
01.01.2010-31.03.2010		5.556.978
Total	13.756.186	10.127.066

Interest of loans used is as follows as of the terms.

Loans in cash	31 Dec. 2010					
	1 Month	3 Months	6 months	9	12 months	48
TL			7,75			
Euro			3,50-4,38		5,25	5,63
USD			2,87-4,25		3,75-3,85	5,11

Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December 2010

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE- 8 : FINANCIAL LIABILITIES (continued)

Cash loans			31 Dec. 2009		
	1 months	3 months	6 months	9 months	12 months
TL		14,20			
Euro		8,59	4,99		
USD		6,40	4,50		

Since the financial liabilities have variable interest, it is accepted that the effect of discount would be close to registered values.

Loan Refunding Structure				
31 Dec. 2010	3 months	6 months	9 months	12 months and longer
Financial liabilities with fixed interest rates		648.090		135.430
Financial liabilities with variable interest rates		6.534.339		6.438.326
Total		7.182.429		6.573.757
31 Dec. 2009	3 months	6 months	9 months	12 months and longer
Financial liabilities with fixed interest rates				
Financial liabilities with variable interest rates		7.839.868		2.287.198
Total		7.839.868		2.287.198

(*) The total of balances of short and long term loans is specified as “Bank Loans” in the Liquidities Table.
(Footnote 38/b-2)

NOTE- 9: OTHER FINANCIAL LIABILITIES

None. (31.12.2009 – None.)

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-10 : TRADE RECEIVABLES AND TRADE PAYABLES

Short term trade receivables	31 Dec. 2010	31 Dec. 2009
Customers	10.283.413	6.622.080
Notes receivable	4.635.766	9.457.260
Rediscounts on receivables (-)	-161.401	-410.147
<i>Notes receivable</i>	-23.013	-302.100
<i>Checks received</i>	-59.524	-5.192
<i>Customers</i>	-78.865	-102.855
Advances given for purchase orders	883.777	1.441.919
Deposits and guarantees given	1.469	85
Doubtful trade receivables	918.146	1.646.892
Provisions for Doubtful trade receivables (-)	-918.146	-1.646.892
Trade receivables from related parties (*)	0	1.590.993
Total	15.643.023	18.702.190

Aging schedule for customers and notes receivables are provided below.

Aging of accounts receivables	31 Dec. 2010	31 Dec. 2009
Overdue	1.971.856	1.754.296
With fixed term of 30 days	1.844.670	1.383.825
With fixed term of 60 days	4.843.958	1.206.691
With fixed term of 90 days	951.620	2.401.582
With fixed term of 120 days	487.310	193.493
Receivables with fixed term longer than 120 days	184.000	1.273.186
Total	10.283.413	8.213.073

*The figure of trade receivables from related parties was also included in the receivables aging Schedule of Group in 2009.

Distribution of terms in notes receivables	31 Dec. 2010	31 Dec. 2010
With fixed term of 30 days	1.272.000	840.850
With fixed term of 60 days	1.178.186	2.467.110
With fixed term of 90 days	905.290	2.149.300
With fixed term of 120 days	155.290	2.000.000
Receivables with fixed term longer than 120 days	1.125.000	2.000.000
Total	4.635.766	9.457.260

Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December 2010

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-10 : TRADE RECEIVABLES AND TRADE PAYABLES (continued)

Aging of overdue accounts receivables	31 Dec. 2010	31 Dec. 2009
30 days	970.384	913.944
60 days	880.391	840.352
90 days	40.427	-
120 days	80.654	-
Total	1.971.856	1.754.296

The group has reserved provisions for doubtful receivables for its claims not possible to collect because of commercial activities.

Long term trade receivables	31 Dec. 2010	31 Dec. 2009
Antalya / Belek Municipality	118.444	-
Antalya / Belek Municipality (Rediscount)	-9.776	-
Long term trade receivables Net	108.668	0

Movement table for the Provisions for Bad Debts is as follows.

	31 Dec. 2010	31 Dec. 2009
Balance of January 01	-1.646.892	-846.820
Provisions reserved within the year		-927.853
Provisions no longer required	1.070	127.781
Total not possible to collect any more	727.676	
Total	-918.146	-1.646.892

Short term trade payables	31 Dec. 2010	31 Dec. 2009
Suppliers	2.544.739	2.829.701
Notes payable	7.486.497	7.429.457
<u>Rediscount on note payable (-)</u>	<u>-102.313</u>	<u>-221.896</u>
Notes payable	-745	-6.239
Checks payable	-80.249	-145.585
Suppliers	-21.318	-70.072
Other trade payables (*)	745.557	4.342.137
Total	10.674.481	14.379.399

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-10: TRADE RECEIVABLES AND TRADE PAYABLES (continued)

Aging table for the suppliers, other trades payable and notes payable is as follows.

Aging of suppliers account	31 Dec. 2010	31 Dec. 2009
Overdue	2.031.843	6.509.433
With fixed term of 30 days	427.416	11.646
With fixed term of 60 days	383.488	56.728
With fixed term of 90 days	246.867	27.276
With fixed term of 120 days	106.821	41.112
Payables with fixed term longer than 120 days	93.862	525.643
Total	3.290.297	7.171.838

(*) Other trade payables are also included in the liability aging table of the group.

Distribution of terms in notes payables	31 Dec. 2010	31 Dec. 2009
With fixed term of 30 days	2.313.799	2.327.405
With fixed term of 60 days	1.733.433	2.302.722
With fixed term of 90 days	2.085.965	1.472.782
With fixed term of 120 days	474.100	946.248
Payables with fixed term longer than 120 days	879.200	380.300
Total	7.486.497	7.429.457

NOTE-11 : OTHER RECEIVABLES AND PAYABLES

Other short term receivables	31 Dec. 2010	31 Dec. 2009
Receivables from partners	4.416.064	1.121.714
Other various receivables	1.461.009	36.234
Total	5.877.073	1.157.949
Other long term receivables	31 Dec. 2010	31 Dec. 2009
Deposits and guarantees given	16.163	3.375
Total	16.163	3.375

Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December 2010

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-11 : OTHER RECEIVABLES AND PAYABLES (continued)

Other short term receivables	31 Dec. 2010	31 Dec. 2009
Due to personnel	365.303	69.113
Severance pay dues to the personnel	29.202	-
Taxes and funds payable	1.388.434	1.806.445
Social security deductions payable	218.794	23.241
Overdue taxes deferred or split into Taxes split into installments installments		10.148
Other liabilities payable	998	210
Advances received for purchase orders	1.794.755	1.674.023
Total	3.797.487	3.583.180

Charges and severance pay dues to personnel consist of the charges and severance pay dues accrued until December 2010. Portion of 844.732 TL of the tax and funds total payable is the Corporate Interim Tax that accrued in the fourth term and its balance consists of income, withholding and stamp taxes.

The whole of advances received for purchase orders consists of the advances received for product deliveries for 2011.

Other long term liabilities	31 Dec. 2010	31Dec. 2009
Tax liability split into installments	-	83.043
Total	-	83.043

NOTE-12 : RECEIVABLES AND PAYABLES FROM THE ACTIVITIES OF FINANCE SECTOR

None. (31.12.2009 – None.)

NOTE-13: INVENTORIES

Inventories	31 Dec. 2010	31 Dec. 2009
Raw material and supplies	9.207.703	4.068.884
Semi finished products	997.962	1.313.523
Finished products	968.551	597.220
Trade goods	31.332	0
Other inventories	358.383	175.297
Provision for decline in value of inventory (-)(*)	-147.250	-175.297
Total	11.416.680	5.979.627

Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December 2010

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-13: INVENTORIES (Continued)

Raw materials and supplies	31 Dec. 2010	31 Dec. 2009
Metal sheet	400.876	192.655
Pipe + Profile + Galvanized sheet	292.293	6.221
Hydraulic material	628.124	26.871
Connectors	114.414	11.970
Mounting components	971.473	74.451
Fire fighting materials	484.872	27.808
Electric materials	394.112	18.573
Paint + Label + Tools + Devices	801.262	55.672
Equipment manufactured externally	179.625	196.889
Trucks + Pickup Trucks	4.236.894	2.789.413
Imported spare parts	671.142	647.999
Auxiliary materials	32.619	20.361
Total	9.207.703	4.068.884
Finished products	31 Dec. 2010	31 Dec. 2009
Waste trunk + Waste equipment	190.865	60.105
Fire fighting equipment + fire truck	276.697	221.046
Dump box	20.667	173.357
Platform frame + crane	-	119.469
Sewage truck + equipment	52.480	-
Anti riot vehicle	427.841	-
Tanker	-	23.243
Total	968.551	597.220

(*)Movement table of provisions for decline in inventory value between 31 December 2010 and 31 December 2009 is as follows:

Provisions for decline in inventory value	31 Dec. 2010	31 Dec. 2009
Balance of January 1 st	175.297	64.284
Provisions reserved within the year	360.341	246.820
Provisions no longer required (-)	388.388	135.807
Total	147.250	175.297

NOTE-14 : BIOLOGICAL ASSETS

None. (31.12.2009 – None.)

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-15: ASSETS ON ONGOING CONSTRUCTION AGREEMENTS

None. (31.12.2009 – None.)

NOTE-16 : ASSETS VALUED BY WAY OF EQUITIES METHOD

None. (31.12.2009 – None.)

NOTE-17 : INVESTMENT PROPERTIES

The fair value of the investment properties of the Group as of December 31, 2010 is 7.219.437 TL. (31.12.2009 - 6.329.438 TL.)

Movement table of investment properties is provided in footnote 18.

NOTE-18 : TANGIBLE FIXED ASSETS

18.1 Immovable properties:

Movement table of investment properties and properties for use are as follows.

Investment Properties

Fair value	January 01, 2010	Correction	Additions	Correction	Outputs	December 31, 2010
Land, parcels	4.883.188	-	898.350	-8.350	-	5.773.188
Buildings	1.446.250	-	0	-	-	1.446.250
TOTAL	6.329.438	-	898.350	-8.350	-	7.219.437

Immovable Properties for Use:

Fair value	January 01, 2010	Correction	Additions	Correction	Outputs	December 31, 2010
Land	2.900.000	-	3.410.400	-	-	6.310.400
Building	827.870	-	-	-	-	827.870
Plant building	1.913.130	-	1.171.600	235.056	-	3.319.786
Surface installations	301.000	-	108.000	-	-	409.000
TOTAL	5.942.000	-	4.690.000	235.056	-	10.867.056

Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December 2010

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-18 : TANGIBLE FIXED ASSETS

Investment Properties

Fair value	January 01, 2009	Correction	Additions	Correction	Outputs	December 31, 2009
Land, parcels and buildings	3.169.940	-2.618.452	4.331.700	-	-	4.883.188
Buildings	-	-	1.037.160	409.090	-	1.446.250
TOTAL	3.169.940	-2.618.452	5.368.860	409.090	0	6.329.438

Immovable Properties for Use:

Fair value	January 01, 2009	Correction	Additions	Correction	Outputs	December 31, 2009
Land	-	-	2.900.000	-	-	2.900.000
Building	-	-	827.870	-	-	827.870
Plant building	1.118.507	-	794.623	-	-	1.913.130
Surface installations	-	-	301.000	-	-	301.000
TOTAL	1.118.507	-	4.823.493	-	-	5.942.000

Annotations on the immovable properties:

The table of mortgages on the immovable properties as of December 31, 2010 is as follows.

Type of guarantee	Owner	Quality	Degree	Provided to	Provided for	Mortgage registry date	Currency TL/USD/ EURO	Total
Mortgage	Katmerciler Profil A.Ş.	P-Plant Building	3	Halkbankası A.Ş.	Use of loan	27.10.2005	EURO	600.000
Mortgage	Katmerciler A.Ş.(Konya)	Field	1	Halkbankası A.Ş.	Use of loan	28.10.2005	EURO	300.000
Mortgage	Katmerciler Profil A.Ş.	P-Plant Building	2	Halkbankası A.Ş.	Use of loan	06.06.2008	EURO	2.000.000
								2.900.000
Mortgage	Katmerciler Pro fil A.Ş.	P-Plant Building	3	Halkbankası A.Ş.	Use of loan	06.06.2008	TL	2.000.000
Mortgage	Katmerciler A.Ş.(Yelki 6 Ad.	Field	1	Finansbank A.Ş.	Use of loan	08.01.2009	TL	500.000
Mortgage	Katmerciler Profil A.Ş.	P-Plant Building	4	Halkbankası A.Ş.	Use of loan	08.05.2009	TL	3.000.000
								5.500.000
Mortgage	Katmerciler A.Ş.	P-Plant Building	1	Halkbankası A.Ş.	Use of loan	05.03.2010	USD	5.000.000

Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December 2010

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-18 : TANGIBLE FIXED ASSETS (continued)

18.2. Other tangible fixed assets:

The movement table on the tangible fixed assets of year between December 31, 2010 and December 31, 2009 is as follows:

Lands and Buildings					
Investment properties	6.329.438	898.350	-8.350	0	7.219.438
Immovable properties for use	5.641.000	4.817.056		0	10.458.056
Lands and buildings	0	0	0	0	0
Underground and overland plants	301.000	108.000	0	0	409.000
Plants machinery and equipment	1.541.820	0	61.176	-40.982	1.562.014
Vehicles	594.713	443.262	-7.742	-220.133	810.100
Fixtures	602.709	195.914	2.579	-105.181	696.021
Other tangible fixed assets	0	0	0	0	0
Ongoing investments	0	55.594			55.594
Total	15.010.679	6.518.176	47.663	-366.296	21.210.223
B. Depreciation					
Underground and overland plants	0	8.042	0	0	8.042
Buildings	0	93.325	0	0	93.325
Plants machinery and equipment	1.376.158	35.422	57.981	-40.682	1.428.879
Vehicles	230.929	103.280		-160.958	173.251
Fixtures	399.580	70.211	2.056	-99.503	372.344
Other tangible fixed assets	0	0	0	0	0
Total	2.006.667	310.280	60.037	-301.143	2.075.840
Net Book Value	13.004.012				19.134.383

	January 1, 2009	Entries	Correction records	Outputs	December 31, 2009
Lands and Buildings					
Investment properties	3.169.940	5.606.317	-2.446.820	0	6.329.438
Immovable properties for use	1.118.507	0	4.522.493	0	5.641.000
Lands and buildings	0	0	0	0	0
Underground and overland plants	0	0	301.000	0	301.000
Plants machinery and equipment	1.585.079	44.085	-87.344	0	1.541.820
Vehicles	466.614	377.116	0	-249.017	594.713
Fixtures	456.490	146.219	0	0	602.709
Other tangible fixed assets	0	0	0	0	0
Total	6.796.630	6.173.738	2.289.329	-249.017	15.010.679
B. Depreciation					
Underground and overland plants	0	0	0	0	0
Buildings	9.219	0	-9.219		0
Plants machinery and equipment	1.430.195	34.409	9.023	-97.469	1.376.158
Vehicles	199.379	65.726	0	-34.176	230.929
Fixtures	362.088	37.493	0	0	399.580
Other tangible fixed assets	9.023	0	-9.023	0	0
Total	2.009.904	137.628	-9.219	-131.645	2.006.667
Net Book Value	4.786.727				13.004.012

Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December 2010

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-19: INTANGIBLE FIXED ASSETS

	January 1, 2010	Entries	Correction records	Outputs	December 31, 2010
Cost value					
Special costs	2.068.048	398.217	-2.466.265	0	0
Other intangible fixed assets	72.235	62.376	0	0	134.611
RIGHTS	115.751	52.147	0	0	167.898
Total	187.986	512.740	-2.466.265	0	302.509
B. Depreciation					
Special costs	67.301	7.285	-74.586	0	0
RIGHTS	71.402	26.393			97.795
Other intangible fixed assets	31.576	11.700	0	0	43.276
Total	170.279	45.377	-74.586	0	141.070
Net Book Value	17.708				161.439

	January 1, 2009	Entries	Correction records	Outputs	December 31, 2009
Cost value					
Special costs	1.090.107	977.941	-2.068.048	0	0
Other intangible fixed assets	183.894	0	-111.658	0	72.235
RIGHTS	0	41.206	111.658	-37.113	115.751
Total	1.274.001	1.019.147	-2.068.048	-37.113	187.986
B. Depreciation					
Special costs	31.866	35.435	-67.301	0	0
RIGHTS		9.432	61.969		71.402
Other intangible fixed assets	91.905	7.004	-61.969	-5.365	31.576
Total	123.771	51.872	-67.301	-5.365	102.978
Net Book Value	1.150.229				85.009

Registered value of intangible fixed assets with unlimited life as of December 31, 2010 and December 31, 2009 have been compared with recoverable value and subjected to impairment test. No impairment was determined as a result of such study.

Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December 2010

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-20: GOODWILL

The book value and fair value of the subsidiaries have been determined in compliance with IAS standards in balance sheets of December 31, 2010 and December 31, 2009 and the goodwill calculated has been reflected to the consolidated financial statements.

The group participating in Kat Araç Üstü Ekipman Pazarlama ve Dış Ticaret Ltd. Şti and Isıpan Otomotiv ve Üst Ekipman Metal Makine San. Ve Tic. A.Ş. by paying totally 134.000 TL in March 31, 2010. Those subsidiaries were shown in the financial statements of Dec. 31, 2010 with their fair values and the goodwill was calculated and reflected to consolidated financial statements.

Company title	Goodwill	Paid in capital	Share rate %	Goodwill	Paid in capital	Share rate %
	31.12.2010	31.12.2010	31.12.2010	31.12.2009	31.12.2009	31.12.2009
Katmerciler Profil Sanayi ve Ticaret A.Ş.	1.003.440	500.000	93,33	981.614	500.000	93,33
Kat Araç Üstü Ekipman Pazarlama ve Dış Ticaret Ltd. Şti.	75.655	50.000	90			-
Isıpan Otomotiv ve Üst Ekipman Metal Makine San. VeTic. A.Ş.	14.545	325.000	89			-
TOTAL	1.093.640			981.614		

NOTE-21 : GOVERNMENT GRANTS AND ASSISTANCE

None. (31.12.2009 - 176.394 TL.)

The company had an expense of 363.000 TL in the calendar year 2008 within its project on 28 m hydraulic ladder fire station development started in 2008 based on the law no. 5746; and it received a non-refundable donation support for 176.394 TL for such expense from Tübitak based on the reports of Certified Financial Accountant dated 17.03.2009 and no. YMM 485-2009-14-12 and dated 17.03.2009 and no. 485-2009-15-13. Such total was transferred to Special Funds Account no. 549 within the Equities and was added to the capital during capital increase registered on 16.04.2010.

NOTE-22: PROVISIONS, CONDITIONAL ASSETS AND LIABILITIES

22.1. Debt Provisions

Provisions for Short Term Liabilities	31 Dec. 2010	31 Dec. 2009
Provisions for guarantee expenses	139.929	-
leave days not used	236.949	-
Total	376.878	-

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-22: PROVISIONS, CONDITIONAL ASSETS AND LIABILITIES (continued)

22.2. Conditional Assets and Liabilities

The lawsuits and execution proceedings to which Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. is a party in line with the letters received from Company lawyers as of December 31, 2010 are as follows:

Respondent	Matter in dispute	File no.	Total	Provision reserved for the suit (*)
Ali Rıza Usta- Tanker San.Tic.Ltd.Şti.	Collection of claims	2009/451	683.365	683.365
Altınordu Treyler San.Tic.Ltd.Şti.**	Collection of claims	2009/930	1.725	1.725
Çap Makine ve Otomotiv Dış Tic.Ltd.Şti.	Various claims	2009/8585	20.970	20.970
Sanfaş Pazarlama İnş.San.Tic.A.Ş.	Various claims	2009/8586	22.617	7.288
Tuğra İnş.Tur.San.Tic.Ltd.Şti.	Various claims	2009/8584	12.038	12.038
Atilla Kart, Parliament Member of Konya, CHP	Pecuniary and non pecuniary damages	2010/622	25.000	-
Burhan Çınar, Editor in chief, Gazetem Ege	Pecuniary and non pecuniary damages	2010/622	25.000	-
Fatih Polat, Editor in chief, Sözcü Gazetesi	Pecuniary and non pecuniary damages	2010/622	25.000	-
TOTAL			815.715	725.386

(*) Considered as provisions for bad debts in the financial statement.

** Receivables total of 1.725 TL as we reserved completely as bad debts has been collected as 3.000 TL together with its default interest, etc. on 14.02.2011 from Altınordu Treyler San.Tic.Ltd.Şti.

The group reserved provisions for bad debts in compliance with IAS (International Accounting Standards) standards for 725.385 TL as the execution proceedings started at related execution offices for its execution in previous terms as of December 2010 and as a result of the aging for its trade receivables. It also reserved provisions for the collection of bad debts of 192.761 TL as taken under collection proceedings.

b) Lawsuits and proceedings brought against the company				
Respondent	Matter in dispute	File no.	Total	Provision reserved for the suit
Süleyman Kavanoz *	Damages	2005/1619	-	-
Yahya Taşdemir	Damages	2008/134	5.100	-
TOTAL			5.100	-

*The matter in dispute is severance/notice pay and annual leave pay brought by former employee of company and the hearing is still being continued; the total has not been determined yet.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-22: PROVISIONS, CONDITIONAL ASSETS AND LIABILITIES (continued)

22.2. Conditional Assets and Liabilities (continued)

Other long term liabilities	31 Dec. 2010	31 Dec. 2009
Income relating to future terms	-	4.083
Total	-	4.083

22.3 Commitments not included in the liabilities

Guarantees given	31 Dec. 2010	31 Dec. 2009
Letters of guarantee given	1.825.121	2.147.578
Mortgages given	19.172.390	11.764.870
Total	20.997.511	13.912.448

TRI provided by the company	31 Dec. 2010		31 Dec. 2009	
	Foreign Exchange total	Equivalence in TL	Foreign Exchange total	Equivalence in TL
A. Total of TRI provided by its legal entity	7.937.430	20.997.511	3.787.968	13.912.448
Letter of guarantee	37.430	1.825.121	887.968	2.147.578
Letter of guarantee (USD)	0	0	860.468	1.295.607
Letter of guarantee (EURO)	37.430	76.698	27.500	59.408
Letter of guarantee (TL).		1.748.423		792.563
Mortgage	7.900.000	19.172.390	2.900.000	11.764.870
Mortgage (USD)	5.000.000	7.730.000	0	0
Mortgage (EURO)	2.900.000	5.942.390	2.900.000	6.264.870
Mortgage (TL)		5.500.000		5.500.000
B. Total of TRI provided in favor of the subsidiaries included in the scope of full consolidation		NONE		NONE
C. Total of TRI given for the purpose of ensuring the fulfillment of ordinary trade activities to provide the debts of 3 rd persons.		NONE		NONE
D. Total of other TRI provided		NONE		NONE
i. Total of TRI provided in favor of Partner Company				
ii. Total of guarantees provided in favor of other group companies not included in the scope of articles B and C				
iii. Total of guarantees provided to 3 rd persons not included in the scope of article C				
Total		20.997.511		13.912.448

The rate of other TRI provided by the company to the equities of Company is 79,31% as of 31.12.2010. (124,38% as of 31.12.2009)

Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December 2010

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-22: PROVISIONS, CONDITIONAL ASSETS AND LIABILITIES (continued)

22.4 Insurance total of assets

Dec. 31 2010

Type of asset	Insurance company	Total	From	To
Building	Mapfre Genel Sigorta A.Ş.	3.600.000	24.01.2010	24.01.2011
Building	Birlik Sigorta A. Ş.	1.800.000	11.03.2010	11.03.2011
Fixtures	Mapfre Genel Sigorta A.Ş.	900.000	24.01.2010	24.01.2011
Commodities	Mapfre Genel Sigorta A.Ş.	3.000.000	24.01.2010	24.01.2011
Cash	Mapfre Genel Sigorta A.Ş.	220.000	24.01.2010	24.01.2011
Machinery Equipment	Mapfre Genel Sigorta A.Ş.	1.600.000	24.01.2010	24.01.2011
Motor insurance		816.296	2010	2011
Total		11.936.296		

Dec. 31, 2009

Type of asset	Insurance company	Total	From	To
Building	Genel Sigorta A.Ş.	3.600.000	24.01.2009	24.01.2010
Fixtures	Genel Sigorta A.Ş.	500.000	24.01.2009	24.01.2010
Commodities	Genel Sigorta A.Ş.	1.500.000	24.01.2009	24.01.2010
Machinery Equipment	Genel Sigorta A.Ş.	800.000	24.01.2009	24.01.2010
Motor insurance		639.673	2009	2010
Total		7.039.673		

There are no guarantees, liens and mortgages received by the company against its claims. There are no guarantees, liens and mortgages provided in favor of related parties, subsidiaries and third persons other than those provided in the name of its legal entity.

NOTE-23: COMMITMENTS

The company has exportation commitments regarding short and long term bank loans used in the following years. Such commitments have been covered by fulfilling within their period by the company.

The table of exportation and importation commitments based on 4 inward processing licenses of company is provided below.

TABLE OF EXPORTATION LOAN COMMITMENTS

YEARS	31 Dec. 2010	31 Dec. 2009
LOANS IN USD	850.000	2.362.069
LOANS IN EURO	2.850.000	3.765.380

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-23: COMMITMENTS (Continued)

INWARD PROCESSING LICENSE

Certificate No	Duration	Exportation commitment (USD)
2010/D1-03818	11.07.2011	40.100
2009/D1-05351	31.05.2011	174.000
2010/D1-05665	18.10.2011	240.500
2010/D1-06193	10.11.2011	58.500

NOTE-24: BENEFITS TO EMPLOYEES

It is obligatory as required by the provisions of Labor Law in force to pay legal severance pays to those employees who merit the same and whose labor contracts are terminated in a way to be awarded with severance pay.

The ceiling of severance pay payable to be valid as of December 31, 2010 is 2.517 TL per month.(31 Dec. 2009 - 2.365 TL.). Severance pay liability is not subjected to any funding legally.

Severance pay liability is calculated in accordance with the estimation of current value of possible liability in the future as arising from the retirement of Company employees. IAS 19 ("Benefits to Employees") stipulates the development of Company's liabilities by using actuarial valuation method within the scope of define benefit schedules. In compliance with the same, actuarial assumptions used in the calculation of total liabilities are provided below: Actual assumption is the increase of maximum liability for each service year in parallel with the inflation. Accordingly, the applicable discount rate expresses the real rate expected following the correction of further inflation effects. As of December 31, 2010, the provisions in enclosed financial statements are calculated by estimating the current value of further possible liability resulting from the retirement of employees. The provisions as of December 31, 2010 have been calculated with an annual discount rate of 5,92. (31 Dec. 2009 – discount rate of 5,92). Estimated rate of severance pay totals not to be paid as a result of optional terminations employment and to be left to the Company was also considered. The ceiling of severance pay is revised every six months and the ceiling total of 2.517 TL valid on Dec. 31, 2010 was taken as the basis in the calculation of provisions for the severance pay of Company.

Provisions for severance pay	31 Dec. 2010	31 Dec. 2009
Discount rate	5,92%	5,92%
Turnover rate for the estimation of retirement probability (%)	95,00%	99,00%

Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December 2010

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-24: BENEFITS TO EMPLOYEES (continued):

Provisions for the benefits to employees	31 Dec. 2010	31 Dec. 2009
Provisions for the benefits to employees	683.194	301.375
Total	683.194	301.375

Movement table of provisions for severance pay	31 Dec. 2010	31 Dec. 2009
January 01	301.375	209.475
Interest income	41.116	
Total paid within the term	-109.649	-18.647
Increase within the term	450.353	113.265
Actuary income/expense	-	-21.364
December 31	683.194	301.375

NOTE-25: RETIREMENT PLANS

None. (31.12.2009 – None.)

NOTE-26: OTHER ASSETS AND LIABILITIES

Other current assets	31 Dec. 2010	31 Dec. 2009
Deferred tax assets	2.236.781	1.610.180
Deferred VAT	770.587	-
Other VAT	848.650	-
Taxes and funds paid in advance	59.099	-
Work advances	20.716	-
Total	3.935.833	1.610.180

Other fixed assets	31 Dec. 2010	31 Dec. 2009
Expenses relating to future years	26.067	35.617
	26.067	35.617

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-26: OTHER ASSETS AND LIABILITIES (continued):

Other short term liabilities	31 Dec. 2010	31 Dec. 2009
Deferred tax liability	1.729.746	1.106.275
Other VAT	848.650	-
	2.578.396	1.106.275

NOTE-27: SHAREHOLDERS EQUITY

a) Paid in Capital

Paid in capital of the company with their historical values is 12.500.000 TL in the financial statements of December 31, 2010 (31 Dec. 2009 - 3.500.000 TL). This capital consists of 12.500.000 shares each with a nominal value of 1 TL. In the extraordinary general assembly meeting held on 07.06.2010, 1.000.000 shares of group A were converted into privileged shares and were registered on 30.11.2010 at the Commercial Registry Office of Izmir. The company is not subjected to registered capital system as of December 31, 2010.

	31 Dec. 2010		31 Dec. 2009	
CAPITAL	TOTAL	%	TOTAL	%
ISMAIL KATMERCİ	7.300.000	58,40	2.625.000	75
HAVVA KATMERCİ	550.000	4,40	175.000	5
MEHMET KATMERCİ	550.000	4,40	175.000	5
AYŞENUR ÇOBANOĞLU	550.000	4,40	175.000	5
FURKAN KATMERCİ	550.000	4,40	175.000	5
İBRAHİM KATMERCİ	-	-	175.000	5
PORTION OPEN TO PUBLIC	3.000.000	24,00	-	-
	Total 12.500.000	100	3.500.000	100

b) Profits (Losses) from previous years

Positive distinction from share capital adjustment performed until December 31, 2004 for the parent company of the group is included in the balance sheet with its registered value in related terms.

Adjustment differences regarding this account item are shown in the positive distinction from share capital adjustment account in the financial statements and were included in the capital before December 31, 2007.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-27: SHAREHOLDERS EQUITY (continued)

b) Profits (Losses) from previous years (continued)

The parent company of group added the profits from previous years included within the equities to the capital in accordance with the provisions of Turkish Commercial Law as of December 31, 2010. There has occurred a loss from previous years equivalent to 927.969 TL in the enclosed financial statements because of the addition of profits from previous years to the capital in accordance with the financial statements rearranged and presented as required by IFRS/IAS. (31.12.2009 profit from previous year 2.010.654 TL)

c) Limited Reserves from Profit

Limited reserves from profit as of December 31, 2010 and 2009 consist of legal reserves.

Legal reserves are reserved as follows as 1st Composition and 2nd Composition in accordance with Turkish Commercial Law:

- a) 1st Composition reserves: 1st composition reserves are reserved until 5% of net profit reaches 20% of paid in capital.
- b) 2nd composition reserves: After reserving 1st composition reserves from the net profit and a dividend of 5% of the capital for shareholders, 10% of the profit resolved to be distributed is reserved as 2nd composition reserves.

Legal reserves may be used for the purpose of taking measures towards covering the losses exclusively or the maintenance of company when the business is not well as long as they do not exceed half of the capital.

578.421 TL, being the total of 1st composition reserves of Group as calculated over the term profits in accordance with the provisions of Turkish Commercial Law in the financial statements of December 31, 2010, was included in the financial statements as limited reserves from the profit under the equities. (31 December 2009 -224.792 TL). 170.774 TL as classified as extraordinary reserves in the financial statements of December 31, 2010 of the Group in accordance with the provisions of Turkish Commercial Law, was included as limited reserves from the profit. (December 31, 2009 - 170.774 TL.)

d) Revaluation surplus of tangible fixed assets

The immovable properties included in the assets of Group have been evaluated by TKSB Gayrimenkul Değerleme A.Ş. and they were shown with their new values in the financial statements of December 31, 2010; and the funds resulting from the subsidiaries were eliminated since the company eliminated special cost values from the financial statements during consolidation.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-27: SHAREHOLDERS EQUITY (continued)

e) Special Funds

None. (31.12.2009 - 176.394 TL)

The company spent 363.000 TL in the calendar year 2008 within the project on developing 28 m hydraulic ladder fire station started in 2008 based on the law no. 5746; and it received a non-refundable donation support for 176.394 TL for such expense from Tübitak based on the reports of Certified Financial Accountant dated 17.03.2009 and no. YMM 485-2009-14-12 and dated 17.03.2009 and no. 485-2009-15-13. Such total was transferred to Special Funds Account no. 549 within the Equities and was added to the capital during capital increase registered on 16.04.2010.

The distribution of equities is as follows.

EQUITIES	31 Dec. 2010	31 Dec. 2009
Paid in capital	12.500.000	3.500.000
Share premiums	6.005.230	-
Special funds	-	176.394
Legal reserves	578.421	224.792
Extraordinary reserves	170.774	170.774
Profit/loss from previous years	-927.969	2.010.654
Net term profit/loss	8.011.228	4.857.510
Minority shares	136.161	245.588
Total	26.473.844	11.185.712

f) Minority Shares:

The movement table of minority shares as classified additionally under the equities in the financial statements of group is as follows.

Minority Shares of December 31, 2010

Katmerciler Profil A.Ş. cumulative income of shares not having control power	: 210.820
Isipan A.Ş. cumulative loss of shares not having control power	: -65.914
Kat Araç Üstü Ekipman Ltd. Şti. cumulative loss of shares not having control power	: - 8.746
Shares not having control power	: 136.161

Minority shares of December 31, 2009

Katmerciler Profil A.Ş. cumulative income of shares not having control power	: 245.588
Shares not having control power	: 245.588

Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December 2010

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-28 : SALES AND COST OF SALES

Sales	January 01, 2010 December 31, 2010	January 01, 2009 December 31, 2009
Domestic sales	35.618.788	34.859.510
Foreign sales	25.916.613	30.888.949
Other income	180.055	774.370
Returns from sales	-	-50.694
Sales discounts	-56.000	
Sales total	61.659.456	66.472.134
Cost of sales	43.200.869	46.431.504
Gross profit from commercial activities	18.458.587	20.040.630

The details regarding the deliveries of the group as included in the sales proceeds of Group are as follows.

Sales	January 01, 2010 December 31, 2010	January 01, 2009 December 31, 2009
Waste trunk + Waste equipment	12.621.129	5.461.367
Fire fighting equipment + fire truck	19.366.606	33.015.330
Dump box	3.049.199	6.132.822
Platform frame	1.615.073	1.312.454
Canalization vehicle + equipment	1.728.622	3.465.642
Sewage truck + equipment	2.529.588	2.073.442
Water and fuel tanker + equipment	6.768.243	4.530.775
Street sweeping + equipment	2.770.122	2.217.051
Trailer	-	1.844.685
Anti riot vehicle	4.476.000	-
Container washing vehicle	286.031	-
Container carrying vehicle	249.047	-
Other sales income	4.634.618	5.220.052
Total	60.094.279	65.273.620
Other income regarding main activity	January 01, 2010 December 31, 2010	January 01, 2009 December 31, 2009
Income from sales of direct material	1.027.670	721.984
Income from sales of scrap	192.891	67.498
Income from sales of spare parts	344.616	409.032
Total	1.565.176	1.198.513
Sales income total	61.659.456	66.472.134

Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December 2010

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-28 : SALES AND COST OF SALES (continued):

Cost of Sales	January 01, 2010 December 31, 2010	January 01, 2009 December 31, 2009
Direct raw material and supplies expenses	35.478.730	41.933.541
Direct workmanship expenses	353.144	168.976
Depletion and depreciation expenses	145.152	78.952
Other production expenses	1.559.458	2.092.596
Total production cost	37.536.484	44.274.065
Semi finished product exchange	315.561	421.850
Finished product exchange	-371.330	20.442
Cost of trade goods sold	1.765.364	1.008.739
Cost of services sold	3.566.402	706.408
Cost of other sales	388.387	0
Total	43.200.869	46.431.504
Production Quantities	January 01, 2010 December 31, 2010	January 01, 2009 December 31, 2009
Waste trunk + Waste equipment	376	134
Fire fighting equipment + fire truck	428	297
Dump box	147	120
Platform frame	10	51
Canalization vehicle + equipment	10	16
Sewage truck + equipment	25	29
Water and fuel tanker + equipment	156	96
Street sweeping + equipment	32	19
Trailer	0	500
Anti riot vehicle	17	0
Container washing vehicle	2	0
Container carrying vehicle	3	0
Other	19	0
Total	1.225	1.262
Sales Quantities	January 01, 2010 December 31, 2010	January 01, 2009 December 31, 2009
Waste trunk + Waste equipment	373	134
Fire fighting equipment + fire truck	425	297
Dump box	147	120
Platform frame	10	48
Canalization vehicle + equipment	10	16
Sewage truck + equipment	24	29
Water and fuel tanker + equipment	156	95
Street sweeping + equipment	32	19
Trailer	0	500
Anti riot vehicle	15	0
Container washing vehicle	2	0
Container carrying vehicle	3	0
Other	19	0
Total	1.216	1.258

Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December 2010

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-29: RESEARCH AND DEVELOPMENT EXPENSES, MARKETING SALES AND DISTRIBUTION EXPENSES, GENERAL MANAGEMENT EXPENSES

Marketing, sales and distribution expenses	January 01, 2010 December 31, 2010	January 01, 2009 December 31, 2009
Personnel expenses	124.307	60.328
Provisions for severance pay	17.730	7.520
Cargo expenses	55.830	28.883
Traveling expenses	309.355	225.523
Exportation freight expenses	261.514	609.291
Other exportation expenses	60.296	1.493.052
Sales commission expenses	911.814	4.505.689
Guarantee expenses	182.643	102.350
Exhibition – Fair expenses	178.872	45.859
Advertising expenses	71.551	350.969
Shipment and insurance expenses	110.161	59.343
Notary expenses	50.257	23.435
Representation entertainment expenses	178.870	178.610
Amortization and depletion	40.603	40.640
Other sales and marketing expenses	742.535	517.059
Total	3.296.335	8.248.553

General management expenses	January 01, 2010 December 31, 2010	January 01, 2009 December 31, 2009
Personnel expenses	2.458.488	693.611
Provisions for severance pay	32.857	28.757
Outsourced benefits and services	190.225	113.342
Maintenance repair expenses	111.285	41.125
Certified financial consultancy expenses	111.780	119.278
Leasing expenses	7.500	19.154
Traveling expenses	23.822	12.475
Information technologies expenses	3.784	9.466
Stationery expenses	54.785	32.114
Donations and aids	14.075	1.370
Delay and penalty expenses	63.568	41.737
Reconciliation expenses	395.795	174.776
Tax, dues and fees	341.052	63.317
Banking expenses	25	75
Amortization and depletion	169.902	75.703
Other general management expenses	574.687	262.709
Total	4.553.629	1.689.009

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-30: EXPENSES BASED ON THEIR QUALITIES

a) Amortization and Depletion		
	January 01, 2010 December 31, 2010	January 01, 2009 December 31, 2009
General production expenses	145.152	78.952
Marketing, sales and distribution expenses	40.603	40.640
General management expenses	169.902	75.703
Total	355.657	195.296
b) Personnel Expenses		
	January 01, 2010 December 31, 2010	January 01, 2009 December 31, 2009
Direct workmanship expenses	353.144	168.976
General production expenses	4.248.486	3.212.302
Marketing, sales and distribution expenses	124.307	60.328
General management expenses	2.458.488	693.611
Total	7.184.425	4.135.217
c) provisions for severance pay		
	January 01, 2010 December 31, 2010	January 01, 2009 December 31, 2009
General production expenses	248.977	20.438
Marketing, sales and distribution expenses	17.730	7.520
General management expenses	32.857	28.757
Other operation expenses	-	32.909
Profit/loss from previous years (*)	82.255	-
Total	381.820	89.624

(*) The total included in the profit/loss from previous years account results from the addition of Isıpan and Kat companies as a subsidiary in the consolidation.

Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December 2010

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-31 : INCOME/EXPENSES FROM OTHER ACTIVITIES

Income from other activities	January 01, 2010 December 31, 2010	January 01, 2009 December 31, 2009
Provisions no longer required	183.005	194.472
Sales profit of tangible fixed assets	14.221	25.269
Valuation difference of immovable property expertise	90.000	-
Insurance issuance expenses	3.095	-
Reflection of servicing expenses	-	116.248
Reconciled differences	342.044	187.394
Leasing incomes	29.573	-
Other income	83.287	6.089
Total	745.225	529.472
Expense from other activities	January 01, 2010 December 31, 2010	January 01, 2009 December 31, 2009
Provision expenses	376.878	927.853
Sales loss of tangible fixed assets	-	10.819
Valuation difference of immovable property	8.350	2.209.363
Previous term expense	6.638	13.746
Tax penalties	11.747	256.867
Reconciled differences	283.887	-
Other expenses	261.165	77.073
Total	948.664	3.495.719

NOTE-32: FINANCIAL INCOME

Financial income	January 01, 2010 December 31, 2010	January 01, 2009 December 31, 2009
Foreign exchange profits	2.747.549	2.213.982
Income from rediscount of interest	549.800	91.379
Interest income	240.195	292.892
	3.537.544	2.598.254

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-33: FINANCIAL EXPENSES

Financial expenses	January 01, 2010 December 31, 2010	January 01, 2009 December 31, 2009
Foreign Exchange losses	1.677.683	1.189.660
Rediscount interest expenses	365.632	382.980
Short term borrowing expenses	1.402.234	1.340.515
Long term borrowing expenses	241.754	434.315
	3.687.304	3.347.471

NOTE-34: FIXED ASSETS KEPT AND DISCONTINUED ACTIVITIES FOR SALES PURPOSES

None. (31.12.2009 – None.)

NOTE-35 : TAX ASSETS AND LIABILITIES

The company is subjected to corporate tax in effect in Turkey. Necessary provisions are separated in the enclosed financial statements for the estimated tax liabilities regarding the consequences of the activities in current term.

The rate of corporate tax to accrue over the taxable corporate earnings is calculated over the tax base remaining after adding the expenses not deducted from tax base written off in the determination of trade earnings and deducting the dividends received from companies seated in homeland, non-taxable income and the investment discounts used.

Interim tax is calculated and accrued quarterly in Turkey. In the phase of taxing corporate earnings as of interim tax terms for 2010, an interim tax of 20% was calculated over the corporate earnings (December 31, 2009 – 20%).

Losses can be transferred for maximum 5 years to be deducted from taxable profit to arise in the following years. However, the losses cannot be deducted retrospectively from the profits of previous years.

There is no final and absolute reconciliation procedure in tax evaluation in Turkey. The companies prepare their tax returns between April 1st and April 25th in the year following the related account closing term. Such tax returns and accounting records as the basis for the same may be examined and amended in 5 years.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-35 : TAX ASSETS AND LIABILITIES (continued)

Income Tax withholding

In addition to corporate tax, it is required to calculate also an income tax withholding over the dividends except for those distributed to full taxpaying companies and branches of foreign companies in Turkey who obtain dividends in case of their distribution and declare by adding the same to corporate earnings. Income tax withholding was promulgated as 10% in all companies as of April 24, 2003. Such rate was changed as 15% as of July 23, 2006. Dividends not distributed but added in the capital are not subjected to income tax withholding.

Investment allowance practice

With the resolution of the Constitutional Court rendered in the meeting held on October 15, 2009 under basis no. 2006/95, it was resolved to annul the statement “...only for years 2006, 2007 and 2008...” included in Income Tax Law, Provisional article 69 on investment allowances; and such resolution was published in the Official Gazette of January 8, 2010 and entered into force. Thus, there arose the right to deduct deferred investment allowance not deducted from the earnings of 2008 if there are earnings in the following years.

Based on the annulment resolution of the Constitutional Court, there has been an amendment in the 69th article of Income Tax Law with the Law on Amending some delegated legislation and the Income Tax Law of July 23, 2010, article 6009. Thus, the annulment resolution of the Constitutional Law was complied with and year limitation was cancelled and the allowance was limited to 25% of the earnings. In addition, while applying a corporate tax rate of 30% for those benefiting from investment allowance in accordance with the former arrangement, the application of the rate of corporate tax in force was ensured with such amendment.

Deferred Tax Assets and Liabilities

The company is recognizing its deferred tax assets and liabilities for interim timing differences resulting from the differences between legal financial statements as the basis of tax and the financial statements prepared in accordance with the Notification on Accounting Standards of SPK. Such differences result generally because the taxable totals of some income and expense items are included in different terms in financial statements prepared in accordance with the Financial reporting Standards published by SPK.

Deferred tax liabilities or assets are determined by calculating tax effects of the “timing differences” between the values shown in financial statements and the totals considered in the legal tax base in accordance with the balance sheet method and by way of legalized tax rates. Deferred tax liabilities or assets are reflected to financial statements in proportion to the rates of increase and decrease estimated to occur in the tax totals payable in the following term in which the timing differences would be eliminated.

Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December 2010

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

The list of the deferred tax liabilities and assets of the company as prepared by using tax rates in force is as follows.

	31.12.2010		31.12.2009	
	INTERIM DIFFERENCES TOTAL	Deferred Tax Assets / Liabilities	INTERIM DIFFERENCES TOTAL	Deferred Tax Assets / Liabilities
Deferred tax liabilities				
Sales revenue of previous term pending the current year	587.340	-117.468	-	-
Cancellation of previous term decrease in value of inventories	175.295	-35.059	-	-
Provisions no longer required (bad debts+severance pay)	7.710	-1.542	194.472	-38.894
Rediscount of receivables (cancellation)	417.150	-83.430	296.058	-59.212
Rediscount of checks	-	-	831	-166
Reconciliation difference	-	-	166.815	-33.363
Value increase of immovable properties	90.000	-18.000	-	-
Sale of Tangible fixed assets (UFRS Profit)	9.435	-1.887	-	-
Cancellation of depreciation expense by Tax Procedural Law	883.425	-176.685	411.115	-82.223
Rediscount of payables	137.910	-27.582	-	-
Discount in the cost of sales with deferred deliveries	222.355	-44.471	-	-
Deferred tax assets				
Sales cost of previous term pending the current year	-454.510	90.902	-	-
Tangible fixed assets expertise value decrease (immovable property)	-8.350	1.670	-2.209.363	441.873
Tangible fixed assets sales correction (registry cancellation by tax procedures law)	-24.310	4.862	-5.681	1.136
Discount in financing cost of tangible fixed assets	-7.740	1.548	-	-
Current term UMS16, UMS38 depreciation expenses	-364.945	72.989	-	-
Decrease in value of inventories	-147.250	29.450	-175.297	35.059
Provisions for severance pay	-306.205	61.241	-89.624	17.925
Rediscount of notes receivable	-172.875	34.575	-54.028	10.806
Provisions for leave pays	-236.950	47.390	-	-
Provisions for guarantee expenses	-139.930	27.986	-	-
Sales of current term with deferred deliveries	-294.490	58.898	-132.833	26.567
Current account exchange rate difference	-	-	-41	8
Marketing, sales, distribution expenses	-	-	-28.839	5.768
Provisions for bad debts	-	-	-176.648	35.330
Rediscount of notes payable (cancellation)	-538.070	107.614	-3.742	748
Rediscount of suppliers account	-	-	-527	105
Those reflected to profit-loss from deferred tax receivables		33.001		361.467

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-35 : TAX ASSETS AND LIABILITIES (continued)

	31 Dec. 2010	31 Dec. 2009
Current corporate tax expenses	2.361.447	1.879.434
Taxes paid in advance (-)	-2.361.447	-1.789.185
	0	90.250
	31 Dec. 2010	31 Dec. 2009
Current corporate tax expenses	2.361.447	1.879.434
Deferred tax income / expense (-)	-33.001	-361.467
	2.328.446	1.517.967
TAX PROVISIONS	31 Dec. 2010	31 Dec. 2009
Trade profit / loss	10.904.172	8.605.062
Additions (+)	6.943.708	955.331
Non allowable charges (+) *	6.943.708	955.331
Reductions and exceptions	6.040.643	163.222
Other reductions (-)	6.040.643	163.222
Financial profit (loss)	11.807.237	9.397.171
Calculated tax (20)	-2.361.447	-1.879.434
Tax total	-2.361.447	-1.879.434

*6.005.229 TL of emission premium was first added to the tax base and then was subjected to reduction because of tax exemption in accordance with the provision of Corporate Tax Law, article 8, paragraph 5.

NOTE-36 : EARNINGS PER SHARE

Earnings per share as declared in the consolidated income statement are determined by dividing the shares available in one month regarding the net profit by the weighted average number of shares. He companies may increase their capitals by distributing shares to present shareholders in proportion to their shares from the accumulated profits ("Bonus shares"). Such bonus shares are considered as issued shares while calculating the earnings per share. Therefore, the weighted average number of shares used in the calculation of earnings per share is obtained by applying the issuance of bonus shares retrospectively.

Table of earnings per share is as follows.

Net term profit	8.011.228	4.857.510
Number of ordinary shares with a nominal value of 1 TL	12.500.000	3.500.000
Earnings of share certificates with a nominal value of 1 TL	0,64	1,39
Earnings of ongoing activities share certificate with a nominal value of 1 TL	0,64	1,39

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-37: DISCLOSURES RELATED PARTY

Defining a company as a related party is determined based on the fact that one of the companies has a control power over the other or it effects primarily the resolutions of other company on financial and administrative issues. For the consolidated financial statements, non-consolidated long term securities, participations, partnerships and enterprises affiliated to joint management are named as related parties. In addition, members of the board of directors of company and their families are defined as related parties.

The detail of sales with in-group companies as of January 01, 2010 – December 31, 2010 is as follows.

Sales to related parties	Product sales	Service sales	Interest and exchange rate difference	Reflection of public offering expense	Sales total
Kat Araç Üstü Ekipman Pazarlama ve Dış Ticaret Ltd.Şti	344.097	827	-	-	344.924
Isıpan Otomotiv ve Üst Ekipman Metal Makine San. ve Tic.A.Ş	-	6.797	25.265	-	32.063
Katmerciler Profil Sanayi ve Ticaret A.Ş	-	5.031	5.038	-	10.069
Partners	-	-	223.911	182.722	313.889
TOTAL	344.097	12.654	254.215	182.722	700.944

The detail of purchases from in-group companies as of January 01, 2010-December 31, 2010 is as follows.

Purchases from related parties	Purchases of service
Isıpan Otomotiv ve Üst Ekipman Metal Makine San. ve Tic. A. Ş	2.356.050
Katmerciler Profil Sanayi ve Ticaret A.Ş	1.520.101
Partners	-
TOTAL	3.876.150

The detail of sales to in-group companies as of January 01, 2009-December 31, 2009 is as follows.

Sales to related parties	Product sales	Interest and exchange rate difference	Sales total
Kat Araç Üstü Ekipman Pazarlama ve Dış Ticaret Ltd. Şti	2.553.224	-	2.553.224
Isıpan Otomotiv ve Üst Ekipman Metal Makine San. ve Tic.A.Ş	69.423	-	69.423
Katmerciler Profil Sanayi ve Ticaret A. Ş	228.327	-	228.327
Partners	-	212.760	212.760
TOTAL	2.850.974	212.760	3.063.734

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-37: DISCLOSURES RELATED PARTY (continued)

The detail of purchases from in-group companies as of January 01, 2009-December 31, 2009 is as follows.

Purchases from related parties	Product purchases	Service purchases	Immovable property and participation purchases	Purchases total
Kat Araç Üstü Ekipman Pazarlama ve Dış Ticaret Ltd.Şti	-	47.150	-	47.150
İsıpan Otomotiv ve Üst Ekipman Metal Makine San. ve Tic.A.Ş	-	1.571.173	-	1.571.173
Katmerciler Profil Sanayi ve Ticaret A.Ş	1.322.144	8.013	-	1.330.157
Partners	-	-	5.338.000	5.338.000
TOTAL	1.322.144	1.626.336	5.338.000	8.286.480

Term end balances of processes performed with the related parties are as follows.

Definition	31.12.2010				31.12.2009			
	Receivables		Payables		Receivables		Payables	
	Commercial	Non-commercial	Commercial	Non-commercial	Commercial	Non-commercial	Commercial	Non-commercial
Kat Araç Üstü Ekipman Pazarlama ve Dış	-	-	-	-	1.272.466	-	-	-
İsıpan Otomotiv ve Üst Ekipman Metal Makine	-	-	-	-	318.527	-	-	-
Personnel	-	210	-	-	-	6.612	-	-
Partners	-	4.415.855	-	-	-	1.115.102	-	-
Total	0	4.416.064	0	0	1.590.993	1.121.714	0	0

Benefits to senior managers	Dec. 31, 2010		Dec. 31, 2009	
Wages, premiums, etc.		763.341		153.334
Leave equivalents		3.897		-
		767.238		153.334

NOTE-38: QUALITY AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS

a) Capital Risk Management:

The group is trying to ensure the continuity of its activities in the capital management and on the other hand aims at using the balance of liabilities and equities in the most effective way and thus increases its profitability.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

**NOTE-38: QUALITY AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS
(continued)**

a) Capital Risk Management (continued):

The capital structure of group consists of the liabilities including the loans specified in footnote 8 and 10, Cash and Cash Equivalents specified in Footnote 6, and the items of equities as paid in capital, limited reserves from profit and the profit from previous years as specified in Footnote 27.

Company management aims at keeping at balance the capital structure by way of new borrowing and repayment of present debts as well as dividends and issuance of shares.

The company follows the capital by using the rate of liabilities/total equities. Such rate is found by dividing net liabilities to the equities. Net liabilities are calculated by deducting cash and cash equivalents from total liabilities total.

The rate of net liabilities/equities total as of December 31, 2010 and December 31, 2009 is as follows:

	31 Dec. 2010	31 Dec. 2009
Financial liabilities (footnote: 8)	(+) 13.756.186	10.127.066
Cash and cash equivalents (footnote: 6)	(-) 2.074.438	419.443
Net liabilities	11.681.748	9.707.623
Equities total	26.473.844	11.185.712
Capital total	12.500.000	3.500.000
Rate of Net liabilities / equities	0,44	0,87

General strategy of group is not different from the previous term.

b) Financial Risk Factors:

The group is subjected to the market risk, loan risk and liquidity risk due to its activities. General risk management program of group focuses generally on minimizing potential negative effects of uncertainty financial markets.

The group manages its financial instruments within the frame of risk policies of group through Financial Affairs Coordination. Cash entries and exits of the group are viewed with daily cash flow reports and its monthly cash flow budgets through weekly reports and its annual cash flow budgets through monthly cash flow reports.

Explanatory Footnotes on Consolidated Financial Statements of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and its Subsidiaries for the Term ending on 31st December 2010

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-38: QUALITY AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (continued)

b-1) Loan Risk Management:

Loan risk is the risk that a customer or the counter party fails to fulfill its obligations under the contract. Collection risk of group mainly results from its trade receivables. Due to the fact that major part of its trade receivables result from the most important chassis truck manufacturers and public institutions of the world and Turkey and that in foreign receivables, product costs are collected in cash or through letters of credit, the risk of failure to collect the same is low.

	31 Dec. 2010						31 Dec. 2009					
	Receivables				Deposit in banks	Other*	Receivables				Deposit in banks	Other *
	Trade Receivables		Other receivables				Trade Receivables		Other receivables			
	Related party	Other party	Related party	Other party			Related party	Other party	Related party	Other party		
Maximum loan risk as of the date of reporting (A+B+C+D+E) (Footnote 6,10 and 11) – Portion of maximum risk not secured under guarantee.	0	17.468.145	4.416.064	1.461.009	1.875.786	198.652	1.590.993	21.013.071	1.121.714	36.234	48.389	371.054
A. Net book value of financial assets not overdue or subjected to decrease in value	0	13.671.168	4.416.064	1.461.009	1.875.786	198.652	1.590.993	17.111.197	1.121.714	36.234	48.389	371.054
B. Net book value of financial assets with conditions renegotiated, otherwise to be considered as overdue or subjected to decrease in value												
C. Net book value of financial assets overdue but not subjected to decrease in value. – portion secured under guarantee, etc.		1.971.856						1.754.296				
D. net book value of financial assets subjected to decrease in value.		918.146						1.646.892				
- Overdue (gross book value) – decrease in value (-) – portion of net value secured under guarantee, etc. – not overdue (gross book value) – Decrease in value (-) – Portion of net value secured under guarantee, etc.		-918.146						-1.646.892				
E.Elements off the capital as containing loan risk ** (Footnote 22)		1.825.121						2.147.578				

* Cash and cash equivalents consist of the total of financial assets except for the deposits in banks.

** Related totals consist of letters of guarantee given.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

**NOTE-38: QUALITY AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS
(continued)**

b-1) Loan Risk Management (continued):

Receivables	31 Dec. 2010		31 Dec. 2009	
	Trade receivables		Trade receivables	
	Related party	Other party	Related party	Other party
Overdue for 1-30 days		970.384		913.944
Overdue for 1-3 months		920.818		840.352
Overdue for 3-12 months		80.654		
Overdue for 1-5 years				
Overdue for more than 5 years				
Portion secured under guarantee, etc.				
TOTAL		1.971.856		1.754.296

b-2) Liquidity risk management

The group follows its cash flows regularly and manages the liquidity risk through matching the terms of financial assets and liabilities.

Prudent liquidity risk management stipulates keeping cash of sufficient amount, and the power of usability and of loan operations and fund sources and closing the market positions at sufficient amounts. The risk of funding present and future possible liability requirements is managed by way of ensuring accessibility to reliable loan suppliers of sufficient number in a continuous way.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

**NOTE-38: QUALITY AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS
(continued)**

b-2) Liquidity risk management (continued)

Liquidity Risk

31 Dec. 2010	Book value	Cash exits total as per contract (=I+II+III+IV)	Shorter than 3 months (I)	Between 3-12 month (II)	Between 1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Bank loans	13.756.186	13.756.186		7.182.429	6.573.757	
Issuance of debt instrument						
Financial leasing liabilities	32.820	32.820			32.820	
Trade payables	10.674.486	10.674.486	7.056.545	3.617.941		
Other payables	3.797.487	3.797.487	3.797.487			
TOTAL	28.260.979	28.260.979	10.854.032	10.800.370	6.606.577	0

31 Dec. 2009	Book value	Cash exits total as per contract (=I+II+III+IV)	Shorter than 3 months (I)	Between 3-12 month (II)	Between 1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Bank loans	10.127.066	10.127.066		7.839.868	2.287.198	
Issuance of debt instrument						
Financial leasing liabilities	4.109	4.109		4.109		
Trade payables	14.379.399	14.379.399	12.486.096	1.893.303		
Other payables	3.583.180	3.583.180	3.583.180			
TOTAL	28.093.754	28.093.754	16.069.276	9.737.280	2.287.198	0

b-3) Market risk management

Market risk expresses the risk affecting the income and prices of financial instruments the company holds with the changes in exchange rate and interest rates. The purpose of market risk management is to optimize the earnings on one hand and to manage and control the market risk incurred within acceptable parameters on the other hand.

The company incurs the risk of exchange rate risk due to various income and expense items in foreign currencies and the liabilities, receivables and financial liabilities in foreign currencies due to the same.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

**NOTE-38: QUALITY AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS
(continued)**

b-3-1) Exchange Rate Management

The company incurs the risk of exchange rate risk due to various income and expense items in foreign currencies and the liabilities, receivables and financial liabilities in foreign currencies due to the same.

The company keeps at acceptable level the risk of incurring exchange rate and the short term imbalances when necessary in terms of monetary assets and liabilities in foreign currency by purchasing and selling foreign currencies at spot rates .

The Company keeps its inactive cash sometimes in foreign currency in order to minimize the exchange rate risk in the balance sheet of foreign currencies.

Foreign currency position

Foreign currency risk is the risk resulting from any financial instrument changing depending on the change in the exchange rate. Fundamental foreign currencies forming such risk are US Dollars and Euro. Foreign currency position of the company as of 31 Dec. 2010, 31 Dec. 2009 results from the assets and liabilities of foreign currency basis as specified below.

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(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-38: QUALITY AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (continued)

b-3-1) Exchange risk management (continued) :

Foreign currency position (continued):

Tables of foreign currency position as of 31.12.2010 and 2009 are as follows:

TABLE FOREIGN CURRENCY POSITION							
	31.12.2010			31.12.2009			
	Equivalence in TL (functional currency)	USD	Euro	Equivalence in TL (functional currency)	USD	Euro	GBP
1.Trade receivables	2.830.848	376.669	1.097.320	4.609.840	891.589	1.512.544	0
2a.Monetary financial assets (inc. cash, bank accounts)	3.624.161	2.058.106	215.865	490.378	214.049	77.751	50
2b.Non-monetary financial assets	222.656	18.062	95.033	1.009.903	53.331	428.487	1.650
3.Other	0						
4.Current assets (1+2+3)	6.677.665	2.452.837	1.408.218	6.110.121	1.158.969	2.018.782	1.700
5. Trade receivables	0			0			
6a. Monetary financial assets	4.793	3.100		0			
6b. Non-monetary financial assets	0			0			
7.Other	0			0			
8.Fixed assets (5+6+7)	4.793	3.100	0	0	0	0	0
9.Assets total (4+8)	6.682.458	2.455.937	1.408.218	6.110.121	1.158.969	2.018.782	1.700
10.Trade payables	2.271.487	1.045.290	319.881	6.458.336	848.965	2.397.838	
11. Financial liabilities	7.182.429	859.357	2.856.797	5.873.554	1.538.394	1.646.620	
12a.Other Monetary Liabilities	0	0	0	0			
12b. Other non-Monetary Liabilities	1.692.701	907.656	141.264	1.669.430	857.259	175.279	
13.Short term liabilities (10+11+12)	11.146.617	2.812.303	3.317.943	14.001.319	3.244.618	4.219.737	0
14.Trade payables	0	0	0	0	0		
15.Financial liabilities	6.606.667	3.070.314	907.697	2.258.681	0	1.045.540	
16a. Other Monetary Liabilities	0	0	0	0	0	0	
16b. Other non Monetary Liabilities	0	0	0	0	0		
17.Long term liabilities (14+15+16)	6.606.667	3.070.314	907.697	2.258.681	0	1.045.540	0
18.Liabilities total (13+17)	17.753.284	5.882.616	4.225.640	16.260.000	3.244.618	5.265.277	0
19. Net asset / liability position of off-balance sheet derivative instruments (19a-19b)							
19a.Total assets total hedged							
19b.Total liabilities hedged							
20.Position of Net assets / (liabilities) in foreign currency (9-18+19)	-11.070.826	-3.426.679	-2.817.423	-10.149.879	-2.085.649	-3.246.495	1.700
21.Monetary items Position of Net assets / (liabilities) in foreign currency (UFRS 7.B23) (- 1+2a+5+6a-10-11-12a-14-15-16a)	-9.600.781	-2.537.085	-2.771.191	-9.490.352	-1.281.721	-3.499.703	50
22.Total fair value of financial instruments used for exchange rate Hedge							
23.Exportation		16.900.803			19.522.191		
24.Importation		6.154.548			5.616.984		

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

**NOTE-38: QUALITY AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS
(continued)**

b-3-1) Exchange rate management (cont.) :

Foreign currency position (cont.):

The sensitivity analysis tables of exchange rate as of 31.12.2010 and 2009 are as follows:

Sensitivity Analysis Table of Exchange Rate		
	31 Dec. 2010	31 Dec. 2010
	Appreciation of foreign currency	Depreciation of foreign currency
In case US Dollars is appreciated against TL at 10%		
1-Net assets/liabilities in US dollars	-695.477	695.477
2- Portion protected from the risk of USD (-)		
3- Net effect of USD (1+2)	-695.477	695.477

In case Euro is appreciated against TL at 10%		
4- Net assets/liabilities in Euro	-687.173	687.173
5- Portion protected from the risk of Euro (-)		
6- Net effect of Euro (1+2)	-687.173	687.173
TOTAL (3+6)	-1.382.650	1.382.650

	31 Dec. 2009	31 Dec. 2009
	Appreciation of foreign currency	Depreciation of foreign currency
In case US Dollars is appreciated against TL at 10%:		
1-Net assets/liabilities in US dollars	-212.468	212.468
2- Portion protected from the risk of USD (-)		
3- Net effect of USD (1+2)	-212.468	212.468

In case Euro is appreciated against TL at 10%		
4- Net assets/liabilities in Euro	-756.041	-3.499.703
5- Portion protected from the risk of Euro (-)		
6- Net effect of Euro (1+2)	-756.041	-3.499.703
TOTAL (3+6)	-968.509	-3.287.235

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

**NOTE-38: QUALITY AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS
(continued)**

b-3-2-) Sensitivity analysis of interest position:

The tables of sensitivity of interest position as of 31.12.2010 and 2009 are as follows:

Table of interest position				
			Current term	Previous term
Financial instruments with fixed interest				
Financial assets	Assets with fair values reflected to profit /loss *			
	Financial assets ready to be sold **			
Financial liabilities			783.520	
Financial instruments with variable interest				
Financial assets				
Financial liabilities			12.972.666	10.127.066

* They are classified as assets with fair values reflected to the profit/loss among the financial instruments bearing interest.

** They are classified as financial assets ready to be sold among the financial instruments bearing interest.

If the interest of 100 base points in TL, USD and EURO was 1% higher/less on December 31, 2010 and all the other variables were the same, the profit of 18.896 TL (31.12.2009 - 3.231TL) before tax and shares outside parent company would be lower/higher.

The company, due to its assets gaining interest and liabilities paid with interest, is open to the risk of interest rate arising from the change in interest rates. Such risk balances the amounts and terms of assets and liabilities sensitive to interest rate and is managed by using within balance sheet methods or derivative instruments when necessary.

b-3-3-) Other Price Risks:

Equities Price Sensitivity

The Group does not have any share certificate investments in its financial statements as of December 31, 2010; therefore no sensitivity analysis was performed. (31.12.2009 - None.)

NOTE-39: FINANCIAL INSTRUMENTS

None. (31.12.2009 – None.)

NOTE-40 : EVENTS AFTER THE BALANCE SHEET:

1-) It has been resolved in the Board of Directors meeting of 31.01.2011 and no. 2011/07 to sell the whole of 1.800 shares of 45.000-TL with a nominal value of 25,00 TL as equivalent to 90% of the capital of Kat Araç Üstü Ekipman Pazarlama ve Dış Ticaret Ltd. Şti., being a subsidiary of company, at a value of 54.000-TL. in cash, and the transfer was concluded at the same date. The company did not have any shares in more in the capital of Kat Araç Üstü Ekipman Pazarlama ve Dış Ticaret Ltd. Şti. as of January 31, 2011 in conclusion to the transfer of shares.

(Unless otherwise is specified, the amounts are stated in Turkish Liras.)

NOTE-40 : EVENTS AFTER THE BALANCE SHEET (continued)

2-) There have not been any investments applying to use Repurchase Guarantee rights as of February 15, 2011 under the scope of Public Offerings Promotions. Share certificates at nominal values of 35.833.30TL as belonging to the investors, who were awarded with purchasing additional shares of 5% by holding the shares they purchased with the public offering of Company shares for 90 days from November 11, 2010 to February 8, 2011, were entered to their accounts as of February 22, 2011 under the scope of Bonus Share Promotion.

NOTE-41 : OTHER ISSUES SIGNIFICANTLY AFFECTING THE FINANCIAL TABLES OR REQUIRED TO BE EXPLAINED IN TERMS OF MAKING THE FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND UNDERSTANDABLE

None. (31.12.2009 – None.)