

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş.

AND ITS SUBSIDIARIES

CONVENIENCE TRANSLATION INTO ENGLISH OF

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2016

(ORIGINALLY ISSUED IN TURKISH)

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND IT'S SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

ASSETS	Notes	Unaudited Current Period 31.03.2016	Audited Previous Period 31.12.2015
CURRENT ASSETS		161.209.390	177.197.627
Cash and Cash Equivalents	6	398.371	16.981.050
Trade Receivables		89.057.282	76.199.845
- Trade Receivables from Related Parties	9	450.589	455.869
- Trade Receivables from 3rd Parties	9	88.606.693	75.743.976
Other Receivables		1.564.483	7.979.177
- Other Receivables from Related Parties		-	-
- Other Receivables from 3rd Parties	10	1.564.483	7.979.177
Inventories	11	53.706.259	59.656.872
Prepaid Expenses	12	5.837.122	5.943.978
Assets Related with Current Period Tax		2.193	2.193
Other Current Assets	20	10.643.680	10.434.512
NON-CURRENT ASSETS		53.152.138	51.477.313
Other Receivables		29.696	29.696
- Other Receivables from Related Parties		-	-
- Other Receivables from 3rd Parties	10	29.696	29.696
Investment Property	14	6.659.000	6.659.000
Tangible Fixed Assets	15	33.249.687	33.486.482
Intangible Fixed Assets	16	4.713.733	3.792.900
- Goodwill	17	-	-
- Other Intangible Fixed Assets		4.713.733	3.792.900
Prepaid Expenses	12	1.961.824	1.124.787
Deferred Tax Assets	22	6.538.198	6.384.448
TOTAL ASSETS		214.361.528	228.674.940

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 MARCH 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Unaudited Current Period 31.03.2016	Audited Previous Period 31.12.2015
LIABILITIES	Notes		
SHORT-TERM LIABILITIES		90.814.082	111.129.914
Short-Term Borrowings	8	54.396.213	51.003.001
Current Part of Long Term Borrowings	8	2.392.808	3.597.900
Trade Payables		25.514.622	45.778.579
- Due to Related Parties	9	-	-
- Other Trade Payables	9	25.514.622	45.778.579
Employee Benefits	19	528.813	755.294
Other Payables		733.874	1.575.274
- Due to Related Parties		-	-
- Other Trade Payables	10	733.874	1.575.274
Deferred Income		5.953.519	7.020.798
Short-Term Provisions		1.294.233	1.399.068
- Short-Term Provisions related to Employee Benefits	19	457.995	562.124
- Other Short-Term Provisions		836.238	836.944
LONG-TERM LIABILITIES		58.118.426	54.865.376
Long-Term Borrowings	8	50.912.749	47.741.538
Long-Term Provisions		2.336.167	2.609.471
- Long-Term Provisions related to Employee Benefits	19	2.336.167	2.609.471
- Other Long-Term Provisions		-	-
Deferred Tax Liability	22	4.869.510	4.514.367
EQUITY CAPITAL		65.429.020	62.679.650
EQUITY CAPITAL OF PARENT COMPANY		65.418.165	62.661.740
Paid-in Capital	21	25.000.000	25.000.000
Reacquired Shares (-)	21	(38.827)	(38.827)
Other Comprehensive Income or Expenses not to be reclassified on Profit or Loss		9.944.039	9.737.768
- Revaluation and Measurement Income / (Loss)	21	9.976.331	9.976.331
- Identified Benefit Plans Reclassification Income / (Loss)		(32.292)	(238.563)
Restricted Reserves		2.061.453	2.061.453
The Merge Effect of Entities subject to Common Control		(1.759.039)	(1.759.039)
Retained Earnings		27.660.385	9.039.516
Net Profit / (Loss) of the Period		2.550.154	18.620.869
MINORITY SHARES		10.855	17.910
TOTAL LIABILITIES		214.361.528	228.674.940

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 01.01.2016 - 31.03.2016

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

	Notes	Unaudited	
		Current Period	Previous Period
		01.01.2016 - 31.03.2016	01.01.2015 - 31.03.2015
ONGOING ACTIVITIES			
Revenue	5	41.621.555	34.887.208
Cost of Sales (-)	5	(29.051.790)	(24.849.067)
GROSS PROFIT / (LOSS)		12.569.765	10.038.141
General Administrative Expenses (-)	5	(2.161.268)	(2.304.593)
Marketing Expenses (-)	5	(3.615.362)	(2.757.338)
Research and Development Expenses (-)	5	(542.859)	
Other Income from Operations	5	1.330.904	6.606.089
Other Expenses from Operations (-)		(1.783.725)	(5.525.822)
OPERATING PROFIT / (LOSS)		5.797.455	6.056.477
Income from Investing Activities	5	35.584	132.021
Expenses from Investing Activities (-)	5		
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES		5.833.039	6.188.498
Financial Income		1.346.590	2.657.409
Financial Expenses (-)		(4.099.966)	(6.439.248)
PROFIT / (LOSS) BEFORE PROVISION FOR TAXES		3.079.663	2.406.659
Tax Income / (Expense) from Operating Activities		(527.577)	(397.333)
- Tax for Period	22	(377.752)	(282.096)
- Deferred Tax Income / (Expense)	22	(149.825)	(115.237)
NET PROFIT / (LOSS) FOR THE PERIOD		2.552.086	2.009.326
Period Profit / (Loss) Distribution		2.552.086	2.009.326
- Non-Controlling Interests		1.932	568.165
- Parent Compant Shares	23	2.550.154	1.441.161
Earnings Per Share		0,10	0,06
- Earnings Per Share from Ongoing Operations		0,10	0,06
- Diluated Earnings Per Share from Ongoing Operations			
NET PROFIT / (LOSS)		2.552.086	2.009.326
Items not to be Reclassified in Profit or Loss		206.271	(183.629)
Increase / (Decrease) from Revaluation of Tangible Fixed Assets			
Increase / (Decrease) from Revaluation of Intangible Fixed Assets			
Defined Benefit Plans Remeasurement Gains / (Losses)		257.839	(153.024)
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		(51.568)	(30.605)
- Current Tax (Expense) / Income)		(51.568)	(30.605)
- Deferred Tax (Expense) / Income)			
Items to be Reclassified in Profit or Loss		-	-
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		-	-
- Current Tax (Expense) / Income)			
- Deferred Tax (Expense) / Income)			
OTHER COMPREHENSIVE INCOME (AFTER TAX)		206.271	(183.629)
TOTAL COMPREHENSIVE INCOME		2.758.357	1.825.697
Comprehensive Income Distribution :		2.758.357	1.825.697
- Non-Controlling Shares		12.511	544.499
- Parent Company Shares		2.745.846	1.281.198

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 01.01.2016 - 31.03.2016

(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	Reacquired Shares	Capital Adjustments Due to Cross- Ownership	Special Funds	Identified Benefit Plans Reclassification Income / (Loss)	Tangible Fixed Assets Revaluation Increase	Foreign Currency Conversion Difference	Hedging Profit / (Loss)	Revaluation and Remeasurement Gain/(Loss)	Other Gain / Loss	The Merge Effect of Entities subject to Common Control	Restricted Reserves	Retained Profit / (Loss)	Net Period Profit / (Loss)	Equity Holders of the Parent	Non Controlling Shares	Equity			
21	25,000,000	-	(38.827)	-	-	(309.930)	7,309,143	-	-	-	-	(1,759,039)	2,108,305	(1,375,639)	9,311,684	40,245,697	3,116,498	43,362,195			
																-	-	-			
21						133,316											9,311,684	(9,311,684)	-	-	-
																		1,441,161	1,574,477		1,574,477
																			-	-	(232,788)
21	25,000,000	-	(38.827)	-	-	(176,614)	7,309,143	-	-	-	-	(1,759,039)	2,108,305	7,936,045	1,441,161	41,820,174	2,883,710	44,703,884			
21	25,000,000		(38.827)			(238,563)	9,976,331						(1,759,039)	2,061,453	9,039,516	18,620,869	62,661,740	17,910	62,679,650		
																-	-	-			
21						206,271											18,620,869	(18,620,869)	-	-	-
																		2,550,154	2,756,425		2,756,425
																			-	-	(7,055)
21	25,000,000	-	(38.827)	-	-	(32,292)	9,976,331	-	-	-	-	(1,759,039)	2,061,453	27,660,385	2,550,154	65,418,165	10,855	65,429,020			

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 01.01.2016 - 31.03.2016

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

		Unaudited	
		Current Period	Previous Period
		01.01.2016 -	01.01.2015 -
	Notes	31.03.2016	31.03.2015
A. CASH FLOWS FROM OPERATING ACTIVITIES		(17.999.354)	(34.306.136)
Net Profit / (Loss) for Period		2.552.086	1.441.161
Adjustments to Reconcile Net Profit / (Loss) :		1.274.096	910.978
- Depreciation and Amortization		474.752	523.251
- Impairments / Reversals	11	(6.269)	11.913
- Changes in Provisions	18	(94.024)	(97.989)
- Interest Income and Expense		69.906	82.322
- Unrealized Exchange Loss / (Gain)		319.078	(1.910)
- Fair Value (Loss) / Gain			
- Gain/Loss from Fixed Assets Sales		(16.924)	(3.549)
- Cashflows from Investment or Financing Operations			
- Profit / (Loss) Reconciliations		527.577	396.940
Changes in Working Capital		(21.260.389)	(32.430.789)
- Increases / (Decreases) in Inventories	11	5.950.613	(32.456.047)
- Increases / (Decreases) in Trade Receivables	9	(12.857.437)	(8.780.690)
- Increases / (Decreases) in Other Receivables		6.414.694	3.657.270
- Increases (Decreases) in Trade Payables	9	(20.263.957)	9.599.245
- Increases (Decreases) in Other Payables		(841.400)	(656.854)
- Other Increase / (Decreases) in Working Capital		337.098	(3.793.713)
Cash Flow from Operating Activities		(17.434.207)	(30.078.650)
Tax Payments / Returns		-	21.551
Other Cash Inflows / Outflows		(565.147)	(4.249.037)
B. CASHFLOW PROVIDED BY INVESTING ACTIVITIES		(981.154)	2.254.434
Proceeds from Sale of Tangible and Intangible Assets		46.066	130.280
Cash Outflows due to Purchases of Tangible and Intangible Assets		(1.045.879)	2.003.421
Interest Collected		1.971	120.733
Tax Payments / Returns			
Other Cash Inflows / Outflows		16.688	
C. CASH FLOW PROVIDED BY FINANCING ACTIVITIES		13.597.665	31.089.548
Cashoutflows from Reacquired Shares and Other Equity Instruments			
Proceeds from Borrowings		42.734.282	57.609.136
Payments of Borrowings		(27.754.885)	(25.146.622)
Financial Lease Payments		(238.813)	(287.676)
Interest Collected		258.379	257.032
Interest Payments		(1.401.298)	(1.342.322)
NET INCREASE / (DECREASE) IN CASH EQUIVALENTS BEFORE FOREIGN CURRENCY CONVERSION ADJUSTMENTS		(5.382.843)	(962.154)
D. FOREIGN CURRENCY CONVERSION ADJUSTMENTS EFFECTS ON CASH AND CASH EQUIVALENTS			
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(5.382.843)	(962.154)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6	5.781.214	6.743.368
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	6	398.371	5.781.214

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 PERIOD ENDED 31 MARCH 2015

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

CONTENTS

1. ORGANIZATION AND ACTIVITIES	1
2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS.....	2
3. BUSINESS COMBINATIONS.....	5
4. JOINT VENTURES	5
5. SEGMENT INFORMATION	5
6. CASH AND CASH EQUIVALENTS	8
7. FINANCIAL INVESTMENTS.....	8
8. FINANCIAL BORROWINGS.....	8
9. TRADE RECEIVABLES AND PAYABLES	11
10. OTHER RECEIVABLES AND PAYABLES.....	12
11. INVENTORIES.....	13
12. PREPAID EXPENSES AND DEFERRED INCOME.....	13
13. INVESTMENTS ACCORDING TO EQUITY METHOD	14
14. INVESTMENT PROPERTIES	14
15. PROPERTY, PLANT AND EQUIPMENT	14
16. INTANGIBLE FIXED ASSETS.....	14
17. GOODWILL.....	14
18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	15
19. EMPLOYEE BENEFITS	17
20. OTHER ASSETS AND LIABILITIES	18
21. CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS.....	19
22. INCOME TAXES	21
23. EARNING PER SHARE.....	24
24. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS	24
25. FINANCIAL INSTRUMENTS (FAIR VALUE OF FINANCIAL RISK MANAGEMENT DISCLOSURES)	27
26. POST BALANCE SHEET EVENTS.....	28
27. DISCLOSURE OF OTHER MATTERS	28

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 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 / İZMİR. The Group has a branch that is located in Kızıllırmak 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 liaison 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. (ISE) as of March 31, 2015.

As of 31 March 2015, the total number of people employed by the Group is 299. (31 December 2015: 349).

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

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

Companies included in consolidation:

<u>Company</u>	<u>Nature of Business</u>	<u>Country of Registration</u>
Katmerciler Profil San. ve Tic. A.Ş.	Painting Works	Turkey
İspan 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 PERIOD ENDED 31 MARCH 2015

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

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

A. Basic Standards of Presentation

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

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

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

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

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

In order to prepare financial statements in accordance with IFRSs, certain assumptions affecting notes to the financial statements and critical accounting estimations related to assets, liabilities, contingent assets and contingent liabilities are required to be used. Although these estimations are made upon the best afford of the management by interpreting the cyclical circumstances, actual results may differ from the forecasts. Issues that are complex and needs further interpretation, which might have a critical impact on financial statements. There is no change in judgements and critical accounting estimates used in interim condensed consolidated financial statements as of 31 March 2016.

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.

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.

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

A. Basic Standards of Presentation (continued)

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.

Changes in Turkish Accounting Standards

Standards issued but not yet effective and not early adopted

Finansal tabloların onaylanma tarihi itibarıyla yayımlanmış fakat cari raporlama dönemi için henüz yürürlüğe girmemiş ve Şirket tarafından erken uygulanmaya başlanmamış yeni standartlar, yorumlar ve değişiklikler aşağıdaki gibidir. Şirket aksi belirtilmedikçe yeni standart ve yorumların yürürlüğe girmesinden sonra konsolide finansal tablolarını ve dipnotlarını etkileyecek gerekli değişiklikleri yapacaktır.

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

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

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

A. Basic Standards of Presentation (continued)

Standards issued but not yet effective and not early adopted (continued)

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

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 2018, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

IFRS 16 Leases

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

Amendments to IAS 7 – Disclosure Initiative

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

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

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

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

B. Declaration of Conformity to TAS

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

According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards / Turkish Financial Reporting Standards (TAS/TFRS) and its addendum and interpretations issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA"). The accompanying consolidated financial statements and explanatory notes were disclosed in compliant with reporting formats recommended by CMB, including the compulsory explanations.

Financial statements were authorized for issue on May 10, 2016 by the management. General Assembly have the power to amend the financial statements.

C. Summary of Significant Accounting Policies

There is not any changes in significant accounting policies mentioned for the period ended 31 December 2015.

3. BUSINESS COMBINATIONS

None (31.12.2015: None).

4. JOINT VENTURES

None (31.12.2015: None).

5. SEGMENT INFORMATION

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

"On-board equipment production"

On-board equipment production and sales for fire engine, garbage truck, transport vehicle, vehicles for the defense industry and on-board equipment for construction sector.

"Painting Works"

Painting workmanship for on-board equipment.

"Weld Works"

Weld workmanship for on-board equipment.

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

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

5. SEGMENT INFORMATION (continued)

31.03.2016	Onboard Vehicle Equipment	Weld Works	Painting Work	Consolidation Adjustments	Total
Net Non-Group Sales	41.614.512	4.575	2.468		41.621.555
Net In-Group Sales	7.403.322	286.500	283.000	(7.972.822)	-
Net Sales Total	49.017.834	291.075	285.468	(7.972.822)	41.621.555
Cost of Sales (-)	(37.340.077)	(175.384)	(274.309)	8.737.980	(29.051.790)
Gross Profit	11.677.757	115.691	11.159	765.158	12.569.765
Research and Development Expenses (-)	(542.859)	-	-	-	(542.859)
Marketing, Selling and Distribution Expense (-)	(3.627.614)	-	-	12.252	(3.615.362)
General Administrations Expense (-)	(2.067.754)	(93.659)	(27.594)	27.739	(2.161.268)
Other Operating Income	1.526.474	33.949	431.171	(660.690)	1.330.904
Other Operating Expenses (-)	(1.782.908)	(328)	(487)	(2)	(1.783.725)
Operating Profit/Loss	5.183.096	55.653	414.249	144.457	5.797.455
Income from Investment Operation	35.584	-	-	-	35.584
Expense from Investment Operation (-)		-	-	-	-
Financial Income	1.501.803	147	-	(155.360)	1.346.590
Financial Expense (-)	(4.509.561)	(54)	-	409.649	(4.099.966)
PRE-TAX PROFIT (LOSS) FROM ONGOING OPERATIONS	2.210.922	55.746	414.249	398.746	3.079.663
Tax Income / (Expense) from Operating Activities					
- Tax Income / (Expense)	(292.032)	(6.037)	(79.683)	-	(377.752)
- Deferred Tax Income / (Expense)	(146.636)	(28)	(3.161)	-	(149.825)
NET PROFIT / (LOSS)	1.772.254	49.681	331.405	398.746	2.552.086
Investment Expenditure					
Tangible Fixed Assets	952.283	-	-	-	952.283
Intangible Fixed Assets	93.596	-	-	-	93.596
Amortization	315.710	4.228	33.531	-	353.469
Depreciation and Amortization	141.106	-	-	(19.824)	121.282
Total Investment Expenditure	1.045.879	-	-	-	1.045.879
Other Information					
- Total Assets	225.119.884	914.135	15.211.216	(26.883.707)	214.361.528
- Total Liabilities	225.119.884	914.135	15.211.216	(26.883.707)	214.361.528

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

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

5. SEGMENT INFORMATION (continued)

31.03.2015	Onboard Vehicle Equipment	Weld Works	Painting Work	Consolidation Adjustment	Total
Net Non-Group Sales	34.887.208	-	-	-	34.887.208
Net In-Group Sales	5.929.329	395.305	377.356	(6.701.991)	-
Net Sales Total	40.816.537	395.305	377.356	(6.701.991)	34.887.208
Cost of Sales (-)	(31.212.643)	(283.414)	(348.355)	6.995.345	(24.849.067)
Gross Profit	9.603.895	111.891	29.001	293.355	10.038.141
Research and Development Expenses (-)	-	-	-	-	-
Marketing, Selling and Distribution Expenses (-)	(2.766.605)	-	-	9.267	(2.757.338)
General Administrations Expense (-)	(2.243.447)	67.319	36.455	42.627	(2.304.593)
Other Operating Income	6.777.396	32.725	238.037	(442.069)	6.606.089
Other Operating Expense (-)	(5.524.939)	(361)	(524)		(5.525.823)
Operating Profit / (Loss)	5.846.301	76.936	230.060	(96.820)	6.056.477
Income from Investment Operation	131.985	-	-	36	132.021
Expense from Investment Operation (-)					
PRE-TAX PROFIT (LOSS) FROM ONGOING OPERATIONS	5.978.286	76.936	230.060	(96.785)	6.188.498
Financial Income	2.952.180	467	-	(295.238)	2.657.409
Financial Expense (-)	(6.825.288)	(655)	-	386.695	(6.439.248)
PRE-TAX PROFIT (LOSS) FROM ONGOING OPERATIONS	2.105.178	76.749	230.060	(5.328)	2.406.659
Tax Income / (Expense) from Operating Activities					
-Tax Income / (Expense)	(216.638)	(17.120)	(48.338)	-	(282.096)
-Deferred Tax Income / (Expense)	(118.035)	1.111	1.688	-	(115.237)
NET PROFIT / (LOSS)	1.770.505	60.739	183.410	(5.328)	2.009.326
Investment Expenditure					
Tangible Fixed Assets	2.116.253	-	-	-	2.116.253
Intangible Fixed Assets	1.170.262	-	-	-	1.170.262
Amortization	320.487	164	30.179	-	350.830
Depreciation and Amortization	172.421	-	-	-	172.421
Total Investment Expenditure	3.286.514	-	-	-	3.286.515
Other Information					
- Total Assets	260.042.395	664.382	13.060.320	(17.075.010)	256.692.086
- Total Liabilities	260.042.395	664.382	13.060.320	(17.075.010)	256.692.086

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

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

6. CASH AND CASH EQUIVALENTS

	<u>31.03.2016</u>	<u>31.12.2015</u>
Cash	79.727	31.476
Banks	318.644	16.949.574
- Demand Deposits (*)	318.644	16.949.574
TL	243.163	8.662.881
USD	17.276	1.096.060
EURO	58.205	7.190.633
Total	398.371	16.981.050

* There is TL 87.196 blocked amount in demand deposits. (31.12.2015 - TL 59.790)

The credit risk analysis of cash and cash equivalents are stated in Note 24.

7. FINANCIAL INVESTMENTS

None (31.12.2015: None).

8. FINANCIAL BORROWINGS

	<u>31.03.2016</u>	<u>31.12.2015</u>
a) Bank Loans	103.087.126	75.738.417
b) Principal Repayments of Long Term Loans	2.392.808	3.597.900
c) Issued Bond	-	20.647.602
d) Financial Lease Obligations	2.221.836	2.358.520
Total	107.701.770	102.342.439

a) Bank Loans

		<u>31.03.2016</u>		
<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	19.704.901	1.502.411	29.844.060
USD	3,25-4,50	1.854.598	404.504	2.457.469
EUR	3,10-4,50	32.204.392	485.893	17.021.706
Total		53.763.891	2.392.808	49.323.235

		<u>31.12.2015</u>		
<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		29.565.935	3.597.900	46.172.482

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

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

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

	<u>31.03.2016</u>	<u>31.12.2015</u>
Payable within 1 year	56.156.699	33.163.835
Payable within 1 - 2 years	25.661.270	15.390.827
Payable within 2 - 3 years	16.441.460	13.806.443
Payable within 3 - 4 years	7.220.505	16.975.212
Total	105.479.934	79.336.317

The fair value of short-and long-term debts are equal to book value because the effect of discounting is immaterial. As of the reporting date, bank loans secured over EUR 600,000, USD 5.000.000 and TRY 15.6 million –values of buildings (31.12.2015: EUR 600.000, USD 5.000.000 and TL 15.600.000).

b) Long Term Loans Principal Repayments

Currency	Average Interest Rate (%)	<u>31.03.2016</u>	<u>31.12.2015</u>
TL	11,25	1.502.411	2.594.236
USD	3,25-4,50	404.504	227.062
EUR	4,50	485.893	776.602
Total		2.392.808	3.597.900

c) Issued Bond31.03.2016

Currency	Nominal Interest Rate	Term	Nominal Value	Book Value
None.	-	-	-	-

31.12.2015

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 TL 647.602 as of 31.12.2015. As at 01.02.2016 amounting to TL 20.000.000 principal amount and TL 709.648 interest paid.

(*) Interest for each coupon calculated according to weighted average of government debt securities consist in ISE and bond outright purchase and sale market within last five workdays and %4,00 addition annual yield. Bond are paid in quarterly and principal will be paid in date of maturity.

d) Lease Obligations

Net Value	<u>31.03.2016</u>	<u>31.12.2015</u>
Machinery, Equipment and Installations (net)	2.221.836	2.358.520

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

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

8. FINANCIAL BORROWINGS (continued)**d) Lease Obligations (continued)**

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

- The sum of the minimum lease payments and present value

	<u>TL</u>	<u>TL</u>	<u>TL</u>	<u>TL</u>
<u>31.03.2016</u>		More than 1 Year-		
	Less than 1 Year	Less than 5 Years	More than 5 Years	Total
Amount of Minimum Lease Payments				
TL Denominated Finance Leases	713.511	1.708.760	-	2.422.271
Total	713.511	1.708.760		2.422.271
Present Value of Payments				
TL Denominated Finance Leases	632.319	1.589.517	-	2.221.836
Total	632.319	1.589.517		2.221.836
	<u>TL</u>	<u>TL</u>	<u>TL</u>	<u>TL</u>
<u>31.12.2015</u>		More than 1 Year-		
	Less 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

Financial 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 PERIOD ENDED 31 MARCH 2015**

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

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

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

<u>Short-Term Trade Receivables</u>	<u>31.03.2016</u>	<u>31.12.2015</u>
Customers	77.342.853	64.892.194
Postdated Checks	11.385.792	11.044.373
Less: Unaccrued Finance Income	(121.952)	(192.591)
Doubtful Trade Receivables (*)	3.015.383	2.721.528
Less: Provision for Doubtful Trade Receivables	(3.015.383)	(2.721.528)
Sub Total	88.606.693	75.743.976
- Related Parties	450.589	455.869
Total	89.057.282	76.199.845

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

<u>Customers, Notes Receivables and Postdated Check</u>	<u>31.03.2016</u>	<u>31.12.2015</u>
Maturity between 1 – 3 Months	57.582.654	49.162.090
Maturity between 3 – 6 Months	25.754.025	22.832.437
Maturity between 6 – 9 Months	5.391.965	3.942.040
Maturity between 9 - 12 Months	-	-
Total	88.728.644	75.936.567

As of 31.03.2016, the weighted average of interest rate respectively 9,01 % and 0,74 % and -0,20 % used to calculate unearned finance income for short-term trade receivables in terms of TL, USD and EUR. (31.12.2015: respectively %10,28- %0,71- %0,09)

As of 31 March 2016, amounting to TL 3.015.383 (31.12.2015: TL 2.721.528) trade receivables are doubtful receivables. As at 31 March 2016 amounting to TL 330.855 (2015: TL 1.719.588) provision made. Doubtful receivables consist of uncollected amount of sales.

(*) The details of Group's doubtful trade receivables are as follows;

<u>Doubtful Trade Receivables</u>	<u>31.03.2016</u>	<u>31.12.2015</u>
Opening	2.721.528	1.149.127
Period Expense	330.855	1.719.588
Less: Cancelled within the Period	(37.000)	(147.187)
Closing	3.015.383	2.721.528

Long-Term Trade Receivables

None (31.12.2015: None).

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

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

9. TRADE RECEIVABLES AND PAYABLES (continued)**b) Trade Payables:**

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

<u>Short-Term Trade Payables</u>	<u>31.03.2016</u>	<u>31.12.2015</u>
Suppliers (*)	7.795.102	7.909.210
Notes Payables (*)	9.925.418	30.210.459
Less: Unaccrued Finance Expense	(108.528)	(300.557)
Other Trade Payables	7.902.630	7.959.467
Sub Total	25.514.622	45.778.579
Trade Payables to Related Parties	-	-
Total	25.514.622	45.778.579

As of 31.03.2016, the weighted average of interest rates are % 9,01, %0,74 and %-0,20 used to calculate unearned finance expense for short-term trade payables in terms of TL, USD and EUR. (31.12.2015: %20,28- %0,71- %-0,09)

<u>(*)Suppliers and Notes Payables</u>	<u>31.03.2016</u>	<u>31.12.2015</u>
Maturity between 0 - 6 Months	15.142.837	31.802.063
Maturity between 6 - 9 Months	2.577.683	6.317.606
Total	17.720.520	38.119.669

Long-Term Trade Payables

None (31.12.2015: None).

10. OTHER RECEIVABLES AND PAYABLES

<u>Short-Term Other Receivables</u>	<u>31.03.2016</u>	<u>31.12.2015</u>
Deposits and Guarantees Given	612	43.591
Receivables from Tax Office	1.440.206	7.870.968
Blocked Receivables (*)	87.196	59.790
Other Miscellaneous Receivables	36.469	4.828
Total	1.564.483	7.979.177

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

<u>Long-Term Other Receivables</u>	<u>31.03.2016</u>	<u>31.12.2015</u>
Deposits and Guarantees Given	29.696	29.696
Total	29.696	29.696

<u>Short-Term Other Payables</u>	<u>31.03.2016</u>	<u>31.12.2015</u>
Taxes and Funds Payable	726.866	1.565.547
Other Miscellaneous Payables	7.008	9.727
Total	733.874	1.575.274

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

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

11. INVENTORIES

	<u>31.03.2016</u>	<u>31.12.2015</u>
Raw materials and supplies	32.630.479	38.805.616
Work-in-process	14.929.416	11.673.251
Finished goods	5.738.170	8.761.146
Merchandise	430.022	430.022
Other Inventories	9.504	24.437
Provision for impairment in value of inventories (-)	(31.332)	(37.600)
Total	<u>53.706.259</u>	<u>59.656.872</u>

As of 31 March 2016, there is commodity insurance amounting to TL 25.000.000 on inventories. (31.12.2015 TL 42.500.000).

As at balance sheet date, Group's inventories amounting to TL 31.332 which net realizable value under cost value (31.12.2015: TL 37.600). Inventory impairment amounting to TL 6.268 cancelled within the current period (31.12.2015: TL 5.255).

<u>Provision for Impairment of Inventories</u>	<u>31.03.2016</u>	<u>31.12.2015</u>
Opening Balance	37.600	5.255
Additional Provision	-	37.600
Cancelled Provision (-)	(6.268)	(5.255)
Closing Balance	<u>31.332</u>	<u>37.600</u>

Group does not has any pledged inventory in return for loans as at March 31,2015. (31.12.2015: None).

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

	<u>31.03.2016</u>	<u>31.12.2015</u>
Advances Given for Inventories	5.409.967	5.702.660
Prepaid Expenses for Future Months	427.155	241.318
Total	<u>5.837.122</u>	<u>5.943.978</u>

Long-Term Prepaid Expenses

	<u>31.03.2016</u>	<u>31.12.2015</u>
Advances Given for Property	1.900.698	1.106.755
Prepaid Expenses for Future Years	61.126	18.032
Total	<u>1.961.824</u>	<u>1.124.787</u>

Short-Term Deferred Income

	<u>31.03.2016</u>	<u>31.12.2015</u>
Deferred Income for Future Months	5.953.519	7.020.798
Total	<u>5.953.519</u>	<u>7.020.798</u>

Long-Term Deferred Income

None (31.12.2015: None).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2015

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

13. INVESTMENTS ACCORDING TO EQUITY METHOD

None (31.12.2015: None).

14. INVESTMENT PROPERTIES

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

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.

Group earned TL 16.688 rental income from investment properties.(31.12.2015: TL 64.106).There is TL 15.600.000 mortgage on investment properties (31.12.2015: TL 15.600.000). There is TL 1.800.000 insurance coverage on investment properties (31.12.2015: TL 1.800.000).

15. PROPERTY, PLANT AND EQUIPMENT

Group, purchased amounting to TL 952.283 (31.12.2015: TL 4.334.066) property, plant and equipment and sold amounting to TL 133.720 property, plant and equipment within the interim period. (31.12.2015: TL 979.385)

Group valuated it's usable factory land and building located in Çiğli / İzmir and land located in Ankara to CMB licenced independent expertise company TSKB Gayrimenkul Değerleme A.Ş.

According to 31 December 2015 dated expertise report, total values of factory bulding and lands located in Çiğli / İzmir set as TL 26.714.000, the total value of land located in Ankara Industrial Estate set as TL 594.000. 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. (31.12.2015: USD 5.000.000, EUR 600.000).

16. INTANGIBLE FIXED ASSETS

Grup, ara dönem içerisinde 93.596 TL (31.12.2015: 1.982.103 TL) maddi olmayan duran varlık alımı yapmıştır. Ara dönem içerisinde maddi olmayan duran varlık satışı bulunmamaktadır. (31.12.2015: 136.015 TL)

17. GOODWILL

None (31.12.2015: None).

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

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

18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

<u>Short-Term Debt Provision</u>	<u>31.03.2016</u>	<u>31.12.2015</u>
Warranty Expense Provision	776.045	776.045
Lawsuit Expense Provision	56.793	56.793
Potential Expense	3.400	4.106
Total	836.238	836.944

Ongoing Lawsuits And Execution Proceedings

There are 3 lawsuits filed and ongoing as of 31 March 2016 , total amount of lawsuits are amounting to TL 56.793 and provision made for the entire amount (31.12.2015: TL 56.793).

Collateral, Pledges, Mortgages, Bails

Collaterals, Pledges, Mortgages and Bails position table as of 31 March 2016 and 31 December 2015 are as below;

31.03.2016

CPMB's given by the Company (Collaterals, Pledges, Mortgages, Bail)

	<u>TL</u>			
	<u>Equivalent</u>	<u>USD</u>	<u>EUR</u>	<u>TL</u>
1. CPMB's given for company's own legal personality	48.117.140	5.433.135	3.138.836	22.653.195
2. CPMB's given on behalf of fully consolidated Companies	-	-	-	-
3. CPMB's given of behalf of third parties for ordinary course of business	-	-	-	-
4. Other CPMB's given				
- Total amount of CPMB's given on behalf of majotary shareholder	-	-	-	-
- Total amount of CPMB's given on behalf of other Group companies which are not in scope of 2 and 3	-	-	-	-
- Total amount of CPMB's given on behalf of third parties which are not in scoppe of 3	-	-	-	-
Total	48.117.140	5.433.135	3.138.836	22.653.195
Collateral	16.425.280	TL		
Mortgage	31.391.860	TL		
	48.117.140	TL		

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2015

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

18. PROVISIONS, ONTINGENT ASSETS AND LIABILITIES (continued)

Collateral, Pledges, Mortgages, Bails (continued)

	<u>31.12.2015</u>			
<u>CPMB's given by the Company (Collaterals, Pledges, Mortgages, Bail)</u>	<u>TL</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	-	-	-	-
E. Other CPMB's given	-	-	-	-
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	<u>47.285.883</u>	<u>5.853.385</u>	<u>2.938.836</u>	<u>20.928.136</u>
Collateral	15.241.323	TL		
Mortgage	32.044.560	TL		
	<u>47.285.883</u>	TL		

Group have not been given any "Other CPMB". (31.12.2015: None).

Collaterals, Pledges, Mortgages and Bails position table as of 31 March 2016 and 31 December 2015 are as below;

	<u>31.03.2016</u>				<u>31.12.2015</u>			
<u>Collaterals, Pledges, Mortgages</u>	<u>TL</u>	<u>USD</u>	<u>EUR</u>	<u>TL</u>	<u>TL</u>	<u>USD</u>	<u>EUR</u>	<u>TL</u>
	<u>Equivalents</u>				<u>Equivalents</u>			
Collaterals	16.425.280	433.135	2.538.836	7.053.195	15.241.323	853.385	2.338.836	5.328.136
Pledges	-	-	-	-	-	-	-	-
Mortgages	31.691.860	5.000.000	600.000	15.600.000	32.044.560	5.000.000	600.000	15.600.000
Total	<u>48.117.140</u>	<u>5.433.135</u>	<u>3.138.836</u>	<u>22.653.195</u>	<u>47.285.883</u>	<u>5.853.385</u>	<u>2.938.836</u>	<u>20.928.136</u>

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

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

19. EMPLOYEE BENEFITS**Provision for Short-Term Employee Benefits**

	31.03.2016	31.12.2015
Unused Vacation Provision	457.995	562.124
Total	457.995	562.124

Provision for Long-Term Employee Benefits

	31.03.2016	31.12.2015
Severance Pay Provision	2.336.167	2.609.471
Total	2.336.167	2.609.471

Scope of Employee Benefit Obligations

	31.03.2016	31.12.2015
Payables to Personnel	125.291	278.821
Social Security Premiums Payable	403.522	476.473
Total	528.813	755.294

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 % 9 discount rate and about %3,81 real discount rate and retiring assumption as follows.

Main assumption is that maximum liability amount increases parallel to inflation rate for every service year. Therefore, discount rate used is the expected real rate adjusted for the future inflationary effects. Because of this, provisions in the accompanying financial statements as of March, 31 2016 are calculated by estimating present value of probable liabilities arising due to retirement of employees.

Group’s retirement pay provision calculated over amounting to TL 4.093 (31.12.2015: TL 3.828) with effective from 01 January 2016.

The movement of provision for severance pay are as follows:

	1 January - 31 March 2016	1 January- 31 December 2015
Provision as of 1 st January	2.609.471	2.246.329
Service Cost	242.817	594.336
Interest Cost	57.352	173.596
Severance Pay Cancelled	(315.634)	(315.582)
Defined Benefit Plans Remeasurement Gain / Loss (*)	(257.839)	(89.208)
Total Provisions as of Period End	2.336.167	2.609.471

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

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

19. EMPLOYEE BENEFITS (continued)

(*) As of March 31, 2016, TL 257.839 (2015: TL 89.208) defined benefit plans remeasurement gain / losses booked in statement of comprehensive income.

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

20. OTHER ASSETS AND LIABILITIES

<u>Other Current Assets</u>	<u>31.03.2016</u>	<u>31.12.2015</u>
Deferred VAT	9.459.329	9.928.902
Work Advances	783.065	505.610
Personnel Advances	401.286	-
Total	10.643.680	10.434.512

Other Non-Current Assets

None. (31.12.2015: None)

Other Short-Term Liabilities

None. (31.12.2015: None)

Other Long-Term Liabilities

None. (31.12.2015: None)

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

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

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

Company's capital structure as of 31 March 2016 and 31 December 2015 as follows;

	31.03.2016		31.12.2015	
	<u>Share Rate</u>	<u>Share Amount</u>	<u>Share Rate</u>	<u>Share Amount</u>
Shareholders	<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. (31.12.2015: 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 and 23.000.000 pcs. of shares are nominative B Group shares. (31.12.2015 None.)

A group shares are privileged and 1.600.000 pcs. own by İsmail Katmerci, 100.000 pcs. own by Havva Katmerci, 100.000 pcs own by Mehmet Katmerci, 100.000 pcs own by Ayşenur Çobanoğlu and 100.000 pcs own by Furkan Katmerci. Privileged shares gives right to owner as 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. (Articles of Association article 10) issued shares are fully paid.

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. The decision approved by general assembly resolution on 30.05.2014.

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	Alım	3.252	2,40	7.805	0	0	3.252	0,00
27.01.2014	Alım	200	2,41	482	3.252	0	3.452	0,00
27.01.2014	Alım	2.758	2,42	6.674	3.452	0	6.210	0,00
27.01.2014	Alım	2.494	2,43	6.060	6.210	0	8.704	0,00
27.01.2014	Alım	6.940	2,44	16.934	8.704	0	15.644	0,00
27.01.2014	Alım	356	2,45	872	15.644	0	16.000	0,00
Total		16.000		38.827				

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

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

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

	<u>31.03.2016</u>	<u>31.12.2015</u>
Tangible Assets Revaluation and Remeasurement Gain / (Loss)	9.976.331	9.976.331
	<u>9.976.331</u>	<u>9.976.331</u>

Tangible Assets Revaluation and Remeasurement Gain / (Loss)

	<u>31.03.2016</u>	<u>31.12.2015</u>
Opening Balance	9.976.331	7.309.143
Increase from Tangible Assets Revaluation	-	2.810.450
Deferred Tax Liability from Revaluation	-	(143.262)
Closing Balance	<u>9.976.331</u>	<u>9.976.331</u>

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

	<u>31.03.2016</u>	<u>31.12.2015</u>
Defined Benefit Plans Remeasurement Gain / Loss	(32.292)	(238.563)
	<u>(32.292)</u>	<u>(238.563)</u>

e) Restricted Reserves Outgoing from Profit

	<u>31.03.2016</u>	<u>31.12.2015</u>
Legal Reserves	2.061.453	2.061.453
Total	<u>2.061.453</u>	<u>2.061.453</u>

f) Retained Profit / (Loss)

	<u>31.03.2016</u>	<u>31.12.2015</u>
Retained Profit / (Loss)	27.660.385	9.039.516
Total	<u>27.660.385</u>	<u>9.039.516</u>

g) Minority Shares

	<u>31.03.2016</u>	<u>31.12.2015</u>
Balance at 1 January	17.910	3.116.498
Additions / Disposals (*)	(8.987)	(3.107.575)
Minority Profit / (Loss) Share	1.932	8.987
Minority Shares	<u>10.855</u>	<u>17.910</u>

<u>h) Merge Effect of Common Controlled Entity and Business</u>	31.03.2016	31.12.2015
Merge Effect of Common Controlled Entity and Business (*)	(1.759.039)	(1.759.039)
Total	(1.759.039)	(1.759.039)

(*) Company has been purchased Isipan and Profil's TL 89.000 and TL 466.677 nominal amount of shares by paying respectively 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2015

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

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

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 .

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

22. INCOME TAXES

Current Tax Related to Assets

	<u>31.03.2016</u>	<u>31.12.2015</u>
Prepaid Taxes and Funds	2.193	2.193

Tax Provision

	<u>31.03.2016</u>	<u>31.12.2015</u>
Current Income Tax Provision (-)	(377.752)	(7.056.176)
Deferred Tax Provision Income / (Loss)	(149.825)	1.936.086
Total	<u>(527.577)</u>	<u>(5.120.090)</u>

Corporate Tax

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

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

Corporations calculate and pay quarterly temporary corporate tax of 20%. (2015: %20).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2015

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

22. INCOME TAXES (continued)

The tax legislation provides for a temporary tax (prepaid tax) of 20% (20% in 2015) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final tax liability for the year.

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

Income Tax Withholding

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

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

	<u>31.03.2016</u>	<u>31.12.2015</u>
Profit Before Tax	3.079.663	23.749.946
Taxable Profit	3.079.663	23.749.946
Corporate Tax Rate (%20)	20%	20%
Calculated Tax	615.933	4.749.989
Nonallowable Charges	53.640	(327.391)
Exemptions and Deductions	(17.243)	715.773
Deferred Tax Income, Net	(149.825)	1.936.086
Other	(124.753)	(18.281)
Total	<u>377.752</u>	<u>7.056.176</u>

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

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

22. INCOME TAXES (continued)Deferred Tax:

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

Deferred tax rate is %20. (2015 :%20)

	31 March 2016		31 December 2015	
	TEMPORARY DIFFERENCES	Deferred Tax Assets / (Liabilities)	TEMPORARY DIFFERENCES	Deferred Tax Assets / (Liabilities)
Deferred Tax Liabilities		(303.575)		(921.461)
Terminated Provisions (Doubtful Receivables+ Inventory Impairment)	6.269	(1.254)	87.420	(17.484)
Previous Period Inventory Rediscount Adjustment (Financial Expenses)	323.066	(64.613)	-	-
Receivable Rediscount (Reversal)	192.591	(38.518)	106.811	(21.362)
Real Estate Appreciation (Investment Purpose)	-	-	-	-
Real Estate Appreciation (Intended Purpose)	-	-	501.000	(25.050)
Tangible Asset Sales Adjustment (TPL Sales Loss Reversal+IFRS Profit on Sale)	16.924	(3.385)	1.043.082	(208.616)
TPL(Tax Procedure Law) Amortization Expense Reversal	498.408	(99.682)	2.098.579	(419.716)
Leave Provision Reversal	104.129	(20.826)	95.504	(19.101)
Severance Pay Provision Reversal	315.634	(63.127)	266.372	(53.274)
Payable Rediscount	60.856	(12.171)	237.693	(47.539)
Severance Pay Actuerial Gain / (Loss)	-	-	73.686	(14.737)
Warranty Expense Provision Reversal	-	-	472.907	(94.581)
Deferred Tax Assets		153.750		2.857.547
Receivable Impairment (Receivables Booked as Expense)	-	-	(6.048.426)	1.209.685
Tangible Assets Sales Adjustment (TPL Sales Profit Reversal+IFRS Sales Loss)	(27.727)	5.545	(3.565.424)	713.085
Reclassification of Expenses Capitalized According to TPL	-	-	-	47.757
Financial Expense Deducted from Assets	-	-	(522.197)	104.439
Current Period IAS 16, IAS 38 Amortization Expense	(80.909)	16.182	(1.727.739)	345.548
Impairment of Inventories	-	-	(37.600)	7.520
Severance Pay Provision Reversal	-	-	(22.547)	4.509
Receivable Rediscount	(121.952)	24.390	(192.591)	38.518
Leave Provision	-	-	(64.045)	12.809
Warranty Expense Provision	-	-	(911.615)	182.323
Provision for Doubtful Receivables	-	-	-	-
Severance Pay Actuerial Gain / (Loss)	(300.169)	60.034	(767.932)	153.586
Payable Rediscount (Reversal)	(237.994)	47.599	(188.833)	37.767
Deffered Tax Liability Deducted from Real Estate (Intended Purpose) Value Fund	-	-	(125.250)	25.050
Net, Deffered Tax Receivables Reflected to Profit / (Loss)		(149.825)		1.936.086

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2015

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

23. EARNING PER SHARE

Earning Per Share	01.01. - 31.03.2016	01.01. - 31.12.2015
Net Profit / (Loss), Parent	2.550.154	18.620.869
Weighted Average Number of Shares	25.000.000	25.000.000
Earning / (Loss) Per Share from Operating Activities	0,102	0,745
Diluted Earning / (Loss) Per Share from Operating Activities	0,102	0,745

24. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

a) Capital Risk Management

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

The Group's capital risk management, calculating as disclosed in note 8 including loans, debts, and, respectively, of cash and cash equivalents as disclosed in note 6 , paid-in capital, defined benefit plans, re-measurement gains / losses, capital reserves, profit reserves and retained earnings / (loss) comprising shareholders' equity are taken into account and as disclosed in note 21.

Group capital cost and each risks regarding capital evaluate by executives. According to the evaluate company aim to 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 March 31, 2016 and December 31, 2015 are as follows:

	31.03.2016	31.12.2015
Financial Liabilities	107.701.770	102.342.439
Less : Cash and Cash Equivalents	(398.371)	(16.981.050)
Net Financial Liabilities	107.303.399	85.361.389
Total Equity	65.429.020	62.679.650
Liabilities / Equity Ratio	1,64	1,36

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

b) Foreign Exchange Risk Management

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2015

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

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

b) Foreign Exchange Risk Management (continued)

CONSOLIDET EXCHANGE POSITION TABLE	31.03.2016			31.12.2015		
	TL Equivalent	USD	EURO	TL Equivalent	USD	EURO
1.Trade Receivables	65.724.356	9.732.374	11.891.352	57.159.978	9.399.586	9.387.507
2a. Monetary Financial Assets (including cash and bank accounts)	268.860	48.255	41.204	8.386.019	387.890	2.284.174
2b. Non-Monetary Financial Assets	4.055.559	921.456	450.330	4.526.303	1.142.515	379.005
3. Other						
4. Current Assets (1+2+3)	70.048.775	10.702.085	12.382.886	70.072.300	10.929.990	12.050.686
5. Trade Receivables						
6a. Monetary Financial Assets						
6b. Non-Monetary Financial Assets						
7. Other						
8. Non-Current Assets (5+6+7)	-	-	-	-	-	-
9. Total Assets (4+8)	70.048.775	10.702.085	12.382.886	70.072.300	10.929.990	12.050.686
10. Trade Payables	6.770.047	425.901	1.734.142	14.351.631	764.216	3.817.219
11. Financial Liabilities	41.108.836	2.219.440	10.853.862	31.003.909	2.379.722	7.579.504
12a. Other Monetary Financial Liabilities						
12b. Other Non-Monetary Financial Liabilities	5.188.493	549.460	1.132.026	6.771.541	701.290	1.489.322
13. Short-Term Liabilities (10+11+12)	53.067.376	3.194.801	13.720.029	52.127.080	3.845.228	12.886.045
14. Trade Payables						
15. Financial Liabilities	20.949.661	885.409	5.748.245	22.279.968	877.492	6.208.639
16a. Monetary Financial Other Liabilities						
16b. Non-Monetary Financial Other Liabilities						
17. Long-Term Liabilities (14+15+16)	20.949.661	885.409	5.748.245	22.279.968	877.492	6.208.639
18. Total Liabilities (13+17)	74.017.037	4.080.210	19.468.274	74.407.048	4.722.720	19.094.684
19. . Off Balance Sheet Derivative Instruments Net Assets / (Liabilities) (19a-19b)						
19a.Total Assets Hedged						
19b.Total Liabilities Hedged						
20. Net Foreign Currency Assets (9-18+19)	(3.968.262)	6.621.876	(7.085.388)	(4.334.748)	6.207.271	(7.043.998)
21. Monetary Items Net Foreign Currency Assets / (Liability) Position (IFRS 7.B23) (1+2a+5+6a-10-11-12a-14-15-16a)	(2.835.328)	6.249.880	(6.403.692)	(2.089.511)	5.766.046	(5.933.681)
22. Total Fair Value of Financial Instruments Used for Currency Hedge						

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2015

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

24. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**b) Foreign Exchange Risk Management (continued)**

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

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

Exchange Rate Analysis Table		
31.03.2016		
	Appreciated Exchange Rate	Depreciated Exchange Rate
Increase of 10% change in USD against TL:		
1- USD Net Assets / Liabilities	1.876.240	(1.876.240)
2- The Amount of USD Hedging (-)		
3- USD Net Effect (1+2)	1.876.240	(1.876.240)
Increase of 10% change in EUR against TL:		
4- EUR Net Assets / Liabilities	(2.273.066)	2.273.066
5- The Amount of EUR Hedging (-)		
6- EUR Net Effect (4+5)	(2.273.066)	2.273.066
Increase of 10% change in GBP against TL:		
7- GBP Net Assets / Liabilities		
8- The Amount of GBP Hedging (-)		
9- GBP Net Effect (7+8)	-	-
TOTAL (3+6+9)	(396.826)	396.826

Exchange Rate Analysis Table		
31.12.2015		
	Appreciated Exchange Rate	Depreciated 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
Increase of 10% change in GBP against TL:		
7- GBP Net Assets / Liabilities		
8- The Amount of GBP Hedging (-)		
9- GBP Net Effect (7+8)		
TOTAL (3+6+9)	(433.474)	433.474

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

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

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

31.03.2016	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
Financial Assets						
Cash and Cash Equivalents		398.371			398.371	6
Trade Receivables		89.057.282			89.057.282	9
Financial Investments						
Financial Liabilities						
Financial Payables				107.701.770	107.701.770	8
Trade Payables				25.514.622	25.514.622	9
Other Financial Liabilities						

31.12.2015	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
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						

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

Financial Instrument fair values determine as follows;

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

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

26. POST BALANCE SHEET EVENTS

31.03.2016

- Within the scope of Company’s 24.03.2016 dated application to Capital Market Board to the condition of being in the ceiling of TL 100.000.000, Capital Market Issue Document regarding debt instruments could be issued under conditions respectively; to be within annual period, to be realized for once or more time, with the purpose of selling to dedicated or qualified investors. The document approved with Capital Market Board’s 14.04.2016 and 14/420 numbered decision and notified in 15.04.2016.
- Regarding bond issue; as a result of book-building realized in 10 May 2016, amounting to TL 36.000.000 nominal valued floating-rate and 365 days maturity dated bonds sold to qualified investors without offering to public and operations completed in 10 May 2016.

31.12.2015:

- As at 30 January 2015, the company issued bond which has TL 20.000.000 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.
- As at 31 December 2015, TL 3.828 severance pay ceiling has been increased to TL 4.093 to be effective from 1 January 2016

27. DISCLOSURE OF OTHER MATTERS

None. (31.12.2015: None).