

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

*CONVENIENCE TRANSLATION INTO ENGLISH
OF CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2015 AND AUDIT REPORT*

**CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITORS' REPORT
ORIGINALLY PREPARED AND ISSUED IN TURKISH TO ENGLISH**

Katmerciler Araçüstü Ekipman Sanayi ve Ticaret A.Ş.

To the Board of Directors

Giriş

1. We have audited the accompanying consolidated financial statements of Katmerciler Araçüstü Ekipman Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. Group management is responsible for the preparation and fair presentation of these financial statements in accordance with Turkish Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

Görüş

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Katmerciler Araçüstü Ekipman Sanayi ve Ticaret A.Ş. and It's subsidiary as of December 31, 2015, and of its financial performance and its cash flows for the period then ended in accordance with Turkish Accounting Standards.

Reports on other responsibilities arising from regulatory requirements

5. Auditors' report on Risk Management System and Committee prepared in accordance with subparagraph 4, Article 398 of Turkish Commercial Code no. 6102 ("TCC") is submitted to the Board of Directors of the Group on 09 March 2016.
6. In accordance with subparagraph 4, Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January — 31 December 2015 and financial statements are not in compliance with the code and provisions of the Group's articles of association in relation to financial reporting.
7. In accordance with subparagraph 4, Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

AC İSTANBUL ULUSLARARASI BAĞIMSIZ DENETİM VE SMMM A.Ş.
Member of ENTERPRISE WORLDWIDE



Cemal ÖZTÜRK, CPA
Partner

İstanbul, 09 March 2016

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND IT'S SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

ASSETS	Notes	Audited Current Period 31.12.2015	Audited Previous Period 31.12.2014
CURRENT ASSETS		177.197.627	169.819.622
Cash and Cash Equivalents	6	16.981.050	6.743.368
Trade Receivables		76.199.845	63.498.484
- Trade Receivables from Related Parties	9-37	455.869	1.330.139
- Trade Receivables from 3rd Parties	9	75.743.976	62.168.345
Other Receivables		7.979.177	5.305.623
- Other Receivables from Related Parties	10-37	-	-
- Other Receivables from 3rd Parties	10	7.979.177	5.305.623
Inventories	12	59.656.872	77.965.373
Prepaid Expenses	13	5.943.978	9.389.239
Assets Related with Current Period Tax	35	2.193	23.744
Other Current Assets	26	10.434.512	6.893.791
NON-CURRENT ASSETS		51.477.313	42.275.299
Other Receivables	10	29.696	29.696
- Other Receivables from Related Parties	10-37	-	-
- Other Receivables from 3rd Parties	10	29.696	29.696
Investment Property	16	6.659.000	8.749.957
Tangible Fixed Assets	17	33.486.482	27.439.031
Intangible Fixed Assets		3.792.900	2.526.967
- Goodwill		-	-
- Other Intangible Fixed Assets	18	3.792.900	2.526.967
Prepaid Expenses	13	1.124.787	3.714
Deferred Tax Assets	35	6.384.448	3.525.934
TOTAL ASSETS		228.674.940	212.094.921

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

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND IT'S SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

LIABILITIES	Notes	Audited Current Period 31.12.2015	Audited Previous Period 31.12.2014
SHORT-TERM LIABILITIES		111.129.914	114.931.006
Short-Term Borrowings	8	51.003.001	44.948.566
Current Part of Long Term Borrowings	8	3.597.900	-
Trade Payables		45.778.579	36.275.754
- Due to Related Parties	9-37	-	85.507
- Other Trade Payables	9	45.778.579	36.190.247
Employee Benefits	25	755.294	1.448.882
Other Payables		1.575.274	1.532.700
- Due to Related Parties	10-37	-	-
- Other Trade Payables	10	1.575.274	1.532.700
Deferred Income	13	7.020.798	29.697.655
Short-Term Provisions		1.399.068	1.027.449
- Short-Term Provisions related to Employee Benefits	25	562.124	593.583
- Other Short-Term Provisions	23	836.944	433.866
LONG-TERM LIABILITIES		54.865.376	53.801.720
Long-Term Borrowings	8	47.741.538	48.129.705
Long-Term Provisions		2.609.471	2.246.329
- Long-Term Provisions related to Employee Benefits	25	2.609.471	2.246.329
- Other Long-Term Provisions		-	-
Deferred Tax Liability	35	4.514.367	3.425.686
EQUITY CAPITAL		62.679.650	43.362.195
EQUITY CAPITAL OF PARENT COMPANY		62.661.740	40.245.697
Paid-in Capital	27	25.000.000	25.000.000
Reacquired Shares (-)	27	(38.827)	(38.827)
Other Comprehensive Income or Expenses not to be reclassified on Profit or Loss		9.737.768	6.999.213
- Revaluation and Measurement Income / (Loss)	27	9.976.331	7.309.143
- Identified Benefit Plans Reclassification Income / (Loss)	27	(238.563)	(309.930)
Restricted Reserves	27	2.061.453	2.108.305
The Merge Effect of Entities subject to Common Control	27	(1.759.039)	(1.759.039)
Retained Earnings	27	9.039.516	(1.375.639)
Net Profit / (Loss) of the Period	36	18.620.869	9.311.684
MINORITY SHARES		17.910	3.116.498
TOTAL LIABILITIES		228.674.940	212.094.921

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

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND IT'S SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PERIOD BETWEEN 01.01.2015 - 31.12.2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Audited	
		Current Period	Previous Period
		01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014
ONGOING ACTIVITIES			
Revenue	28	310.672.906	169.794.388
Cost of Sales (-)	28	(236.779.450)	(135.963.009)
GROSS PROFIT / (LOSS)		73.893.456	33.831.379
General Administrative Expenses (-)	29	(16.636.072)	(9.018.261)
Marketing Expenses (-)	29	(14.905.336)	(10.678.111)
Research and Development Expenses (-)	29	(55.846)	
Other Income from Operations	31	25.068.842	15.059.699
Other Expenses from Operations (-)	31	(21.617.286)	(11.137.843)
OPERATING PROFIT / (LOSS)		45.747.758	18.056.863
Income from Investing Activities	32	808.018	2.409.334
Expenses from Investing Activities (-)	32	(1.037.455)	
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES		45.518.321	20.466.197
Financial Incomes	33	12.725.779	9.923.522
Financial Expenses (-)	33	(34.494.154)	(20.945.464)
PROFIT / (LOSS) BEFORE PROVISION FOR TAXES		23.749.946	9.444.255
Tax Income / (Expense) from Operating Activities		(5.120.090)	(270.155)
- Tax for Period	35	(7.056.176)	(543.515)
- Deferred Tax Income / (Expense)	35	1.936.086	273.360
NET PROFIT / (LOSS) FOR THE PERIOD		18.629.856	9.174.100
Period Profit / (Loss) Distribution		18.629.856	9.174.100
- Non-Controlling Interests		8.987	(137.584)
- Parent Compant Shares	36	18.620.869	9.311.684
Earnings Per Share	36	0,74	0,37
- Earnings Per Share from Continuing Operations	36	0,74	0,37
- Diluated Earnings Per Share from Continuing Operations			
NET PROFIT / (LOSS)		18.629.856	9.174.100
Items not to be Reclassified in Profit or Loss		2.738.554	3.316.615
Increase / (Decrease) from Revaluation of Tangible Fixed Assets	21	2.810.450	3.147.593
Increase / (Decrease) from Revaluation of Intangible Fixed Assets			
Defined Benefit Plans Remeasurement Gains / (Losses)		89.208	140.852
Other Comprehensive Income Items not to be Reclassified as Other Profit or Loss			
Tax Income/(Loss) related to Other Comprehensive Income not to be Reclassified in Profit or Loss		(161.104)	28.170
- Current Tax (Expense) / Income			
- Deferred Tax (Expense) / Income		(161.104)	28.170
Items to be Reclassified in Profit or Loss		-	(161.310)
Other Comprehensive Income Items to be Reclassified as Other Profit or Loss			
Tax Income/(Loss) related to Other Comprehensive Income to be Reclassified in Profit or Loss		-	(161.310)
- Current Tax (Expense) / Income			
- Deferred Tax (Expense) / Income			(161.310)
OTHER COMPREHENSOVE INCOME (AFTER TAX)		2.738.554	3.155.305
TOTAL COMPREHENSIVE INCOME		21.368.410	12.329.405
Comprehensive Income Distribution :		21.368.410	12.329.405
- Non-Controlling Shares		9.436	(33.500)
- Parent Company Shares		21.358.974	12.362.905

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

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD BETWEEN 01.01.2015 - 31.12.2015

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

		Audited	
		Current Period	Previous Period
	Notes	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014
A. CASH FLOWS FROM OPERATING ACTIVITIES		9.322.019	48.872.693
Net Profit / (Loss) for Period		18.629.856	9.174.100
Adjustments to Reconcile Net Profit / (Loss) :		5.887.101	(1.052.701)
- Depreciation and Amortization	17-18	1.575.666	1.099.970
- Impairments / Reversals	11	6.269	(3.874)
- Changes in Provisions	18	2.652.661	64.801
- Interest Income and Expense		1.442.349	(75.280)
- Unrealized Exchange Loss / (Gain)		(4.373.822)	(117.072)
- Fair Value (Loss) / Gain		(501.000)	(2.190.343)
- Gain/Loss from Fixed Assets Sales		(35.112)	(126.346)
- Profit / (Loss) Reconciliations		5.120.090	295.443
Changes in Working Capital		(11.318.945)	40.572.548
- Increases / (Decreases) in Inventories	12	18.308.501	4.812.084
- Increases / (Decreases) in Trade Receivables	9	(12.701.361)	28.054.429
- Increases / (Decreases) in Other Receivables		(2.673.554)	(1.630.196)
- Increases (Decreases) in Trade Payables	9	9.502.825	1.751.098
- Increases (Decreases) in Other Payables		42.574	980.752
- Other Increase / (Decreases) in Working Capital		(23.797.930)	6.604.381
Cash Flow from Operating Activities		13.198.012	48.693.947
Tax Payments / Returns		21.551	646.003
Other Cash Flows / Outflows		(3.897.544)	(467.257)
B. CASHFLOW PROVIDED BY INVESTING ACTIVITIES		6.618.497	3.193.494
Proceeds from Sale of Tangible and Intangible Assets		179.812	401.000
Cash Outflows due to Purchases of Tangible and Intangible Assets		6.173.544	2.595.560
Cashflows from Government Incentives			108.111
Tax Payments / Returns		265.141	88.823
C. CASH FLOW PROVIDED BY FINANCING ACTIVITIES		(5.702.834)	(51.550.804)
Proceeds from Borrowings		166.519.354	138.258.382
Payments of Borrowings		(162.580.554)	(200.350.938)
Financial Lease Payments		(1.182.339)	710.789
Interest Received		701.703	2.088.520
Interest Payments		(9.160.998)	7.742.443
NET INCREASE / (DECREASE) IN CASH EQUIVALENTS BEFORE FOREIGN CURRENCY CONVERSION ADJUSTMENTS		10.237.683	515.383
D. FOREIGN CURRENCY CONVERSION ADJUSTMENTS EFFECTS ON CASH AND CASH EQUIVALENTS			
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		10.237.683	515.383
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6	6.743.368	6.227.985
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	6	16.981.050	6.743.368

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

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND IT'S SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD BETWEEN 01.01.2015 - 31.12.2015

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

						Other Comprehensive Profit / (Loss) Not to be Reclassified on Profit or Loss		Other Comprehensive Profit / (Loss) to be Reclassified on Profit or Loss				Retained Earnings						
Notes	Paid-in Capital	Adjustment to Share Capital	Reaccured Shares	Capital Adjustments Due to Cross-Ownership	Share Premiums / Discounts	Identified Benefit Plans Reclassification Income / (Loss)	Other Gain / Loss	Foreign Currency Conversion Difference	Hedging Profit / (Loss)	Revaluation and Remeasurement Gain/(Loss)	Restricted Reserves	Retained Profit / (Loss)	Net Period Profit / (Loss)	Increase from Revaluation of Tangible Fixed Assets	The Merge Effect of Entities subject to Common Control	Equity Holders of the Parent	Non Controlling Shares	Equity
27	25,000,000	-	-	-	-	(238,830)	-	-	-	-	2,061,453	6,883,818	(8,212,605)	4,322,860	(1,759,039)	28,057,657	2,805,620	30,863,277
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	(8,212,605)	8,212,605	-	-	-	-	-
	-	-	-	-	-	(71,100)	-	-	-	-	-	-	9,311,684	2,986,283	-	12,226,867	(137,584)	12,089,283
	-	-	(38,827)	-	-	-	-	-	-	-	-	-	-	-	-	(38,827)	448,462	409,635
	-	-	-	-	-	-	-	-	-	-	46,852	(46,852)	-	-	-	-	-	-
27	25,000,000	-	(38,827)	-	-	(309,930)	-	-	-	-	2,108,305	(1,375,639)	9,311,684	7,309,143	(1,759,039)	40,245,697	3,116,498	43,362,195
27	25,000,000	-	(38,827)	-	-	(309,930)	-	-	-	-	2,108,305	(1,375,639)	9,311,684	7,309,143	(1,759,039)	40,245,697	3,116,498	43,362,195
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	9,311,684	(9,311,684)	-	-	-	-	-
	-	-	-	-	-	71,367	-	-	-	-	-	-	18,620,869	2,730,860	-	21,423,096	9,436	21,432,532
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	(46,852)	1,103,471	-	(63,672)	-	992,947	(3,108,024)	(2,115,077)
27	25,000,000	-	(38,827)	-	-	(238,563)	-	-	-	-	2,061,453	9,039,516	18,620,869	9,976,331	(1,759,039)	62,661,740	17,910	62,679,650

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

1. ORGANIZATION AND ACTIVITIES

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

The Group's head office address : Ataturk Organized Industrial Zone 10032 Sokak No: 10 Çiğli / IZMİR. The Group has a branch that is located in Kızılırmak Mah. 1445 Sok. No: 2b/82 The Pragon İş Merkezi Çukurambar – Çankaya / ANKARA.

The Group has a plant construction in Başkent Organized Industrial Zone Ankara for defense industry production and a contact Office located in Küçükbakkalköy Mah. Önder Sk. Panorama Plaza Ataşehir İstanbul.

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

Group 's main activities are as follows :

Painting Work - Painting of vehicle equipment

Weld Work - Onboard equipment weld workshop

Vehicle Equipment Manufacturing- onboard equipment manufacturing for the fire, trash , vacuum , grooving, ecological vehicle , transport vehicle , defense industry vehicles and construction industry vehicles.

Company shares were offered to the public in 2010 and 36,29 % of shares are trading Istanbul Stock Exchange Inc. (BIST) as of December 31, 2015.

As of 31 December 2015, the total number of people employed by the Group is 349. (31 December 2014: 297).

The ultimate parent of Group is managed by İsmail Katmerci. (Note 27).

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

Companies included in consolidation:

<u>Company</u>	<u>Nature of Business</u>	<u>Country of Registration</u>
Katmerciler Profil San. ve Tic. A.Ş.	Painting Works	Turkey
Isıpan Otomotiv ve Üst Ekipman Metal ve Makine San. ve Tic. A.Ş.	Weld workshop Onboard equipment	Turkey
Gimkat Araç Üstü Ekipman San. ve Tic. A.Ş.	manufacturing	Turkey

Company does not has any subsidiary whose shares traded on the stock market.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

A. Basic Standards of Presentation

Basis of presentation of the financial statements

The consolidated financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board (“CMB”) (hereinafter will be referred to as “the CMB Accounting Standards”) on 13 June 2013 which is published on Official Gazette numbered 28676.

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

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

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

Consolidated financial statements/TFRS in order to prepare, as appropriate, assets and liabilities, contingent assets and liabilities with relation to the explanatory notes to affect certain assumptions important and requires the use of accounting estimates. These estimates, management's current events and actions within the framework based on best estimates, the actual results are different than estimated to occur. Complex and a further comment that requires assumptions and estimates to have a significant effect on the financial statements can be found. 31 December 2015 as of the date of the financial statements the assumptions used in the preparation of important and there has been no change in the accounting estimates

There are not any seasonal and cyclical changes significantly affect the Group's operations

Financial statements , except for the revaluation of financial instruments and investment properties have been prepared on the historical cost basis.

Preparation of Financial Statements in Hyperinflationary Periods

Based on CMB's resolution No: 11/367 issued on 17 March 2005, companies operating in Turkey and preparing their financial statements in accordance with the POA Accounting Standards are not subject to inflation accounting effective from 1 January 2005. Therefore, starting from January 2005, TAS 29 “Financial Reporting in Hyperinflationary Economies” is not applied in the accompanying consolidated financial statements.

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

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

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

A. Basic Standards of Presentation (continued)

Going Concern

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

Offsetting

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

2015 yılında uygulanmaya başlanan standartlar ve henüz uygulamada olmayan yeni standart ve yorumlar

Standards effective from 2015 and standards and interpretations issued but not yet effective

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

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The company is in the process of assessing the impact of the standard on financial position or performance of the company.

Amendments to TAS 16 and TAS 38 – Clarification of acceptable methods of depreciation and amortization

The amendments to TAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to TAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The company does not expect that these amendments will have significant impact on the financial position or performance of the company.

Amendments to TFRS 11 – Accounting for acquisition of interests in joint operations

The amendments clarify whether TFRS 3 Business Combinations applies when an entity acquires an interest in a joint operation that meets that standard’s definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The company does not expect that these amendments will have significant impact on the financial position or performance of the company.

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

A. Basic Standards of Presentation (continued)

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

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

IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 -IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The company is in the process of assessing the impact of the standard on financial position or performance of the company.

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The company is in the process of assessing the impact of the standard on financial position or performance of the company.

IFRS 14 Regulatory Deferral Accounts

IASB has started a comprehensive project for Rate Regulated Activities in 2012. As part of the project, IASB published an interim standard to ease the transition to IFRS for rate regulated entities. The standard permits first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The company does not expect that these amendments will have significant impact on the financial position or performance of the company.

IFRS 15 Revenue from Contracts with customers

The standard is the result of a joint project and IASB and FASB which replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS. The company is in the process of assessing the impact of the amendment on financial position or performance of the company.

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

A. Basic Standards of Presentation (continued)

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to TFRS 10 and TAS 28)

The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognized when the assets transferred meet the definition of a “business” under TFRS 3 Business Combinations. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The company does not expect that these amendments will have significant impact on the financial position or performance of the company.

Equity method in separate financial statements (Amendments to TAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The company does not expect that these amendments will have significant impact on the financial position or performance of the company.

Disclosure initiative (Amendments to TAS 1)

The narrow-focus amendments to TAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing TAS 1 requirements. In most cases the amendments respond to overly prescriptive interpretations of the wording in TAS 1. The amendments relate to the following: materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments apply for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The company does not expect that these amendments will have significant impact on the financial position or performance of the company.

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2012–2014 Cycle. The amendments are effective as of 1 January 2016. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the company.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendments clarify the requirements of IFRS 5 when an entity changes the method of disposal of an asset (or disposal group) and no longer meets the criteria to be classified as held-for-distribution.

IFRS 7 Financial Instruments: Disclosures

IFRS 7 is amended to clarify when servicing arrangement are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that the additional disclosures required by Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7).

IAS 19 Employee Benefits

IAS 19 has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

A. Basic Standards of Presentation (continued)

TAS 34 Interim Financial Reporting

TAS 34 has been amended to clarify that certain disclosure, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" – i.e. incorporated by cross reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report).

Consolidation Principles

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

Subsidiaries

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

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

As of December 31, 2015 direct and indirect participation rate of subsidiaries subject to consolidation are as follows;

<u>Subsidiaries</u>	<u>Main Activity</u>	<u>Functional Currency</u>	<u>Establishmt & Operation Place</u>	<u>Shareholding Ratio (%)</u>	
				<u>31.12.2015</u>	<u>31.12.2014</u>
Katmerciler Profil San. ve Tic. A.Ş. (*)	Painting Works	Turkish Lira	Turkey	100,00	93,33
Isıpan Otomotiv ve Üst Ekipman Metal ve Makine San. ve Tic. A.Ş.	Weld Workshop	Turkish Lira	Turkey	95,67	95,67
Gimkat Araç Üstü Ekipman San. ve Tic. A.Ş. (**)	Onboard Equipment Manufacturing	Turkish Lira	Turkey	100,00	49,99

(*) Company has been increased shares on subsidiary Katmerciler Profil A.Ş. from % 93,33 to % 100 as at 26.03.2015 with 2015/09 numbered Board Decision and share transfer annaunced on 01.04.2015 dated and 8791 numbared trade registry gazette.

(**) Company has been increased shares on subsidiary Gimkat Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. from % 49,99 to % 100 as at 26.10.2015 with 2015/27 numbered Board Decision and share transfer annaunced on 26.10.2015 date at Public Disclosure Platform and 21.12.2015 dated and 8972 numbared trade registry gazette.

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

B. Declaration of Conformity to TAS

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

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

The Group’s consolidated financial statements as at 31 December 2015 is confirmed and signed by Board of Directors on 09 March 2016. General Assembly of the Group has the right to readjust financial statements prepared in accordance with legal regulations of legal institutions.

C. Changes in Accounting Policies

The Group's financial position, performance or cash flows of the effects of transactions and events on the financial statements to be presented in a more convenient and reliable way will affect the quality there has not been any changes in the accounting policies. A change in the accounting policies applied are not foreseen in the near future.

D. Changes in Accounting Estimates and Errors

Changes in accounting estimates, if only for one period, changes are made in the current period, if they relate to future periods, as well as in the period of change in future periods, are applied prospectively. Group in the current year has not been any significant changes in accounting estimates.

E. Summary of Significant Accounting Policies

Revenue and Income

Revenue are measured on fair value of amount will be or have been charged. Estimated customer returns, rebates and provisions are deducted from the amount.

Sale of goods

Proceeds from the sale of goods, is recognized when all the following conditions are met :

- Group all the significant risks and rewards of ownership are transferred to the buyer
- The Group's and the continuing managerial involvement usually associated with ownership and effective control over the goods sold are the lack of
- The amount of revenue can be measured reliably,
- The economic benefits associated with the transaction will flow to the entity being possible, and

Transaction costs incurred or to be incurred in a reliable way of measuring .

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

E. Summary of Significant Accounting Policies (continued)

Rental Income

The rental income from investment properties, throughout the relevant lease is recognized on a straight-line basis.

Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventories of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition involves. The costs of conversion of inventories, such as direct labor costs related to production costs. These costs are also incurred in converting raw materials and finished goods material in a systematic allocation of fixed and variable production overheads that include the amounts.

Net realizable value is the estimated selling price in the ordinary course of business, the estimated costs of completion and the estimated costs necessary to make the sale shall be obtained by deducting total. Stocks in the financial statements, use or sales can not be tracked at a price higher than the amount expected to be achieved as a result.

The net realizable value of inventories is less than cost, inventories are reduced to net realizable value and are recognized as an expense in the income statement in the year when the impairment. That caused inventories to be written down to net realizable value before conditions or evidence of an increase in net realizable value because of changed economic circumstances cases, impairment loss is canceled. The previously recognized impairment loss is limited to the amount of the canceled amount (Note 12).

Company uses “FIFO” method for calculating cost of inventories.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment in value.

Assets to be used for administrative purposes, or used in the production of goods and services and are in the course of construction are carried at cost, less any recognized impairment loss. Legal fees are included in the cost of the property, plant and equipment. For assets that need considerable time to be ready for sale or use, borrowing costs are capitalized in accordance with the Group’s accounting policy. As it is for the other fixed assets, such assets are depreciated when the assets are ready for their intended use.

Cost amounts of property, plant and equipment assets excluding land and construction in progress are subject to amortization by using the straight-line method in accordance with their expected useful life. There is no depreciation allocated for lands due to indefinite useful lives. Expected useful life, residual value and amortisation method are evaluated every year for the probable effects of changes arising in the expectations and are accounted for prospectively (Note 17).

Leased assets are subject to similar amortization procedures, as with the other tangible assets on the shorter of the related leasing period and economic life of the asset.

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

E. Summary of Significant Accounting Policies (continued)

Revaluation Model

Revalued amount, being the fair value at the date of revaluation subsequent accumulated depreciation and accumulated impairment is determined by subtracting. Balance sheet date, the carrying amount of the revaluations will not differ from the fair value is determined by the way is done at regular intervals.

Tangible fixed assets are stated at revalued amount of land and buildings are reported. The fair value of buildings is determined by independent valuation company licensed by the CMB. Revalued amount, the date of the revaluation at fair value, any subsequent accumulated depreciation and subsequent accumulated impairment losses are through. The corresponding increases in value are reported in equity is revalued.

If the carrying amount of an asset is increased after revaluation, the increase is recognized in other comprehensive income and directly in equity revaluation account under the name of the group are collected. However, a revaluation, the same asset previously associated with the revaluation gain or loss is recognized in income largely reversed reception.

If the carrying amount of an asset is low as a result of revaluation, the decrease is recognized as an expense. However, the decrease in other comprehensive income in the asset revaluation surplus in respect of the extent of any credit balance recognized in scope. Recognized in other comprehensive income and the decrease reduces the amount accumulated in equity under the heading of revaluation surplus (Note 17).

Depreciation of revalued buildings is recognized in the statement of income. Sale or retirement of a revalued property, the remaining balance in the revaluation reserve is transferred directly to retained earnings. No release of off-balance sheet assets, are not transferred from revaluation reserve to retained earnings.

Rental or administrative purposes, or for purposes not yet determined the course of construction assets are carried at cost less any recognized impairment loss. The cost of legal fees are also included. Such assets, the depreciation method used for other fixed assets, as well as when they are ready for use are depreciated.

Cost Method

Tangible fixed assets reported at cost less accumulated depreciation and accumulated impairment losses, on the same basis.

Rental or administrative purposes, or for purposes not yet determined the course of construction assets are carried at cost less any recognized impairment loss. The cost of legal fees are also included. Such assets, the depreciation method used for other fixed assets, as well as when they are ready for use are depreciated.

Land and construction in progress, except for the cost of tangible fixed assets to their estimated useful lives are amortized using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year for the possible effects of changes in estimates if a change in estimate being accounted for on a prospective basis.

Disposal of tangible fixed assets of the asset, or a gain or loss arising on the difference between the sales proceeds and the carrying amount of the asset is included in the income statement is determined.

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

E. Summary of Significant Accounting Policies (continued)

Intangible Fixed Assets

Intangible assets acquired

Intangible assets acquired separately are carried at cost, less accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. Estimated useful life and amortization method are reviewed at the end of each year and the effect of any change in the estimate is accounted for on a prospective basis.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Derecognition of intangible assets

An intangible asset through use or sale of disposed of or when no future economic benefits are expected from the case of statement of financial position (balance sheet) is disabled. An intangible asset statement of financial position (balance sheet) disconnection of the profit or loss, if any, to the disposal of assets is calculated as the difference between the net book value of collections. This difference is related assets statement of financial position (balance sheet) is recognized in profit or loss when taken out.

Investment Property

Investment property, rental income and / or capital appreciation is held in order to obtain the cost of the initial values and are measured at cost, including transaction. Subsequent to initial recognition, investment property, which reflects market conditions at the reporting date are measured at fair value.

Investment properties are sold or become unusable and the sale in the event of any future economic benefit is derecognized. The retirement or disposal of an investment property and the profit / loss is included in the income statement in the period.

Fair Value Method

Group operations after the initial recognition , the fair value method chosen and the fair value of investment property was measured by the method (Note 16).

The fair value of investment property gain or loss arising from the change in profit or loss in the period they occur are included.

Transfers , there is a change in use of the investment property is made . Fair value based on the monitored investment property , the owner, used by real estate class made a transfer , the transfer made after accounting treatment deemed cost at the aforementioned property's use shape change at the dates the fair value is . The owner used by a property's fair value basis to display an investment property if it converts , business , change in use occurred up to the date "Tangible Assets" in the accounting policy applies .

Real estate is located in the Group's own use of tangible fixed assets have been reclassified .

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

E. Summary of Significant Accounting Policies (continued)

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortization of goodwill. These assets are tested for impairment annually. The carrying value of assets subject to amortization may not be recoverable in the event of a situation or events are reviewed for impairment. If the carrying amount exceeds the recoverable amount of the asset is recognized for the impairment. The recoverable amount is fair value less costs to sell or value in use is the one obtained. For purposes of assessing impairment, assets are grouped at the lowest level of identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting

Leases

Financial leases

- Group - as a lessee

The Group substantially all the risks and rewards of ownership of tangible assets taken on lease , are classified as finance leases . Financial leases are subject to finance lease at the inception of the lease at the fair value of fixed assets at the lower of the present value basis are included in tangible assets by taking . Arising from lease financing costs over the lease term so as to produce a constant periodic rate is spread over the lease term . In addition, leased fixed assets based on estimated useful lives are amortized through . A reduction in value of fixed assets subject to finance lease impairment provision is recognized if detected . Finance lease liabilities and related interest expense and foreign exchange differences are recognized in profit or loss statement . Lease payments from finance lease liabilities are deducted .

Operating leases

- Group - as a lessee

A significant portion of the risks and rewards of ownership are retained by the lessor that leases , are classified as operating leases . Under operating leases (net of any incentives received from the lessor after) the payments made , straight-line basis over the lease term on the profit or loss is recognized as an expense in the statement .

- Group - as lessor

In an operating lease , the leased assets , property, land and investment properties held , except to the consolidated statement of financial position of tangible assets are classified and the resulting rental income during the leasing period in equal amounts in the consolidated profit or loss reflected in the statement . Straight-line basis over the lease term rental income in the consolidated profit or loss are recognized in the statement . His capacity as lessor if the lease agreements become a party to the main building where the Group operates and other non-group companies of investment property leased as office and warehouse are caused .

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale.

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

E. Summary of Significant Accounting Policies (continued)

Related Parties

Related parties of the Group's shareholding, contractual rights, the opposite side of the family relationship or otherwise, directly or indirectly, control or significantly influence the team includes a. The accompanying consolidated financial statements of the Group companies are owned by shareholders and the shareholders of which are known to be associated with key management personnel and other companies are defined as related parties.

Presence of one of the following criteria, are considered related party to the Group:

i) use directly, or indirectly through one or more intermediaries:

- The Group controls, or is controlled by the Group

- Is under common control with the Group (parent, subsidiaries and fellow subsidiaries, including the same);

- Has an interest in the Group that gives it significant influence over, or has joint control over the Group;

ii) the party is an associate of the Group;

iii) the party is a joint venture of the Group is a venturer;

iv) the party is a member of the key management personnel of the Group or its parent;

v) the (i) or (iv) above, any individual is a close family member.

vi) the entity that is controlled, jointly controlled or significantly influenced by, or (iv) or (v) directly or indirectly, any individual referred to in Articles important to have an entity that is entitled to vote, or

vii) the party is an entity that is a related party of the company or for the benefit of employees of the entity must have plans.

Related party transactions between related parties, resources, services or obligations, regardless of whether a price is charged transfer (Note 37).

Financial Instruments

Financial assets

Financial assets at fair value through profit or loss of the ones which are classified as financial assets recognized at fair value and the fair market value of the total price of the acquisition is recognized directly attributable transaction costs. The investment within the timeframe established by the market concerned is under a contract require delivery of the related assets as a result of the purchase or sale of financial assets, are recognized or derecognized on trade date.

"Financial assets at fair value through profit or loss Financial assets", "held to maturity investments", "available-for-sale financial assets" and "loans and receivables". Classification of financial assets depending on the purpose and specifications, is determined at initial recognition.

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

E. Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

The effective interest method

The effective interest method of calculating the amortized cost of a financial asset and of allocating the interest income related to the Respective period. The effective interest rate for the expected life of the financial instrument or, where Appropriate, a shorter period of time, the sum of the estimated cash flow, net present value of the related financial assets.

Financial assets at fair value through profit or loss on financial assets, except calculated by using the effective interest method.

Loans and receivables

Those receivables are financial assets with fixed or determinable payments that are quoted in an active market are classified under loans and receivables. Loans and receivables are measured at amortized cost using effective interest method less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in consolidated income statement.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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

E. Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

Financial Liabilities

Financial liabilities and equity instruments issued by the Group is classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The accounting policies adopted for specific financial liabilities and equity instruments are set out below. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Trade payables

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method (Note 9).

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

E. Summary of Significant Accounting Policies (continued)

Effects of Changes in Foreign Exchange

The individual financial statements of each Group entity operates in the currency of the primary economic environment (functional currency) are presented . Each company's financial condition and results of operations of the Company , which is the functional currency and the presentation currency for the consolidated financial statements are expressed in TL .

During the preparation of the financial statements of the individual entities , denominated in foreign currencies (currencies other than TL) from the transactions , foreign exchange rates prevailing at the transaction date are recorded at . In the balance sheet foreign currency denominated monetary assets and liabilities using the exchange rates prevailing at the balance sheet date are translated into New Turkish Lira . Followed by the fair value of non-monetary items denominated in foreign currencies which are those recorded at fair value as determined by rates prevailing on the date are retranslated . Measured in terms of historical cost in a foreign currency non-monetary items , are not retranslated .

Exchange differences, except as specified below , are recognized in profit or loss in the period in which they occur:

- Assets under construction for future productive use, which are associated with and on foreign currency borrowings are regarded as an adjustment to interest costs and the cost of such assets are included in the exchange rate differences ,
- Risks arising from foreign currency (providing financial protection against risks related to the accounting policies described below) to provide financial protection against exchange differences arising from the operation ,

In overseas activities of the net investment , forming part accounted in translation reserves and net investment in sales profit or loss associated with the unpaid intention or unlikely overseas operations arising from the monetary receivables and payables arising from exchange rate differences .

Earnings Per Share

Per share earnings / loss amount , profit / loss , from continuing operations per share gain / loss amount , however, from continuing operations profit / loss of the Company's shares in the period time-weighted average share amounts are calculated by dividing .

In Turkey, companies , their shareholders from retained earnings are distributed to the " bonus shares " way can increase . This type of "bonus share " distributions in the computation of earnings per share , are assessed as issued shares . Accordingly, the weighted average number of shares used in these calculations , it comes at retrospective effect to the issuances of shares is taken into consideration .

The calculation of earnings per share , preferred share will require correction or share dilution effect , there is the potential (Note 36).

Events after the Reporting Period

Events after the reporting period , the balance date and the date of approval of the financial statements to be published , in favor or against the Group refers to events that occur . According to perform smoothing , two types of situations can be identified:

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

E. Summary of Significant Accounting Policies (continued)

Events after the Reporting Period (continued)

- Events that require adjustment after the reporting period , the balance sheet date of the relevant facts showing there is evidence that the conditions of the situation ,
- Related events that occur after the reporting period showing improvements (non-adjusting events after the reporting period)

The accompanying financial statements of the Group in the reporting period, adjusting subsequent events have been registered and non-adjusting events after the reporting period are shown in the notes (Note 40).

Provisions, Contingent Liabilities and Contingent Assets

Provisions

There is a present legal or constructive obligation as a result of past events, and resources embodying economic benefits to settle the obligation and it is probable that they kept the company is expected to have a safe manner in the event of liability should be recognized in the consolidated financial statements. The provisions of the expenditure required to settle the obligation at the balance sheet date, with the most realistic estimates calculated by the Company's management and are discounted to present value where the effect is material.

Contingent Liabilities

Obligations under this group, within the control of the entity arising from past events, and the presence of one or more uncertain future events on the realization of the non-existence will be confirmed as the assessed liabilities. Contingent liabilities are not included in the consolidated financial statements. Because, to settle the obligation, have the possibility of an outflow of resources embodying economic benefits or the amount of obligation can not be measured with sufficient reliability. Too far from the entity of resources embodying economic benefits likely to come out, unless the notes to the consolidated financial statements show that conditional obligations (Note 23).

Contingent Assets

The Group within the control of the entity arising from past events, and the presence of one or more uncertain events, which will be confirmed by the realization of assets, is considered as a contingent asset. If an inflow of resources embodying economic benefits is not certain contingent assets described in the notes to the consolidated financial statements.

Or all of the economic benefits required to settle a provision are expected to be part of the cases, which shall be collected by third parties, it is virtually certain that reimbursement will be received and the amount of the event can be measured reliably, are recognized and reported as an asset.

Warranties

The provision for warranty costs, to meet the Group's obligations are estimated by management based on the most appropriate expenditures , are recognized on the sale of related products .

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

E. Summary of Significant Accounting Policies (continued)

Financial Information Segment Reporting

Reportable segment information required to be disclosed is a business segment or geographical segment . Industrial segments of a particular commodity or service or group of related goods or services , or to provide benefits in terms of risk and different from other parts of the Group are the features section . Geographical segments provide products or services within a particular economic environment the Group's risks and the terms in Xfay operating in other economic environments have different characteristics from the other sections are the sections .

The Group's main activities in Turkey are painting work , welding and onboard vehicle equipment manufacturing in the areas in which financial information for the segmental reporting that performs the operations of the companies restructured by the painting work , welding and vehicle equipment manufacturing under the headings were reported. (Note 5)

Devlet Teşvik ve Yardımları

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.(Note 21).

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight- line basis over the expected lives of the related assets, or alternatively netted off with the cost of related asset.

Current and Deferred Income Tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in shareholders' equity. (Note 35).

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries of the Company operate.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

The principal temporary differences arise from the carrying values of property, plant and equipment and available-for-sale-investments and their historical costs, various provisions and unused tax allowances and exemptions.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

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

E. Summary of Significant Accounting Policies (continued)

Employment termination benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. Actuarial gains and losses are recognized as other comprehensive income or loss in shareholders' equity in the period in which they arise (Note 25).

Reporting of cash flows

The Group's net assets, financial structure, and the ability to affect the amounts and timing of cash flows, financial statement users to provide information about the cash flow statement holds. Cash flow statement, cash flows from operating, investing and financing activities are classified. Cash flows from operating activities, cash flows from operating activities of the Group. From investing activities Cash flows from investing activities (fixed asset investments and financial investments) and the cash flows. Cash flows related to financing activities, the resources used in financing activities of the Group and repayments. Cash and cash equivalents include cash, bank deposits and investments that are readily convertible into cash at short-term, highly liquid investments with original maturities of three months or less.

Capital and Dividends

Ordinary shares are classified as owner's equity. Dividends books after deducted from accumulated profit.

F. Significant Accounting Estimates

The preparation of consolidated financial statements requires management to affect the reported amounts of assets and liabilities in the balance sheet at the date of the possible liabilities and commitments and the amounts of revenue and expenses during the reporting period required to make certain assumptions and estimates. These estimates and assumptions are based on management's best knowledge of current events and transactions despite the actual results may vary. Estimates are revised regularly and any necessary corrections are made and are reflected in the income statement in the periods. Critical judgments in applying the Group's accounting policies Summary of Significant Accounting Policies in the process of applying the accounting policies specified in management, with a significant impact on the amounts recognized in the financial statements (other than the estimates discussed below) made the following comments:

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- a) A deferred tax asset is recognized only to the extent that it is probable that a tax benefit will be realized in the future. If it is probable that a tax benefit will be realized, a deferred tax asset is recognized on unused tax losses, unused tax credits and other deductible temporary differences. As at 31 December 2015 With the expectation to recover certain part of its tax losses carried forward, the Group has recognized deferred tax assets on statutory tax losses available for offsetting with future statutory taxable profits.
- b) Severance pay provision calculates under actuarial estimations (discount rate, future salary increases and employee leave rate) .

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

F. Significant Accounting Estimates (continued)

- c) Doubtful receivable provisions reflects future loss of possible uncollectible receivable amounts as at balance sheet date. While the determination impairment of receivables, past performers of third party receivables, market credibilities and performances from balance sheet date until the confirmation of financial statements taking into consideration.
- d) Inventory impairment calculates by using list price after discounts. Sales price imponderable inventories evaluated by determining of waiting time of inventories, physical conditions and technical staff opinion. Provision made if net realizable value under the cost value.
- e) While the determination provision for lawsuits, Company's legal advisor's and Company Management's opinions regarding possibility of lose lawsuits and liabilities in case of lose took into consideration. Company Management determine lawsuit provision according to best estimations.
- f) Company Management make significant estimations regarding determination economic life of tangible and intangible assets.

3. BUSINESS COMBINATIONS

None (31.12.2014: None).

4. JOINT VENTURES

None (31.12.2014: None).

5. SEGMENT INFORMATION

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

"On-board equipment production"

Firefighters, environmental tool, vehicle, vehicles for the defense industry and the construction industry is the manufacture and sale of equipment for the aerial.

"Painting Works"

Painting of vehicles and vehicle-mounted equipment is made of craftsmanship.

"Weld Works"

Truck-mounted equipment is made of the source of labor.

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

5. SEGMENT INFORMATION (continued)

31.12.2015	Onboard Vehicle Equipment	Weld Works	Painting Work	Consolidation Adjustments	Total
Net Non-Group Sales	310.618.491	36.270	18.145	-	310.672.906
Net In-Group Sales	35.973.034	1.555.810	1.296.600	(38.825.444)	-
Net Sales Total	346.591.525	1.592.080	1.314.745	(38.825.444)	310.672.906
Cost of Sales (-)	(274.251.783)	(947.246)	(1.122.628)	39.542.207	(236.779.450)
Gross Profit	72.339.742	644.834	192.117	716.764	73.893.456
Research and Development Expenses (-)	(55.846)	-	-	-	(55.846)
Marketing, Selling and Distribution Expense (-)	(14.949.043)	-	-	43.707	(14.905.336)
General Administrations Expense (-)	(16.132.484)	(468.819)	(174.824)	140.055	(16.636.072)
Other Operating Income	26.080.302	117.354	897.577	(2.026.391)	25.068.842
Other Operating Expenses (-)	(21.585.065)	(31.695)	(524)	(2)	(21.617.286)
Operating Profit/Loss	45.697.606	261.674	914.345	(1.125.867)	45.747.758
Income from Investment Operation	801.253	-	6.765	-	808.018
Expense from Investment Operation (-)	(1.037.455)	-	-	-	(1.037.455)
Financial Income	16.634.877	511	1	(3.909.610)	12.725.779
Financial Expense (-)	(39.153.251)	(1.785)	(131)	4.661.013	(34.494.154)
PRE-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS	22.943.029	260.400	920.980	(374.463)	23.749.946
Tax Income / (Expense) from Operating Activities					
- Tax Income / (Expense)	(6.783.462)	(65.556)	(207.158)	-	(7.056.176)
- Deferred Tax Income / (Expense)	1.897.304	12.558	26.224	-	1.936.086
NET PROFIT / (LOSS)	18.056.871	207.402	740.046	(374.464)	18.629.856
Investment Expenditure					
Tangible Fixed Assets	4.185.997	147.458	-	611	4.334.066
Intangible Fixed Assets	1.982.102	-	-	(142.625)	1.839.478
Amortization	986.783	502	134.492	-	1.121.777
Depreciation and Amortization	530.095	-	-	(76.206)	453.889
Total Investment Expenditure	6.168.099	147.458	-	(142.014)	6.173.544
<u>Other Information</u>					
- Total Assets	235.719.396	1.133.187	14.881.885	(23.059.528)	228.674.940
- Total Liabilities	235.719.396	1.133.187	14.881.885	(23.059.528)	228.674.940

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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

5. SEGMENT INFORMATION (continued)

31.12.2014	Onboard Vehicle Equipment	Weld Works	Painting Work	Consolidation Adjustment	Total
Net Non-Group Sales	169.794.388	-	-	-	169.794.388
Net In-Group Sales	20.270.985	1.567.661	1.169.254	(23.007.900)	-
Net Sales Total	190.065.373	1.567.661	1.169.254	(23.007.900)	169.794.388
Cost of Sales (-)	(157.829.471)	(981.577)	(854.395)	23.702.433	(135.963.009)
Gross Profit	32.235.903	586.084	314.859	694.533	33.831.379
Research and Development Expenses (-)	-	-	-	-	-
Marketing, Selling and Distribution Expenses (-)	(10.703.969)	-	-	25.858	(10.678.111)
General Administrations Expense (-)	(8.811.229)	(227.260)	(110.593)	130.821	(9.018.261)
Other Operating Income	15.888.696	59.000	610.084	(1.498.081)	15.059.699
Other Operating Expense (-)	(10.962.112)	(136)	(175.595)	-	(11.137.843)
Operating Profit / (Loss)	17.647.289	417.689	638.755	(646.869)	18.056.863
Income from Investment Operation	2.409.298	-	-	36	2.409.334
Expense from Investment Operation (-)	-	-	-	-	-
Financial Income	10.156.022	1.923	35	(234.458)	9.923.522
Financial Expense (-)	(21.373.020)	(1.810)	(12)	429.378	(20.945.464)
PRE-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS	8.839.589	417.802	638.778	(451.914)	9.444.255
Tax Income / (Expense) from Operating Activities					
-Tax Income / (Expense)	(267.579)	(94.994)	(180.942)	-	(543.515)
-Deferred Tax Income / (Expense)	224.104	3.030	46.226	-	273.360
NET PROFIT / (LOSS)	8.796.114	325.838	504.062	(451.914)	9.174.100
Investment Expenditure					
Tangible Fixed Assets	680.603	-	-	-	680.603
Intangible Fixed Assets	1.914.957	-	-	-	1.914.957
Amortization	738.006	666	61.353	-	800.025
Depreciation and Amortization	374.345	-	-	74.401	299.944
Total Investment Expenditure	2.595.560	-	-	-	2.595.560
<u>Other Information</u>					
- Total Assets	211.841.847	756.482	12.887.392	(13.390.800)	212.094.921
- Total Liabilities	211.841.847	756.482	12.887.392	(13.390.800)	212.094.921

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

6. CASH AND CASH EQUIVALENTS

	<u>31.12.2015</u>	<u>31.12.2014</u>
Cash	31.476	19.266
Banks	16.949.574	6.724.102
- Demand Deposits	16.949.574	6.724.102
TL	8.662.881	807.574
USD	1.096.060	4.700.652
EURO	7.190.633	1.215.876
Total	<u>16.981.050</u>	<u>6.743.368</u>

The credit risk analysis of cash and cash equivalents are stated in Note 39.

7. FINANCIAL INVESTMENTS

None (31.12.2014: None).

8. FINANCIAL BORROWINGS**a) Bank Loans**

	<u>31.12.2015</u>	<u>31.12.2014</u>
a) Bank Loans	79.336.317	91.895.348
b) Issued Bond	20.647.602	-
c) Financial Lease Obligations	2.358.520	1.182.923
Total	<u>102.342.439</u>	<u>93.078.271</u>

31.12.2015

<u>Currency</u>	<u>Average Interest Rate (%)</u>	<u>Short-Term</u>	<u>Short-Term Portion of Long-Term Loans</u>	<u>Long-Term</u>
TL	9,50-14,75	6.360.075	2.594.236	25.342.543
USD	3,25-4,50	2.181.161	227.062	2.498.805
EUR	3,10 -4,50	21.024.699	776.602	18.331.134
Total		<u>29.565.935</u>	<u>3.597.900</u>	<u>46.172.482</u>

31.12.2014

<u>Currency</u>	<u>Average Interest Rate (%)</u>	<u>Short-Term</u>	<u>Short-Term Portion of Long-Term Loans</u>	<u>Long-Term</u>
TL	9,50-14,25	27.453.485	-	24.186.732
USD	3,25-4,50	3.447.444	-	6.626.861
EUR	3,10 -4,50	13.669.759	-	16.511.067
Total		<u>44.570.688</u>	<u>-</u>	<u>47.324.660</u>

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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

8. FINANCIAL BORROWINGS (continued)**a) Bank Loans (continued)**

	<u>31.12.2015</u>	<u>31.12.2014</u>
Payable within 1 year	33.163.835	44.570.688
Payable within 1 - 2 years	15.390.827	10.285.420
Payable within 2 - 3 years	13.806.443	15.218.540
Payable within 3 - 4 years	16.975.212	21.820.700
Total	<u>79.336.317</u>	<u>91.895.348</u>

The fair value of short-and long-term debt, the effect of discounting is immaterial being is equal to book value. As of the reporting date, bank loans secured over EUR 600,000, USD 5.000.000 and TRY 15.6 million –values of buildings (31.12.2014: 600.000 EUR, 5.000.000 USD ve 15.600.000 TL).

b) Issued Bond

<u>31.12.2015</u>				
Currency	Nominal Interest Rate	Term	Nominal Value	Book Value
TRY	13,21 (*)annual	01.02.2016	20.000.000	20.647.602

(*) The amount of accrued interest is 647.602 TL as of 31.12.2015

(*) The bonds' interest paid quarterly, the principal amount is redeemed in one lump sum. The bond interest rate is the sum of coupon interests.

c) Lease Obligations:

Finance lease obligations, acquired through financial leasing plant, machinery and equipment due to the amount payable as of the date of the balance sheet shows the unpaid portion.

- The sum of the minimum lease payments and present value

<u>Net Value</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
Machinery, Equipment and Installations (net)	2.358.520	1.182.923

- Minimum lease payment total and present value ;

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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

8. FINANCIAL BORROWINGS (continued)**c) Lease Obligations (continued):**

	<u>TL</u>	<u>TL</u>	<u>TL</u>	<u>TL</u>
	Less than 1 Year	More than 1 Year-Less than 5 Years	More than 5 Years	Total
Amount of Minimum Lease Payments				
TL Denominated Finance Leases	900.712	1.687.323	-	2.588.035
Total	900.712	1.687.323	-	2.588.035
Present Value of Payments				
TL Denominated Finance Leases	789.461	1.569.059	-	2.358.520
Total	789.461	1.569.059	-	2.358.520

	<u>TL</u>	<u>TL</u>	<u>TL</u>	<u>TL</u>
	Less than 1 Year	More than 1 Year-Less than 5 Years	More than 5 Years	Total
Amount of Minimum Lease Payments				
TL Denominated Finance Leases	423.762	867.585	-	1.291.346
Total	423.762	867.585	-	1.291.346
Present Value of Payments				
TL Denominated Finance Leases	377.878	805.045	-	1.182.923
Total	377.878	805.045	-	1.182.923

Leasing, related with purchasing of machinery and fixtures whose rental period of 2 years. Company does not have option to buy those machinery and fixtures. The Company's obligations under finance leases, the lessor of the leased asset is secured by property right on.

Convention relating to the leasing transactions on interest rates are fixed for the entire rental period. Contract average effective interest rate is about 5% annually.

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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

At balance sheet date, the Group's trade receivables are as follows:

<u>Short-Term Trade Receivables</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
Customers	64.892.194	53.130.039
Postdated Checks	11.044.373	9.145.117
Less: Unaccrued Finance Income	(192.591)	(106.811)
Doubful Trade Receivables (*)	2.721.528	1.149.127
Less: Provision for Doubful Trade Receivables	(2.721.528)	(1.149.127)
Sub Total	<u>75.743.976</u>	<u>62.168.345</u>
-Related Parties (Note 37)	455.869	1.330.139
Total	<u>76.199.845</u>	<u>63.498.484</u>

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

<u>Customers, Notes Receivables and Postdated Check</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
Maturity between 1 – 3 Months	49.162.090	39.556.790
Maturity between 3 – 6 Months	22.832.437	20.537.755
Maturity between 6 – 9 Months	3.942.040	2.180.611
Total	<u>75.936.567</u>	<u>62.275.156</u>

As of 31.12.2015, the weighted average of interest rate respectively 10,28 % and 0,71 % and -0,09 % used to calculate unearned finance income for short-term trade receivables in terms of TL, USD and EUR and average maturity of receivables is 82 days. (31.12.2014: respect %8,48- %0,32- %0,11 – 167 days)

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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9. TRADE RECEIVABLES / PAYABLES (continued)

As of 31 December 2015, amount of TL 2.721.528 (31.12.2014: 1.149.127 TL) trade receivables are doubtful receivables. TL 1.719.588 (2014: 562.783 TL) provision made for the period between 01 January-31 December 2014. Doubtful receivables consist of uncollected amount of sales.

(*) Group's Doubtful Trade Receivables details are as follows;

Doubtful Trade Receivables	31.12.2015	31.12.2014
Opening	1.149.127	2.222.507
Period Expense	1.719.588	562.783
Less: Cancelled within the Period	(147.187)	(1.636.163)
Closing	2.721.528	1.149.127

Long-Term Trade Receivables

None (31.12.2014: None).

b) Trade Payables:

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

<u>Short-Term Trade Payables</u>	31.12.2015	31.12.2014
Suppliers (*)	7.909.210	12.062.182
Notes Payables (*)	30.210.459	17.602.964
Less: Unaccrued Finance Expense	(300.557)	(225.431)
Other Trade Payables	7.959.467	6.750.533
Sub Total	45.778.579	36.190.247
- Trade Payables to Related Parties (Note 37)	-	85.507
Total	45.778.579	36.275.754

(*) Suppliers and Notes Payables maturity details are as follows.

<u>Suppliers and Notes Payables</u>	31.12.2015	31.12.2014
Maturity between 0 - 6 Months	31.802.063	24.602.964
Maturity between 6 - 9 Months	6.317.606	5.062.182
Total	38.119.669	29.665.146

As of 31.12.2015, the weighted average of interest rates are % 10,28, %0,71 and %-0,09 used to calculate unearned finance expense for short-term trade payables in terms of TL, USD and EUR and weighted average maturity is 106 days. (31.12.2014: %8,48- %0,32- %0,11; 216 days)

Long-Term Trade Payables

None (31.12.2014: None).

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10. OTHER RECEIVABLES AND PAYABLES

<u>Short-Term Other Receivables</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
Due from Personnel	-	270
Deposits and Guarantees	43.591	2.310
Receivables from Tax Office	7.870.968	4.580.032
Goods in Transit	-	389.060
Blocked Receivables(*)	59.790	322.233
Other Miscellaneous Receivables	4.828	11.718
Total	<u>7.979.177</u>	<u>5.305.623</u>

(*) The amount consist of bank loans and would be collected accordingly with closing of loans.

<u>Long-Term Other Receivables</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
Deposits and Guarantees	29.696	29.696
Total	<u>29.696</u>	<u>29.696</u>

<u>Short-Term Other Payables</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
Taxes and Funds Payable	1.565.547	1.519.187
Other Miscellaneous Payables	9.727	13.513
Total	<u>1.575.274</u>	<u>1.532.700</u>

Long-Term Other Payables

None (31.12.2014: None).

11. DERIVATIVE FINANCIAL INSTRUMENTS

None (31.12.2014: None).

12. INVENTORIES

	<u>31.12.2015</u>	<u>31.12.2014</u>
Raw materials and supplies	38.805.616	52.439.262
Work-in-process	11.673.251	17.494.843
Finished goods	8.761.146	7.643.745
Commercial goods	430.022	31.331
Other Inventories	24.437	361.447
Provision for diminution in value of inventories (-)	(37.600)	(5.255)
Total	<u>59.656.872</u>	<u>77.965.373</u>

As of 31 December 2015, there is commodity insurance amounting 42.500.000 TL on inventories. (31.12.2014 20.000.000 TL)

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

12. INVENTORIES (continued)

<u>Provision for Impairment of Inventories</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
Opening Balance	5.255	9.129
Additional Provision	37.600	5.255
Cancelled Provision (-)	(5.255)	(9.129)
Closing Balance	37.600	5.255

Group does not has any pledged inventory in return for loans as at December 31,2015. (31.12.2014: None).

13. PREPAID EXPENSES AND DEFERRED INCOME**Short-Term Prepaid Expenses**

	<u>31.12.2015</u>	<u>31.12.2014</u>
Advances Given for Inventories	5.702.660	8.778.702
Prepaid Expenses for Future Months	241.318	610.537
Total	5.943.978	9.389.239

Long-Term Prepaid Expenses

	<u>31.12.2015</u>	<u>31.12.2014</u>
Advances Given for Property	1.106.755	-
Prepaid Expenses for Future Years	18.032	3.714
Total	1.124.787	3.714

Short-Term Deferred Income

	<u>31.12.2015</u>	<u>31.12.2014</u>
Deferred Income for Future Months	7.020.798	29.697.655
Total	7.020.798	29.697.655

Long-Term Deferred Income

None (31.12.2014: None).

14. CONSTRUCTION AGREEMENTS

None (31.12.2014: None).

15. INVESTMENTS ACCORDING TO EQUITY METHOD

None (31.12.2014: None).

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

16. INVESTMENT PROPERTIES

	<u>01.01.2015</u>				<u>31.12.2015</u>
<u>Fair Value</u>	<u>Opening</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Appreciation</u>	<u>Closing</u>
Lands	8.380.618	(2.591.957) (*)	(1.066.000)	482.839	5.205.500
Buildings	369.339		1.066.000	18.161	1.453.500
Investment Properties	8.749.957	(2.591.957) (*)	-	501.000	6.659.000

(*) The amount is about the transfer of Group's land which is shown in Investment properties to Denge İnşaat A.Ş in the frame of construction contract by flat for land.

	<u>01.01.2014</u>				<u>31.12.2014</u>
<u>Fair Value</u>	<u>Opening</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Appreciation</u>	<u>Closing</u>
Lands	6.236.966	-	-	2.143.652	8.380.618
Buildings	322.648	-	-	46.691	369.339
Investment Properties	6.559.614	-	-	2.190.343	8.749.957

Group valued land and building located in Gaziemir / İzmir and land located in Güzelbahçe / İzmir and lands located in Ataşehir /İstanbul to independent expertise company Ar TSKB Gayrimenkul Değerleme A.Ş. (CMB licenced).

According to 31 December 2015 dated expertise report, bulding and lands located in Gaziemir/ İzmir total values set as TL 5.006.000, lands located in Güzelbahçe / İzmir total values set as TL 587.000 and lands located in Ataşehir /İstanbul total values set as TL 1.066.000. Properties values calculated according to coefficient comparison, cost, income comparison and direct capitilazition methods.

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

Group earned TL 64.106 rental income from investment properties.(31.12.2014: 56.206 TL).There is TL 15.600.000 mortgage on investment properties (31.12.2014: TL 15.600.000).

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

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

17. PROPERTY, PLANT AND EQUIPMENT

								31.12.2015
<u>Acquisition Cost</u>	<u>Land and Parcels</u>	<u>Underground and Overland Plants</u>	<u>Buildings</u>	<u>Plants Machinery and Equipment</u>	<u>Vehicles</u>	<u>Fixtures</u>	<u>Ongoing Investments</u>	<u>Total</u>
Opening Balance	14.987.200	770.000	8.392.300	4.119.904	964.148	1.363.037	464.425	31.061.014
Purchases	-	45.120	-	2.235.195	53.182	477.116	1.523.453	4.334.066
Disposals	-	-	-	(102.263)	(62.717)	(41.900)	(772.505)	(979.385)
Valuation	1.869.360	80.000	781.500	-	-	-	-	2.730.860
Adjustment				6.600	-	-	-	6.600
Transfers from Ongoing Investments	460.140	18.915	-	63.558	146.879	83.013	-	772.505
Closing Balance	17.316.700	914.035	9.173.800	6.322.994	1.101.492	1.881.266	1.215.373	37.925.660
<u>Accumulated Depreciation and Impairment</u>								
Opening Balance	-	(16.943)	(117.438)	(2.201.939)	(365.692)	(919.972)	-	(3.621.984)
Period Expense	-	(6.437)	(134.841)	(626.694)	(162.281)	(191.524)	-	(1.121.777)
Adjustment	-	16.944	117.437	-	-	-	-	134.381
Disposals	-	-	-	101.763	40.212	28.227	-	170.202
Closing Balance	-	(6.436)	(134.842)	(2.726.870)	(487.761)	(1.083.269)	-	(4.439.178)
Tangible Fixed Assets, net	17.316.700	907.599	9.038.958	3.596.124	613.731	797.997	1.215.373	33.486.482

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

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

17. PROPERTY, PLANT AND EQUIPMENT (continued)

								31.12.2014
<u>Acquisition Cost</u>	<u>Land and Parcels</u>	<u>Underground and Overland Plants</u>	<u>Buildings</u>	<u>Plants Machinery and Equipment</u>	<u>Vehicles</u>	<u>Fixtures</u>	<u>Ongoing Investments</u>	<u>Total</u>
Opening Balance	13.252.000	640.000	7.119.001	3.745.094	1.348.969	1.248.575	548.249	27.901.888
Purchases	-	-	32.500	184.593	194.406	114.462	154.642	680.603
Disposals	-	-	-	(40.000)	(579.226)	-	(238.467)	(857.693)
Valuation	1.735.200	130.000	1.239.150	-	-	-	-	3.104.350
Effect of Consolidation	-	-	-	(6.600)	-	-	-	(6.600)
Adjustment	-	-	(1)	-	(1)	-	1	(1)
Transfers from Ongoing Investments	-	-	1.650	236.817	-	-	-	238.467
Closing Balance	14.987.200	770.000	8.392.300	4.119.904	964.148	1.363.037	464.425	31.061.015
<u>Accumulated Depreciation and Impairment</u>								
Opening Balance	-	(13.685)	(108.158)	(1.919.766)	(469.544)	(760.562)	-	(3.271.715)
Period Expense	-	(16.943)	(117.438)	(312.958)	(172.572)	(180.114)	-	(800.025)
Adjustment	-	13.685	108.158	(3.214)	-	20.704	-	139.333
Disposals	-	-	-	34.000	276.424	-	-	310.424
Closing Balance	-	(16.943)	(117.438)	(2.201.939)	(365.692)	(919.972)	-	(3.621.984)
Tangible Fixed Assets, net	14.987.200	753.057	8.274.862	1.917.965	598.456	443.065	464.425	27.439.031

Group valued Factory land and building located in Çiğli / İzmir and to independent expertise company Ar TSKB Gayrimenkul Değerleme A.Ş. (CMB licenced).

According to 31 December 2015 dated expertise report, Factory bulding and lands located in Çiğli / İzmir total values set as TL 26.714.000, the land located in Ankara Industrial Estate total values set as 594.000 TL . Properties values calculated according to coefficient comparison, cost, income comparison and direct capitilazition methods. There is USD 5.000.000 and EUR 600.000 mortgage over Tangible Fixed Assets

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Useful lives of tangible assets are as follows:

	Time (Year)
Underground and Overland Plants	8
Buildings	50
Plants Machinery and Equipment	2-10
Plants Machinery and Equipment (Leasing)	4-10
Vehicles	5
Fixtures	2-10

The amortization cost of tangible fixed assets is TL 1.121.778 (31.12.2014: 800.025 TL). The amount of 791.054 TL is included in cost of goods sold (Note 28), TL 54.620 (31.12.2014: 52.395 TL) is included in marketing expense (Note 29), TL 276.104 (31.12.2014: 338.097 TL) is included in general administrative expenses (Note 30).

As of 31.12.2015, There is USD 5.000.000, EUR 600.000 and TL 15.600.000 mortgage over Tangible Fixed Assets. (31.12.2014: EUR 600.000, USD 5.000.000 and TL 15.600.000 mortgage on tangible fixed assets.) There is TL 8.671.000 insurance coverage. (31.12.2014: TL 8.100.000)

18. INTANGIBLE FIXED ASSETS

31.12.2015

	<u>Rights</u>	<u>Leasehold Improvements</u>	<u>Other Intangible Fixed Assets</u>	<u>Total</u>
<u>Acquisition Cost</u>				
Readjusted 1 January 2015	702.642	-	2.622.118	3.324.760
Purchases	115.164	142.625	1.724.314	1.982.103
Effect of Consolidation		(142.625)		(142.625)
Disposals	(136.015)			(136.015)
Closing Balance	681.791	-	4.346.432	5.028.223
<u>Accumulated Amortization and Depletion</u>				
	(468.249)		(329.544)	(797.793)
Period Expense	(105.337)		(348.552)	(453.889)
Effect of Consolidation		76.206		76.206
Adjustment		(76.206)		(76.206)
Disposals	16.359			16.359
Closing Balance	(557.227)	-	(678.096)	(1.235.323)
Intangible Fixed Assets, net	124.564	-	3.668.336	3.792.900

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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

18. INTANGIBLE FIXED ASSETS (continued)

31.12.2014

	<u>Rights</u>	<u>Leasehold Improvements</u>	<u>Other Intangible Fixed Assets</u>	<u>Total</u>
<u>Acquisition Cost</u>				
1 January 2014	536.281	2.400	949.722	1.488.403
Purchases	166.361	76.200	1.672.396	1.914.957
Effect of Consolidation	-	(78.600)	-	(78.600)
Closing Balance	702.642	-	2.622.118	3.324.760
<u>Accumulated Amortization and Depletion</u>				
1 January 2014	(311.054)	(13.432)	(169.305)	(493.791)
Period Expense	(139.705)	-	(160.239)	(299.944)
Effect of Consolidation	-	87.834	-	87.834
Adjustment	(17.490)	(74.402)	-	(91.892)
Closing Balance	(468.249)	-	(329.544)	(797.793)
Intangible Fixed Assets, net	234.393	-	2.292.574	2.526.967

Intangible assets are consist of computer software and user licenses.

The depreciation cost of intangible fixed assets is TL 453.889 (31.12.2014: 299.944 TL). TL 371.411 of this amount is included in cost of goods sold (31.12.2014: 205.640 TL) (Note 28), TL 75.319 is included in general administrative expenses (31.12.2014: 90.673 TL) (Not 29), TL 7.160 is included in marketing expenses (31.12.2014: 3.631) (Not 30).

Depreciation terms of tangible assets are as follows:

	Economic Life
Rights	3 years
Other Intangible Fixed Assets	3 years

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

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19. LEASING OPERATIONS

Operational Leases

The Group as lessee

Leasing Contracts:

Group has 5 rental agreement related with Ankara and İzmir branch office and storage buildings. Also there are 2 vehicle rent agreements.

<u>Payments booked as expenses:</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
Minimum Rental Payments	586.875	487.534
Conditional Rental Payments	-	-
Collected Payments from Secondary Lease	-	-

<u>Payment related to non-cancellable operational leases:</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
Within 1 year	586.875	487.534
Between 1 – 5 years	-	-
After 5 years	-	-

The Group as lessor

The operating leases between the period 2010 and 2015 are related with vehicles, warehouse and office leasing. If Company decide to renew operating leases than agreements would be revized according to market conditions. Company does not has the right to purchase rental assets at the end of lease term.

As of 31 December 2015, the Group earned TL 64.106 from operating leasing (31.12.2014: 56.206 TL).

20. IMPAIRMENT OF ASSETS

	<u>31.12.2015</u>	<u>31.12.2014</u>
Provision for Doubtful Trade Receivables	2.721.528	1.149.127
Provision for Inventory Impairment	37.600	5.255
	<u>2.759.128</u>	<u>1.154.382</u>

21. GOVERNMENT GRANTS

Incentives received by the Group has been recognized under other income, are as follows:

Group get benefit from SSI employer immunity TL 697.022 within the scope of 29.05.2013 dated and 6486 numbered Security Premium Incentive Regulation (31.12.2014: 393.206 TL).

The Group also benefit from procurement decisions, contracts and payment of stamp duty exception amounting TL 1.245.381 belonging to various public institutions in the frame of Tax, and Exemption Certificate which is regulated by ministry of economy on various dates. (31.12.2014 189.733 TL)

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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22. BORROWING COST

None. (31.12.2014: None).

23. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

<u>Short-Term Payable Provision</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
Warranty Expense Provision	776.045	337.337
Court Expense Provision	56.793	96.529
Potential Expense	4.106	-
Total	836.944	433.866

Ongoing lawsuits and execution proceedings

There are 3 lawsuits filed and continuing as of 31 December 2015 , amounting approximately TL 56.793. Regarding to this lawsuits the Group has made provision for all of the amount (31.12.2014: TL 96.076).

Collateral, Pledges, Mortgages, Bails

Collaterals, Pledges, Mortgages and Bails position table as of 31 December 2015 ve 31 December 2014 as below;

	<u>31.12.2015</u>			
<u>CPMB's given by the Company (Collaterals, Pledges, Mortgages, Bail)</u>	<u>TL Equivalent</u>	<u>USD</u>	<u>EUR</u>	<u>TL</u>
A. CPMB's given for company's own legal personality	47.285.883	5.853.385	2.938.836	20.928.136
B. CPMB's given on behalf of fully consolidated Companies	-	-	-	-
C. CPMB's given of behalf of third parties for ordinary course of business	-	-	-	-
D. CPMB's given within the scope of Corporate Governance Communique's 12/2 clause	-	-	-	-
i) Total amount of CPMB's given on behalf of majority shareholder	-	-	-	-
ii) Total amount of CPMB's given on behalf of other Group companies which are not in scope of B and C	-	-	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-	-	-
Total	47.285.883	5.853.385	2.938.836	20.928.136
Collateral	15.241.323	TL		
Mortgage	32.044.560	TL		
	47.285.883	TL		

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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

23. PROVISIONS, ONTINGENT ASSETS AND LIABILITIES (continued)**Collateral, Pledges, Mortgages, Bails (continued)**

	<u>31.12.2014</u>			
<u>CPMB’s given by the Company</u> <u>(Collaterals, Pledges, Mortgages, Bail)</u>	<u>TL Equivalent</u>	<u>USD</u>	<u>EUR</u>	<u>TL</u>
A.CPMB’s given for company’s own legal personality	74.166.667	14.352.935	7.157.797	20.693.148
B. CPMB’s given on behalf of fully consolidated companies	-	-	-	-
C. CPMB’s given of behalf of third parties for ordinary course of business	-	-	-	-
D. CPMB’s given within the scope of Corporate Governance Communique’s 12/2 clause				
i) Total amount of CPMB’s given on behalf of majotary shareholder	-	-	-	-
ii) Total amount of CPMB’s given on behalf of other Group companies which are not in scope of B and C	-	-	-	-
iii) Total amount of CPMB’s given on behalf of third parties which are not in scoppe of C	-	-	-	-
Total	74.166.667	14.352.935	7.157.797	20.693.148
Collateral	45.279.247	TL		
Mortgage	28.886.920	TL		
	<u>74.166.167</u>	TL		

Group have not been given any “Other CPMB”. (31.12.2014: None).

Colleterals, Pledges, Mortgages and Bails position table as of 31 December 2015 ve 31 December 2014 as below;

	<u>31.12.2015</u>				<u>31.12.2014</u>			
<u>Collaterals,</u> <u>Pledges,</u> <u>Mortgages</u>	<u>TL</u> <u>Equivalents</u>	<u>USD</u>	<u>EUR</u>	<u>TL</u> <u>Equivalents</u>	<u>TL</u> <u>Equivalents</u>	<u>USD</u>	<u>EUR</u>	<u>TL</u>
Colleterals	15.241.323	853.385	2.338.836	5.328.136	45.279.247	9.352.935	6.557.797	5.093.148
Mortgages	32.044.560	5.000.000	600.000	15.600.000	28.886.920	5.000.000	600.000	15.600.000
Total	47.285.883	5.853.385	2.938.836	20.928.136	74.166.167	14.352.935	7.157.797	20.693.148

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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

24. COMMITMENTS

None (31.12.2014: None).

25. EMPLOYEE BENEFITS

<u>Provision for Short-Term Employee Benefits</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
Unused Leave Provision	562.124	593.583
Total	562.124	593.583
<u>Provision for Long-Term Employee Benefits</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
Severance Pay Provision	2.609.471	2.246.329
Total	2.609.471	2.246.329
<u>Scope of Employee Benefit Obligations</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
Payables to Personel	278.821	831.015
Social Security Premiums Payable	476.473	617.867
Total	755.294	1.448.882

Under the Turkish Legislations, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. IAS 19 ("Employee Benefits") stipulates the development of Company's liabilities by using actuarial valuation methods under defined benefit plans.

As at balance sheet date provisions calculated according to assumption % 5 expected salary increasing rate and % 10,28 discount rate and retiring assumption as follows.

Main assumption is that maximum liability amount increases parallel to inflation rate for every service year. Therefore, discount rate used is the expected real rate adjusted for the future inflationary effects. Because of this, provisions in the accompanying financial statements as of December, 31 2015 are calculated by estimating present value of probable liabilities arising due to retirement of employees.

	<u>31.12.2015</u>	<u>31.12.2014</u>
Annual Discount Rate (%)	10,28	8,49
Retiring Assumption (%)	95	95

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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25. EMPLOYEE BENEFITS (continued)

3.828 TL (31.12.2014: 3.438 TL) maximum amount used on calculation of retirement pay provision with effect from 01 September 2015.

The movement of provision for severance pay as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Provision as of 1 st January	2.246.329	1.747.700
Service Cost	594.336	611.589
Interest Cost	173.596	110.658
Severance Pay Cancelled	(315.582)	(364.470)
Defined Benefit Plans Remeasurement Gain / Loss (*)	(89.208)	140.852
Total Provisions as of Period End	2.609.471	2.246.329

(*) As of December 31, 2015, TL 89.208 (2014: TL 140.852) Actuarial Income/Loss booked in statement of comprehensive income.

The total expense has been charged to the general administrative expenses.

26. OTHER ASSETS AND LIABILITIES**Other Current Assets**

	31.12.2015	31.12.2014
Deferred VAT	9.928.902	6.761.101
Work Advances	505.610	132.690
Total	10.434.512	6.893.791

Other Non-Current Assets

None. (31.12.2014: None)

Other Short-Term Liabilities

None. (31.12.2014: None)

Other Long-Term Liabilities

None. (31.12.2014: None)

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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

27. CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS**a) Capital**

Company's capital structure as of 31 December 2015 and 31 December 2014 as follows;

	<u>31.12.2015</u>		<u>31.12.2014</u>	
	<u>Share Rate</u>	<u>Share Amount</u>	<u>Share Rate</u>	<u>Share Amount</u>
<u>Shareholders</u>	<u>(%)</u>	<u>TL</u>	<u>(%)</u>	<u>TL</u>
İsmail Katmerci	46,11	11.528.333	46,11	11.528.333
Havva Katmerci	4,40	1.100.000	4,40	1.100.000
Mehmet Katmerci	4,40	1.100.000	4,40	1.100.000
Ayşenur Çobanoğlu	4,40	1.100.000	4,40	1.100.000
Furkan Katmerci	4,40	1.100.000	4,40	1.100.000
Public Part (*)	36,29	9.071.667	36,29	9.071.667
Capital	100,00	25.000.000	100,00	25.000.000
Unpaid Capital (-)		-		-
Paid-in Capital		25.000.000		25.000.000

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

Company's paid capital is TL 25.000.000. (31.12.2013: TL 25.000.000) Capital consist of 25.000.000 registered shares. Each shares nominal value is 1 TL. 2.000.000 pcs. of shares nominative A Group, 23.000.000 pcs. of shares nominative B Group shares.

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

Company manages by the board of management consist of 5 people chosen by general assembly from the A group shareholders accordingly with Turkish Commercial Code.

b) Re-accured Shares

As at 27.01.2014, Company Management make repurchase of own shares according to 27.12.2013 dated decision and details are as below. As at 30.05.2014, the decision approved by board decision.

Date	Type	Nominal Amount of Shares (TL)	Price (TL / UNIT)	Aomunt (TL)	Nominal Amount of Share Before Transaction (TL)	Amount of Shares Before Transaction Part In Capital (%)	Nominal Amount of Shares After Transaction (TL)	Amount of Shares After Transaction Part In Capital (%)
27.01.2014	Purchase	3.252	2,40	7.805	0	0	3.252	0,00
27.01.2014	Purchase	200	2,41	482	3.252	0	3.452	0,00
27.01.2014	Purchase	2.758	2,42	6.674	3.452	0	6.210	0,00
27.01.2014	Purchase	2.494	2,43	6.060	6.210	0	8.704	0,00
27.01.2014	Purchase	6.940	2,44	16.934	8.704	0	15.644	0,00
27.01.2014	Purchase	356	2,45	872	15.644	0	16.000	0,00
Total		16.000		38.827				

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

	<u>31.12.2015</u>	<u>31.12.2014</u>
Tangible Assets Revaluation and Remeasurement Gain / (Loss)	<u>9.976.331</u>	<u>7.309.143</u>
	<u>9.976.331</u>	<u>7.309.143</u>

Tangible Assets Revaluation and Remeasurement Gain / (Loss)

	<u>31.12.2015</u>	<u>31.12.2014</u>
Opening Balance	7.309.143	4.322.860
Increase from Tangible Assets Revaluation	2.810.450	3.147.593
Deferred Tax Liability from Revaluation	(143.262)	(161.310)
Closing Balance	<u>9.976.331</u>	<u>7.309.143</u>

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

	<u>31.12.2015</u>	<u>31.12.2014</u>
Defined Benefit Plans Remeasurement Gain / Loss	<u>(238.563)</u>	<u>(309.930)</u>
	<u>(238.563)</u>	<u>(309.930)</u>

e) Restricted Reserves Outgoing from Profit

	<u>31.12.2015</u>	<u>31.12.2014</u>
Legal Reserves	<u>2.061.453</u>	<u>2.108.305</u>
Total	<u>2.061.453</u>	<u>2.108.305</u>

f) Retained Profit / (Loss)

	<u>31.12.2015</u>	<u>31.12.2014</u>
Retained Profit / (Loss)	<u>9.039.516</u>	<u>(1.375.639)</u>
Total	<u>9.039.516</u>	<u>(1.375.639)</u>

g) Minority Shares

	<u>31.12.2015</u>	<u>31.12.2014</u>
Balance at 1 January	3.116.498	2.805.620
Additions / Disposals (*)	(3.107.575)	448.462
Minority Profit / (Loss) Share	8.987	(137.584)
Minority Shares	<u>17.910</u>	<u>3.116.498</u>

h) Merge Effect of Common Controlled Entity and Business

	<u>31.12.2015</u>	<u>31.12.2014</u>
Merge Effect of Common Controlled Entity and Business (**)	(1.759.039)	(1.759.039)
Total	<u>(1.759.039)</u>	<u>(1.759.039)</u>

(*) Company has been increased shares on subsidiary Gimkat Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. from % 49,99 to % 100 as at 26.10.2015 with 2015/27 numbered Board Decision and share transfer annaunced on 26.10.2015 date at Public Disclosure Platform and 21.12.2015 dated and 8972 numbared trade registry gazette.

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

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27. CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS (continued)**ı) Profit Distribution**

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

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

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

28. SALES AND COST OF SALES

<u>Sales (net)</u>	<u>01.01-31.12.2015</u>	<u>01.01-31.12.2014</u>
Domestic Sales	194.359.732	59.595.293
- Finished Good Sales	194.359.732	59.595.293
Export Sales	115.716.922	109.814.601
Other Sales	866.582	384.494
- Other Income	866.582	384.494
Income Total	310.943.236	169.794.388
Return from Sales (-)	(270.330)	-
Sales Income, (net)	310.672.906	169.794.388
<u>Cost of Sales (-)</u>	<u>01.01-31.12.2015</u>	<u>01.01-31.12.2014</u>
-Cost of Services Sold	1.766.329	1.581.639
-Provisions for Severance Payments	560.026	511.325
-Cost of Finished Goods Sold	209.121.814	97.926.249
-Cost of Commercial Goods Sold	22.856.473	34.564.514
-Cost of Other Sales	2.474.808	1.379.282
Cost of Sales	236.779.450	135.963.009
Gross Profit (Loss)	73.893.456	33.831.379

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29. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES

	<u>01.01.-31.12.2015</u>	<u>01.01.-31.12.2014</u>
General Administrative Expenses (-)	16.636.072	9.018.261
Marketing Expenses (-)	14.905.336	10.678.111
Research and Development Expenses (-)	55.846	-
Total	<u>31.597.254</u>	<u>19.696.372</u>

<u>Marketing Expenses (-)</u>	<u>01.01.-31.12.2015</u>	<u>01.01.-31.12.2014</u>
Contribution Expenses	18.537	24.651
Depreciation Expenses	61.780	56.026
Maintenance Expenses	28.518	25.229
Courtcase Execution and Notary Expense	173.717	196.399
Services Rendered from 3rd Parties	63.414	108.068
Electricity, Water and Heating Expenses	155.945	168.492
Communication Expense	85.602	79.198
Advertising Expenses	38.225	23.823
Exporting Expense	1.275.934	1.830.641
Export Commissions	3.927.111	2.391.125
Rent Expenses	308.749	301.752
Transportation Expense	645.138	185.583
Personnel Expenses	3.357.430	2.447.736
Travelling Expense	538.391	470.268
Insurance Expense	100.097	12.849
Tax, Duties and Fees	551.704	365.107
Domestic Sales, Service, Commission Expenses	2.203.444	471.738
Exhibition Expense	479.634	-
Other Expenses	891.968	1.519.428
Total	<u>14.905.336</u>	<u>10.678.111</u>

<u>General Administrative Expenses (-)</u>	<u>01.01.-31.12.2015</u>	<u>01.01.-31.12.2014</u>
Contribution Expenses	126.051	54.171
Depreciation Expenses	351.423	428.770
Maintenance Expenses	42.685	28.403
IT Expense	113.894	135.019
Fine and Late Fee	59.510	101.102
Courtcase Execution and Notary Expense	54.792	367.356
Services Rendered from 3rd Parties	182.451	74.253
Electricity, Water and Heating Expenses	88.383	91.424
Communication Expense	57.323	62.652
Advertising Expenses	234.052	26.067
Rent Expenses	217.600	197.294
Consulting Expenses	503.299	507.281
Personnel Expenses	5.380.244	4.280.030
Travelling Expense	383.332	138.643
Insurance Expense	39.255	40.855
Bond Issuance Expense	472.153	-
Tax, Duties and Fees	136.121	125.264
Provision for Doubtful Receivables	6.086.600	-
Other Expenses	2.106.905	2.330.287
Total	<u>16.636.072</u>	<u>8.988.872</u>

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29. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES (continued)

<u>Research and Development Expenses (-)</u>	<u>01.01.-31.12.2015</u>	<u>01.01.-31.12.2014</u>
Consultancy Expenses	11.122	-
Other Expenses	44.724	-
Total	55.846	-

30. EXPENSES BY NATURE

<u>Amortization Expense</u>	<u>01.01.-31.12.2015</u>	<u>01.01.-31.12.2014</u>
General Production Expenses	670.654	353.989
Service Cost	120.399	55.545
Marketing Expenses	54.620	52.395
General Administrative Expenses	276.104	338.097
Total	1.121.777	800.026

<u>Depreciation Expenses</u>	<u>01.01.-31.12.2015</u>	<u>01.01.-31.12.2014</u>
General Production Expenses	371.410	205.640
Marketing Expenses	7.160	3.631
General Administrative Expenses	75.319	90.673
Total	453.889	299.944

<u>Personnel Expenses</u>	<u>01.01.-31.12.2015</u>	<u>01.01.-31.12.2014</u>
Personnel Expenses	26.787.985	21.768.612
Severance Pay Expense	767.932	722.247
Vacation Provision	(31.459)	149.788
Total	27.524.457	22.640.647

31. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

<u>Other Operating Income</u>	<u>01.01.-31.12.2015</u>	<u>01.01.-31.12.2014</u>
Provisions no Longer Required	639.045	2.005.888
Exchange Difference Income	19.945.281	9.356.753
Issurance Damage Income	5.276	25.658
Current Account Late Charge Income	701.703	2.088.520
Rediscount Income	1.772.686	204.610
Other Income and Profits	2.004.851	1.378.270
Total	25.068.842	15.059.699

<u>Other Operating Expenses</u>	<u>01.01.-31.12.2015</u>	<u>01.01.-31.12.2014</u>
Provision Expense (-)	1.726.028	601.280
Exchange Difference Expense (-)	17.512.858	10.181.067
Rediscount Expenses (-)	2.144.052	129.330
Other Expenses and Losses (-)	234.348	226.166
Total	21.617.286	11.137.843

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32. INCOME / EXPENSES FROM INVESTING OPERATIONS

<u>Other Income from Investing Activities</u>	<u>01.01-31.12.2015</u>	<u>01.01-31.12.2014</u>
Rental Income	64.106	56.206
Investment Property Sales Income	501.000	2.190.343
Tangible Assets Sales Income	35.112	130.131
Interest Income	201.035	32.617
Other	6.765	37
Total	808.018	2.409.334

<u>Other Expense from Investing Activities (-)</u>	<u>01.01-31.12.2015</u>	<u>01.01-31.12.2014</u>
Investment Property Sales Expense (-)	1.037.455	-
Total	1.037.455	-

33. FINANCIAL INCOME / EXPENSES

<u>Financial Income</u>	<u>01.01.2015</u>	<u>01.01.2014</u>
	<u>31.12.2015</u>	<u>31.12.2014</u>
Foreign Exchange Gains	12.725.779	9.923.522
Total	12.725.779	9.923.522

<u>Financial Expense</u>	<u>01.01.2015</u>	<u>01.01.2014</u>
	<u>31.12.2015</u>	<u>31.12.2014</u>
Interest and Commission Expense (-)	12.811.689	10.024.602
Foreign Exchange Losses (-)	21.682.465	10.920.862
Total	34.494.154	20.945.464

34. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (31.12.2014: None).

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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35. INCOME TAXES**Current Tax Related to Assets**

	<u>31.12.2015</u>	<u>31.12.2014</u>
Prepaid Taxes and Funds	2.193	23.744

Tax Provision

	<u>31.12.2015</u>	<u>31.12.2014</u>
Current Income Tax Provision (-)	(7.056.176)	(543.515)
Deferred Tax Provision Income / (Loss)	1.936.086	273.360
Total	<u>(5.120.090)</u>	<u>(270.155)</u>

Corporate Tax

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

The corporations earning income from a company or a branch in Turkey do not pay any withholding tax on their dividends. Other dividend payments are subject to withholding tax of 15%. If profit is added to the capital, withholding tax is not applicable.

Corporations calculate and pay quarterly temporary corporate tax of 20%. The temporary taxes paid within the year will be offset against the final corporate tax liability for the year. The temporary tax can be offset against any other financial liability against the state.

Tax losses that are reported in the Corporation tax return may be carried forward and deducted from the corporation tax base for a maximum period of five years following the year in which the losses were incurred.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred.

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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35. INCOME TAXES (continued)**Income Tax Withholding**

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

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

	<u>31.12.2015</u>	<u>31.12.2014</u>
Profit Before Tax	23.749.946	9.444.255
Taxable Profit	<u>23.749.946</u>	<u>9.444.255</u>
Corporate Tax Rate (%20)	20%	20%
Canceled Tax	4.749.989	(1.888.850)
Nonallowable Charges	715.773	(419.602)
Exemptions and Deductions	(327.391)	1.564.103
Other	(18.281)	474.194
	<u>5.120.090</u>	<u>(270.155)</u>

Deferred Tax:

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

Deferred tax rate is %20. (2014 :%)

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35. INCOME TAXES (continued)

	31 December 2015		31 December 2014	
	TEMPORARY DIFFERENCES	Deferred Tax Assets / (Liabilities)	TEMPORARY DIFFERENCES	Deferred Tax Assets / (Liabilities)
Deferred Tax Liabilities		(1.065.304)		(820.216)
Terminated Provisions (Doubtful Receivables+ Inventory Impairment)	87.420	(17.484)	33.477	(6.695)
Government Grants	-	-	35.733	(7.147)
Receivable Rediscount (Reversal)	106.811	(21.362)	17.993	(3.599)
Real Estate Appreciation (Investment Purpose)	554.634	(27.732)	433.351	(86.670)
Real Estate Appreciation (Intended Purpose)	2.865.241	(143.262)	4.556.519	(233.659)
Tangible Asset Sales Adjustment (TPL Sales Loss Reversal+IFRS Profit on Sale)	953.446	(190.689)	97.307	(19.461)
TPL(Tax Procedure Law) Amortization Expense Reversal	2.098.579	(419.716)	1.664.525	(332.905)
Leave Provision Reversal	84.698	(16.940)	5.359	(1.072)
Severance Pay Provision Reversal	340.058	(68.012)	246.221	(49.244)
Payable Rediscount	237.994	(47.599)	129.329	(25.866)
Severance Pay Actuerial Gain / (Loss)	-	-	11.860	(2.372)
Warranty Expense Provision Reversal	472.907	(94.581)	257.629	(51.526)
Reclassification of Expenses According to Tax Procedure Law (TPL)	89.636	(17.927)	-	-
Deferred Tax Assets		3.001.389		949.504
Receivable Impairment (Receivables Booked as Expense)	38.175	(7.635)	(942.860)	188.572
Tangible Assets Sales Adjustment (TPL Sales Profit Reversal+IFRS Sales Loss)	(3.499.290)	699.858	(51.996)	10.399
Reclassification of Expenses Capitalized According to TPL	(825.195)	165.039	(3.591)	718
Current Period IAS 16, IAS 38 Amortization Expense	(1.651.870)	330.374	(1.116.306)	223.261
TPL Amortization Expense Adjustment	(75.865)	15.173	-	-
Impairment of Inventories	(37.600)	7.520	(42.606)	8.521
Severance Pay Provision	(767.930)	153.586	(646.257)	129.251
Receivable Rediscount	(192.590)	38.518	(204.609)	40.922
Leave Provision	(66.650)	13.330	(121.907)	24.381
Warranty Expense Provision	(911.615)	182.323	(269.544)	53.909
Provision for Doubtful Receivables	(6.086.600)	1.217.320	(42.428)	8.486
Severance Pay Actuerial Gain / (Loss)	-	-	(5.395)	1.079
Payable Rediscount (Reversal)	(189.135)	37.827	(131.725)	26.345
Provisions no Longer Required Adjustment	(22.547)	4.509	-	-
Real Estate Decrease	(7.690)	384	-	-
Deffered Tax Liability Deducted from Real Estate (Intended Purpose) Value Fund	(2.865.241)	143.262	-	233.659
Net, Deffered Tax Receivables Reflected to Profit / (Loss)		1.936.086		129.288

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36. EARNING PER SHARE

	<u>01.01.2015</u>	<u>01.01.2014</u>
	<u>31.12.2015</u>	<u>31.12.2014</u>
Net Profit / (Loss), Parent	18.620.869	9.311.684
Weighted Average Number of Shares	25.000.000	25.000.000
Earning / (Loss) Per Share from Operating Activities	0,745	0,372
Diluted Earning / (Loss) Per Share from Operating Activities		

37. RELATED PARTY DISCLOSURES

	31.12.2015			
	Receivables		Payables	
	Short Term		Short Term	
Balances with Related Parties	Trade	Non-Trade	Trade	Non-Trade
Shareholders	354	-	-	-
Ktm Gayrimenkul A.Ş.	26.168	-	-	-
Ktm İş ve Endüstriyel Mak. Tic. A.Ş.	429.347	-	-	-
Total	455.869	-	-	-

	31.12.2014			
	Receivables		Payables	
	Short Term		Short Term	
Balances with Related Parties	Trade	Non-Trade	Trade	Non-Trade
Shareholders	-	-	48.240	-
Related Party				
Gımaex Schimtz Fire And Rescue	951.584	-	16.329	-
Gımaex S.A.S.	-	-	20.938	-
Gımaex Roanne	133.543	-	-	-
Ktm İş ve Endüstriyel Mak.Tic.A.Ş.	245.012	-	-	-
Total	1.330.139	-	85.507	-

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37. RELATED PARTY DISCLOSURES (continued)

Transactions with related parties between 01.01.-31.12.2015 and 01.01.-31.12.2014 as follows:

01 January - 31 December 2015						
Transactions wit Related Parties	Purchasing of Goods	Selling of Goods	Selling of Real Estate	Purchasing of Services	Selling of Services	Purchasing of Share
Shareholders			313.687	9.000	2.124	-
Related Party						
Gımaex Schımitz Fire And Rescue	279.532	9.110	-	-	-	-
Gımaex S.A.S.	-	70.645	-	-	-	-
Gımaex Roanne	-	2.382.694	-	-	-	1.432.665 (*)
Gımaex Egi Sa	-	46.360	-	-	-	-
One Seven	630.944	-	-	-	-	-
Total	910.476	2.508.808	313.687	9.000	2.124	1.432.665
01 January - 31 December 2014						
Transactions wit Related Parties	Purchasing of Goods	Selling of Goods	Selling of Real Estate	Purchasing of Services	Selling of Services	Purchasing of Share
Gımaex Schımitz Fire And Rescue	14.619	1.108	-	-	-	-
Gımaex S.A.S.	-		-	20.439	-	-
Gımaex Schımitz Fire And Rescue	-	3.016	-	-	-	-
Gımaex Roanne	-	150.941	-	-	-	-
Gımaex Egi Sa	-	45.994	-	-	-	-
One Seven	641.053		-	-	-	-
Ktm İş ve Endüstriyel Mak.A.Ş.	-	7.392.603	-	-	-	-
Total	655.672	7.593.662	-	20.439	-	-

(*) Amount is related to purchasing Gimkat A.Ş.'s partner Gımaex Roanne's shares.

(**) Related party operations with Gımaex companies consist of operations until sales of shares.

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38. KEY MANAGEMENT PERSONNEL

The Group's top management consists of chairman of the executive board and board members, general manager, executive president and acting chairman, chief financial officer, export sales director. Benefits to key management personnels for the period 1 January-31 December 2015 and 1 January-31 December 2014 are listed below:

	<u>01.01- 31.12.2015</u>	<u>01.01- 31.12.2014</u>
<u>Benefits to Key Personnel</u>		
Salary, premium etc. Benefits	3.093.487	1.769.710
Severance Pay Provision	24.512	27.731
Total	3.117.999	1.797.441

39. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS**a) Capital Risk Management**

The aims of Group are to be beneficial for all shareholders and maintaining the best capital combination to reduce capital cost and keeping on entity when managing the capital.

The Group's capital risk management, calculating as disclosed in note 8 and 10 including loans, debts, and, respectively, of cash and cash equivalents as disclosed in note 6 , paid-in capital, defined benefit plans, re-measurement gains / losses, capital reserves, profit reserves and retained earnings / (loss) comprising shareholders' equity are taken into account and as disclosed in note 28.

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

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

Equity to debts ratio as of December 31, 2015 and 2014 are as follows:

	<u>31.12.2015</u>	<u>31.12.2014</u>
Financial Liabilities	102.342.439	93.078.271
Less : Cash and Cash Equivalents	(16.981.050)	(6.743.368)
Net Financial Liabilities	85.361.389	86.334.903
Total Equity	62.679.650	43.362.195
Liabilities / Equity Ratio	1,36	1,99

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

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

b) Financial Risk Factors

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

b.1) Credit Risk

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

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39. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**b) Financial Risk Factors (continued)****b.1) Credit Risk (continued)****Types of credit risks subject to financial instruments:**

31.12.2015	Receivables				Cash and Cash Equivalents
Current Period	Trade Receivables		Other Receivables		Banks Deposit
	Related	3rd	Related	3rd	
	Parties	Parties	Parties	Parties	
The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D) (1)	455.869	75.743.976	-	8.008.873	16.949.574
- Total receivable that have been secured with collaterals, other credit enhancements etc.	-	-	-	-	-
A. Financial assets that are either past due or impaired (2)	455.869	75.743.976		8.008.873	16.949.574
B. The amount of financial assets that are past due as at the end of reporting period but not impaired	-		-	-	-
C. The amount of financial assets that are impaired (3)	-	-	-	-	-
- Overdue (gross book value)	-		-	-	-
- Impairment (-)	-	2.721.528	-	-	-
- Net value guaranteed with collateral etc.	-	(2.721.528)	-	-	-
- Not overdue (gross book value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Net value guaranteed with collateral etc.	-	-	-	-	-
D. Off balance sheet credit risk amount	-	-	-	-	-

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39. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**b) Financial Risk Factors (continued)****b.1) Credit Risk (continued)****Types of credit risks subject to financial instruments:**

31.12.2014	Receivables				Cash and Cash Equivalents
	Trade Receivables		Other Receivables		
Current Period	Related	3rd	Related	3rd	Banks Deposit
	Parties	Parties	Parties	Parties	
The maximum amount of exposure to credit risk at the end of the reporting period					
(A+B+C+D) (1)	1.330.139	62.168.345	-	5.335.319	6.724.102
- Total receivable that have been secured with collaterals, other credit enhancements etc. (*)	-	-	-	-	-
A. Financial assets that are either past due or impaired (2)	1.330.139	62.168.345		5.335.319	6.724.102
B. The amount of financial assets that are past due as at the end of reporting period but not impaired	-		-	-	-
C. The amount of financial assets that are impaired (3)	-	-	-	-	-
- Overdue (gross book value)	-		-	-	-
- Impairment (-)	-	1.149.127	-	-	-
- Net value guaranteed with collateral etc.	-	(1.149.127)	-	-	-
- Not overdue (gross book value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Net value guaranteed with collateral etc.	-	-	-	-	-
D. Off balance sheet credit risk amount	-	-	-	-	-

(1) It was not considered collaterals taken which is raising credit reliability when the amounts was determined.

(2) All of the trade receivables are receivables from clients. Company management predicted that It would not be encountered any problem regarding Collection of Receivables because of considering their past experiences

(3) Impairment tests, Company's receivables from customers regarding the policy framework set by the management is made in doubtful receivables

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

b) Financial Risk Factors (continued)**b.2 Liquidity Risk Management**

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The Company's objective is to maintain a balance between current assets and liabilities through close monitoring of payment plans and cash projections. The Company manages short, medium and long term funding and liquidity management requirements by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual payments. The Company does not have any derivative liabilities.

31.12.2015

Terms According to Agreements		According to the Contracts			
	Book Value	Total Cash Outflows (=I+II+III+IV)	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
Non-derivative financial liabilities	149.696.295	149.696.295	71.822.754	30.132.000	47.741.541
Bank Credits	75.738.420	75.738.420	14.002.541	15.563.397	46.172.482
Principals and Interest Payments of Long-Term Loans	3.597.900	3.597.900	3.597.900	-	-
Issued Bond	20.647.602	20.647.602	20.647.602	-	-
Financial Leasing Liabilities	2.358.520	2.358.520	197.374	592.087	1.569.059
Trade Payables	45.778.579	45.778.579	31.802.063	13.976.516	
Other Payables	1.575.274	1.575.274	1.575.274		
TOTAL	149.696.295	149.696.295	71.822.754	30.132.000	47.741.541

31.12.2014

Terms According to Agreements		According to the Contracts			
	Book Value	Total Cash Outflows (=I+II+III+IV))	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
Non-derivative financial liabilities	131.326.410	131.326.410	48.061.351	35.135.354	48.129.705
Bank Credits	91.895.348	91.895.348	21.838.060	23.172.313	47.324.660
Financial Leasing Liabilities	1.182.923	1.182.923	87.625	290.253	805.045
Trade Payables	36.275.754	36.275.754	24.602.966	11.672.788	
Other Payables	1.532.700	1.532.700	1.532.700		
TOTAL	131.326.410	131.326.410	48.061.351	35.135.354	48.129.705

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

b) Financial Risk Factors (continued)

b.3) Market Risk Management

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

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

b.3.1) Foreign Exchange Risk Management

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

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39. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**b) Financial Risk Factors (continued)****b.3.1) Foreign Exchange Risk Management (continued)**

CONSOLIDE EXCHANGE POSITION TABLE				31.12.2015			31.12.2014		
	TL Equivalent	USD	EUR	TL Equivalent	USD	EUR			
1.Trade Receivables	57.159.978	9.399.586	9.387.507	42.435.058	10.674.983	6.268.246			
2a.Monetary Financial Assets (including cash and bank accounts)	8.386.019	387.890	2.284.174	6.019.157	2.052.098	446.895			
2b. Non-Monetary Financial Assets	4.526.303	1.142.515	379.005	7.365.659	491.078	2.207.571			
3.Other									
4. Current Assets (1+2+3)	70.072.300	10.929.990	12.050.686	55.819.874	13.218.159	8.922.712			
5. Trade Receivables	-	-	-	-	-	-			
6a. Monetary Financial Assets	-	-	-	-	-	-			
6b. Non-Monetary Financial Assets	-	-	-	-	-	-			
8. Non-Current Assets (5+6+7)	-	-	-	-	-	-			
9. Total Assets (4+8)	70.072.300	10.929.990	12.050.686	55.819.874	13.218.159	8.922.712			
10. Trade Payables	14.351.631	764.216	3.817.219	13.304.064	3.826.976	1.570.423			
11. Financial Liabilities	31.003.909	2.379.722	7.579.504	17.480.850	1.486.672	4.975.150			
12a. Other Monetary Financial Liabilities									
12b. Other Non-Monetary Financial Liabilities	6.771.541	701.290	1.489.322	29.623.883	10.767.284	1.650.522			
13. Short-Term Liabilities (10+11+12)	52.127.080	3.845.228	12.886.045	60.408.796	16.080.933	8.196.094			
14. Trade Payables	-	-	-	-	-	-			
15. Financial Liabilities	22.279.968	877.492	6.208.639	23.942.836	2.857.761	6.138.893			
16a. Monetary Financial Other Liabilities	-	-	-	-	-	-			
16b. Non-Monetary Financial Other Liabilities	-	-	-	-	-	-			
17. Long-Term Liabilities (14+15+16)	22.279.968	877.492	6.208.639	23.942.836	2.857.761	6.138.893			
18. Total Liabilities (13+17)	74.407.048	4.722.720	19.094.684	84.351.632	18.938.694	14.334.987			
19. Off Balance Sheet Derivative Instruments Net Assets / (Liabilities) (19a-19b)									
20. Net Foreign Currency Assets (9-18+19)	(4.334.748)	6.207.271	(7.043.998)	(28.531.758)	(5.720.534)	(5.412.275)			
21. Monetary Items Net Foreign Currency Assets / (Liability) Position (IFRS 7.B23) (1+2a+5+6a-10-11-12a-14-15-16a)	(2.089.511)	5.766.046	(5.933.681)	(6.273.535)	4.555.673	(5.969.325)			
22. Total Fair Value of Financial Instruments Used for Currency Hedge									

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39. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**b) Financial Risk Factors (continued)****b.3.1) Foreign Exchange Risk Management (continued)**

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

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

Exchange Rate Analysis Table			
31.12.2015			
	Profit / Loss		Equity
	Appreciated Exchange Rate	Depreciated Exchange Rate	Appreciated Exchange Rate
Increase of 10% change in USD against TL:			
1- USD Net Assets / Liabilities	1.804.826	(1.804.826)	-
2- The Amount of USD Hedging (-)	-	-	-
3- USD Net Effect (1+2)	1.804.826	(1.804.826)	-
Increase of 10% change in EUR against TL:			
4- EUR Net Assets / Liabilities	(2.238.301)	2.238.301	-
5- The Amount of EUR Hedging (-)	-	-	-
6- EUR Net Effect (4+5)	(2.238.301)	2.238.301	-
TOTAL (3+6)	(433.474)	433.474	-
Exchange Rate Analysis Table			
31.12.2014			
	Profit / Loss		Equity
	Appreciated Exchange Rate	Depreciated Exchange Rate	Appreciated Exchange Rate
Increase of 10% change in USD against TL:			
1- USD Net Assets / Liabilities	(1.056.414)	1.056.414	-
2- The Amount of USD Hedging (-)	-	-	-
3- USD Net Effect (1+2)	(1.056.414)	1.056.414	-
Increase of 10% change in EUR against TL:			
4- EUR Net Assets / Liabilities	(1.684.909)	1.684.909	-
5- The Amount of EUR Hedging (-)	-	-	-
6- EUR Net Effect (4+5)	(1.684.909)	1.684.909	-
TOTAL (3+6)	(2.741.323)	2.741.323	-

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

b) Financial Risk Factors (continued)

b.3) Market Risk Management (continued)

b.3.2) Interest Rate Risk Management

The value of a financial instrument will fluctuate as a result of changes in market prices. The Group’s interest rate risk is primarily attributable to its borrowings. The interest-bearing financial liabilities have variable interest rates, whereas the interest bearing financial assets have a fixed interest rate and future cash flows associated with these financial instruments will not fluctuate in amount. The Group is subject to interest risk due to financial liabilities and finance lease obligations. Policy of the Group is to manage this risk through fixed and variable rates borrowings.

The interest rate risk table as at 31.12.2015 and 31.12.2014 are presented below:

Interest Position Table		Current Period	Previous Period
Fixed-rate Financial Instruments			
	Financial assets fair value differences reflected to income statement	-	-
Financial Assets	Cash and Cash Equivalents		-
Financial Liabilities		72.489.838	67.576.940
Euro Loans		30.138.277	23.871.479
Usd Loans		4.382.169	9.618.114
TL Loans		32.012.972	32.464.739
Principal Payments of Long-Term Loans		3.597.900	439.685
Leasing Payables		2.358.520	1.182.923
Floating-rate Financial Instruments			
Financial Assets		-	-
Financial Liabilities		29.852.604	25.501.331
Euro Loans		6.161.638	5.768.331
Usd Loans		941.108	
TL Loans		2.102.255	19.733.000
Issued Bonds		20.647.602	-

* Reclassified from financial instruments includes interest as assets fair value difference reflected to profit/loss

** Reclassified from financial instruments includes interest as financial asset available for sale.

Group’s financial liabilities are mainly fixed rated borrowings. In addition Company is exposed to interest rate risk because of floating-rated financial liabilities. As at 31 December 2015, if interest rate for USD, Euro and TL currencies were %1 higher/lower 100 basis point and all other variables were fixed period profit before tax would be approximately TL 353.076 (31.12.2014: TL 147.479) lower/higher.

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

Group management, the carrying values of financial instruments reflect their fair values.

	The Fair Value of the Financial Assets	Loans and Receivables (Including Cash and Cash Equivalents)	Financial Assets Available for Sale	Financial Liabilities are Measured at Amortized Cost	Book Value	Note
31.12.2015						
Financial Assets						
Cash and Cash Equivalents	-	16.981.050	-	-	16.981.050	6
Trade Receivables	-	76.199.845	-	-	76.199.845	9
Financial Investments	-	-	-	-	-	
Financial Liabilities						
Financial Payables	-	-	-	102.342.439	102.342.439	8
Trade Payables	-	-	-	45.778.579	45.778.579	9
Other Financial Liabilities	-	-	-	-	-	

	The Fair Value of the Financial Assets	Loans and Receivables (Including Cash and Cash Equivalents)	Financial Assets Available for Sale	Financial Liabilities are Measured at Amortized Cost	Book Value	Note
31.12.2014						
Financial Assets						
Cash and Cash Equivalents	-	6.743.368	-	-	6.743.368	6
Trade Receivables	-	63.498.484	-	-	63.498.484	9
Financial Investments	-	-	-	-	-	
Financial Liabilities						
Financial Payables	-	-	-	93.078.271	93.078.271	8
Trade Payables	-	-	-	36.275.754	36.275.754	9
Other Financial Liabilities	-	-	-	-	-	

40. FINANCIAL INSTRUMENTS (FAIR VALUE OF FINANCIAL RISK MANAGEMENT DISCLOSURES (CONTINUED))

Financial Instrument fair values determine as follows;

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

Company does not has any financial assets and liabilities shown as fair values.

41. POST BALANCE SHEET EVENTS

31.12.2015:

- On 30 January 2015, the company issued bond which has 20.000.000 TL par value, 364 days maturity, TRFKTMR21612 ISIN code to the qualified investors and 4 coupon payment was done as of 01.02.2016 amounting TL 709.648.
- On 31 December 2015, severance pay ceiling has been increased to TL 4.092 from 3.828 to be effective on January 1, 2016.

31.12.2014:

- Company issued TRY 20.000.000 bond according to 13.01.2015 dated and 1/13 numbered Capital Market Board decision.
- Severance pay ceiling has been increased to TL 3.541 to be effective on January 1, 2015 which was TL 3.438 on 31.12.2014.

42. DISCLOSURE OF OTHER MATTERS

None (31.12.2014: None).