

**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 2016 - 30 JUNE 2016
TOGETHER WITH AUDITOR'S REVIEW REPORT*

**CONVENIENCE TRANSLATION OF THE REVIEW REPORT ON THE INTERIM FINANCIAL
INFORMATION ORIGINALLY PREPARED AND ISSUED IN TURKISH TO ENGLISH**

Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş.
To the Board of Directors,

1. We have reviewed the condensed consolidated statement of financial position and the statement of profit or loss, other comprehensive income, statement of changes in equity and the statement of cash flows for the six-month-period then ended and a summary of significant accounting policies and explanatory condensed notes of Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. and it's subsidiaries (collectively referred to as "the Group") as of June 30, 2016. The management of the Group is responsible for the preparation and fair presentation of the interim financial information in accordance with the Turkish Accounting Standard 34 (TAS 34) "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

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

Opinion

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

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



Cemal ÖZTÜRK, CPA
Partner

İstanbul, 18 August 2016

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND IT'S SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| ASSETS | Notes | Reviewed Current Period 30.06.2016 | Audited Previous Period 31.12.2015 |
|--|-------|--|--|
| CURRENT ASSETS | | 187.733.850 | 177.197.627 |
| Cash and Cash Equivalents | 6 | 10.481.067 | 16.981.050 |
| Financial Investments | 7 | 1.007.261 | - |
| Trade Receivables | | 80.858.969 | 76.199.845 |
| - Trade Receivables from Related Parties | 9 | 475.217 | 455.869 |
| - Trade Receivables from 3rd Parties | 9 | 80.383.752 | 75.743.976 |
| Other Receivables | | 551.444 | 7.979.177 |
| - Other Receivables from Related Parties | | - | - |
| - Other Receivables from 3rd Parties | 10 | 551.444 | 7.979.177 |
| Inventories | 11 | 74.805.887 | 59.656.872 |
| Prepaid Expenses | 12 | 6.616.837 | 5.943.978 |
| Assets Related with Current Period Tax | 22 | 2.193 | 2.193 |
| Other Current Assets | 20 | 13.410.192 | 10.434.512 |
| NON-CURRENT ASSETS | | 57.894.225 | 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 | 36.436.778 | 33.486.482 |
| Intangible Fixed Assets | 16 | 5.808.341 | 3.792.900 |
| - Other Intangible Fixed Assets | | 5.808.341 | 3.792.900 |
| Prepaid Expenses | 12 | 2.121.908 | 1.124.787 |
| Deferred Tax Assets | 22 | 6.838.502 | 6.384.448 |
| TOTAL ASSETS | | 245.628.075 | 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
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| LIABILITIES | Notes | Reviewed Current Period 30.06.2016 | Audited Previous Period 31.12.2015 |
|---|-------|--|--|
| SHORT-TERM LIABILITIES | | 118.049.493 | 111.129.914 |
| Short-Term Borrowings | 8 | 84.994.233 | 51.003.001 |
| Current Part of Long Term Borrowings | 8 | 1.172.986 | 3.597.900 |
| Trade Payables | | 19.843.945 | 45.778.579 |
| - Due to Related Parties | 9 | - | - |
| - Other Trade Payables | 9 | 19.843.945 | 45.778.579 |
| Employee Benefits | 19 | 982.853 | 755.294 |
| Other Payables | | 1.552.924 | 1.575.274 |
| - Due to Related Parties | | - | - |
| - Other Trade Payables | 10 | 1.552.924 | 1.575.274 |
| Deferred Income | 12 | 8.081.066 | 7.020.798 |
| Short-Term Provisions | | 1.421.486 | 1.399.068 |
| - Short-Term Provisions related to Employee Benefits | 19 | 613.269 | 562.124 |
| - Other Short-Term Provisions | 18 | 808.217 | 836.944 |
| LONG-TERM LIABILITIES | | 57.819.593 | 54.865.376 |
| Long-Term Borrowings | 8 | 49.878.109 | 47.741.538 |
| Long-Term Provisions | | 2.995.846 | 2.609.471 |
| - Long-Term Provisions related to Employee Benefits | 19 | 2.995.846 | 2.609.471 |
| - Other Long-Term Provisions | | - | - |
| Deferred Tax Liability | 22 | 4.945.638 | 4.514.367 |
| EQUITY CAPITAL | 21 | 69.758.989 | 62.679.650 |
| EQUITY CAPITAL OF PARENT COMPANY | 21 | 69.736.470 | 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 | | 9.620.953 | 9.737.768 |
| - Revaluation and Measurement Income / (Loss) | 21 | 9.976.331 | 9.976.331 |
| - Identified Benefit Plans Reclassification Income / (Loss) | 21 | (355.378) | (238.563) |
| Restricted Reserves | 21 | 3.150.869 | 2.061.453 |
| The Merge Effect of Entities subject to Common Control | 21 | (1.759.039) | (1.759.039) |
| Retained Earnings | 21 | 26.570.969 | 9.039.516 |
| Net Profit / (Loss) of the Period | 23 | 7.191.545 | 18.620.869 |
| NON-CONTROLLING SHARES | | 22.519 | 17.910 |
| TOTAL LIABILITIES | | 245.628.075 | 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
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| | | Reviewed | | | |
|--|-------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | Current Period | Previous Period | Current Period | Previous Period |
| | | 01.01.2016 - 30.06.2016 | 01.01.2015 - 30.06.2015 | 01.04.2016 - 30.06.2016 | 01.04.2015 - 30.06.2015 |
| ONGOING ACTIVITIES | | | | | |
| Revenue | Notes | | | | |
| Cost of Sales (-) | 5 | 68.299.708 | 136.795.522 | 26.678.153 | 101.908.314 |
| | 5 | (37.714.602) | (107.002.856) | (8.662.812) | (82.153.789) |
| GROSS PROFIT / (LOSS) | | 30.585.106 | 29.792.666 | 18.015.341 | 19.754.525 |
| General Administrative Expenses (-) | 5 | (5.891.566) | (4.657.162) | (3.730.298) | (2.352.569) |
| Marketing Expenses (-) | 5 | (7.940.137) | (5.696.631) | (4.324.775) | (2.939.293) |
| Research and Development Expenses (-) | | (587.292) | - | (44.433) | - |
| Other Income from Operations | 5 | 3.176.028 | 10.148.423 | 1.845.124 | 3.542.334 |
| Other Expenses from Operations (-) | 5 | (2.702.021) | (7.980.832) | (918.296) | (2.455.010) |
| OPERATING PROFIT / (LOSS) | | 16.640.118 | 21.606.464 | 10.842.663 | 15.549.987 |
| Income from Investing Activities | 5 | 331.339 | 147.639 | 295.755 | 15.618 |
| Expenses from Investing Activities (-) | 5 | - | - | - | - |
| OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES | | 16.971.457 | 21.754.103 | 11.138.418 | 15.565.605 |
| Financial Income | 5 | 1.446.110 | 3.601.778 | 99.520 | 944.369 |
| Financial Expenses (-) | 5 | (9.897.779) | (14.613.584) | (5.797.813) | (8.174.336) |
| PROFIT / (LOSS) BEFORE PROVISION FOR TAXES | | 8.519.788 | 10.742.297 | 5.440.125 | 8.335.638 |
| Tax Income / (Expense) from Operating Activities | | (1.323.634) | (2.155.889) | (796.057) | (1.758.556) |
| - Tax for Period | 22 | (1.317.213) | (2.177.461) | (939.461) | (1.895.365) |
| - Deferred Tax Income / (Expense) | 22 | (6.421) | 21.572 | 143.404 | 136.809 |
| NET PROFIT / (LOSS) FOR THE PERIOD | | 7.196.154 | 8.586.408 | 4.644.068 | 6.577.082 |
| Period Profit / (Loss) Distribution | | | | | |
| - Non-Controlling Interests | | 7.196.154 | 8.586.408 | 4.644.068 | 6.577.082 |
| - Parent Compant Shares | 23 | 4.609 | 804.989 | 2.677 | 236.824 |
| Earnings Per Share | | 7.191.545 | 7.781.419 | 4.641.391 | 6.340.258 |
| - Earnings Per Share from Ongoing Operations | | 0,29 | 0,31 | 0,19 | 0,25 |
| - Diluted Earnings Per Share from Ongoing Operations | | 0,29 | 0,31 | 0,19 | 0,25 |
| NET PROFIT / (LOSS) | | 7.196.154 | 8.586.408 | 4.644.068 | 6.577.082 |
| Items not to be Reclassified in Profit or Loss | | | | | |
| Increase / (Decrease) from Revalution of Tangible Fixed Assets | 21 | (116.814) | 141.397 | (323.086) | 325.026 |
| Increase / (Decrease) from Revalution of Intangible Fixed Assets | | | | | |
| Defined Benefit Plans Remeasurement Gains / (Losses) | | (146.018) | 172.633 | (403.858) | 325.657 |
| Tax Income/(Loss) related to Other Comprehensive Income not to be Reclassified in Profit or Loss | | | | | |
| - Current Tax (Expense) / Income) | | 29.204 | (31.236) | 80.772 | (631) |
| - Deferred Tax (Expense) / Income) | | | | | |
| OTHER COMPREHENSIVE INCOME (AFTER TAX) | | (116.814) | 141.397 | (323.086) | 325.026 |
| TOTAL COMPREHENSIVE INCOME | | 7.079.340 | 8.727.805 | 4.320.982 | 6.902.108 |
| Comprehensive Income Distribution : | | | | | |
| - Non-Controlling Shares | | 7.079.340 | 8.727.805 | 4.320.982 | 6.902.108 |
| - Parent Company Shares | | 3.350 | 820.153 | (7.161) | 275.654 |
| | | 7.073.990 | 7.907.652 | 4.328.143 | 6.626.454 |

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
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

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

PREVIOUS PERIOD

01 January 2015 Opening (Opening)

Transferler

Total Comprehensive Income

Increase / Decrease from Other Changes

Balance at 30 June 2015 (Closing)

CURRENT PERIOD

01 January 2016 Opening (Opening)

Transferler

Total Comprehensive Income

Balance at 30 June 2016 (Closing)

| Notes | Paid-in Capital | Rescued Shares | Other Comprehensive Income / (Loss) Not to be Reclassified on Profit or Loss | | The Merge Effect of Entities subject to Common Control | Restricted Reserves | Retained Earnings | | Equity Holders of the Parent | Non Controlling Shares | Equity |
|-------|-----------------|----------------|---|---|--|------------------------|--------------------------------|-------------------------------|---------------------------------|------------------------------|------------|
| | | | Identified Benefit Plans Reclassification Income / (Loss) | Tangible Fixed Assets Revaluation Increase | | | Retained Profit / (Loss) | Net Period Profit / (Loss) | | | |
| 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 |
| | - | - | - | - | - | - | 9.311.684 | (9.311.684) | - | - | - |
| 21 | - | - | 141.398 | - | - | - | - | 7.781.419 | 7.922.817 | 804.989 | 8.727.806 |
| | - | - | - | - | - | (46.852) | 2.000.870 | - | 1.954.018 | (2.754.972) | (800.954) |
| 21 | 25.000.000 | (38.827) | (168.532) | 7.309.143 | (1.759.039) | 2.061.453 | 9.936.915 | 7.781.419 | 50.122.532 | 1.166.515 | 51.289.047 |
| 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 |
| | - | - | - | - | - | - | 18.620.869 | (18.620.869) | - | - | - |
| 21 | - | - | (116.815) | - | - | 1.089.416 | (1.089.416) | 7.191.545 | 7.074.730 | 4.609 | 7.079.339 |
| 21 | 25.000.000 | (38.827) | (355.378) | 9.976.331 | (1.759.039) | 3.150.869 | 26.570.969 | 7.191.545 | 69.736.470 | 22.519 | 69.758.989 |

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
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| | | Reviewed | |
|--|-------|--|---|
| | Notes | Current Period 01.01.2016 - 30.06.2016 | Previous Period 01.01.2015 - 30.06.2015 |
| A. CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| | | (30.745.063) | (25.540.261) |
| Net Profit / (Loss) for Period | | | |
| | | 7.196.154 | 8.586.408 |
| Adjustments to Reconcile Net Profit / (Loss) : | | | |
| | | 4.369.572 | 3.216.156 |
| - Depreciation and Amortization | | | |
| | | 1.001.005 | 812.528 |
| - Impairments / Reversals | | | |
| | | (6.269) | 7.643 |
| - Changes in Provisions | | 11 | |
| | | 382.009 | 912.975 |
| - Interest Income and Expense | | 18 | |
| - Fair Value (Loss) / Gain | | | |
| | | 2.170.574 | 82.322 |
| - Unrealized Foreign Currency Conversion Difference | | | - |
| - Gain / Loss from Sales of Tangible Fixed Assets | | | (506.568) |
| | | | (750.452) |
| - Cashflows from Investment or Financing Operations | | | 5.187 |
| | | | (3.549) |
| - Profit / (Loss) Reconciliations | | | |
| | | 1.323.634 | 2.154.689 |
| Changes in Working Capital | | | |
| | | (38.947.102) | (31.090.158) |
| - Increases / (Decreases) in Inventories | | | |
| | | | |
| - Increases / (Decreases) in Trade Receivables | | 11 | |
| | | (15.149.015) | (21.145.262) |
| - Increases / (Decreases) in Other Receivables | | 9 | |
| | | (4.659.124) | (10.887.028) |
| - Increases (Decreases) in Trade Payables | | | |
| | | 7.427.733 | 784.496 |
| - Increases (Decreases) in Other Payables | | 9 | |
| | | (25.934.634) | 22.205.446 |
| - Other Increase / (Decreases) in Working Capital | | | |
| | | (22.350) | 1.017.212 |
| Cash Flow from Operating Activities | | | |
| | | (609.712) | (23.065.022) |
| | | (27.381.376) | (19.287.594) |
| Tax Payments / Returns | | | |
| Other Cash Inflows / Outflows | | | (77.127) |
| | | (3.363.687) | (6.175.540) |
| B. CASHFLOW PROVIDED BY INVESTING ACTIVITIES | | | |
| | | (6.582.307) | (4.254.782) |
| Proceeds from Sale of Tangible and Intangible Assets | | | |
| | | | |
| Cash Outflows due to Purchases of Tangible and Intangible Assets | | 15,16 | |
| | | 56.235 | 130.280 |
| Proceeds from Government Promotions | | 15,16 | |
| | | (6.941.314) | (4.521.413) |
| Interest Collected | | | |
| | | | - |
| Tax Payments / Returns | | | |
| | | 268.110 | 136.351 |
| Other Cash Inflows / Outflows | | | |
| | | 34.662 | |
| C. CASH FLOW PROVIDED BY FINANCING ACTIVITIES | | | |
| | | 30.827.387 | 30.970.110 |
| Cash Outflows from Reacquired Shares and Other Equity Instruments | | | |
| Proceeds from Borrowings | | | |
| | | 102.665.230 | 117.554.509 |
| Payments of Borrowings | | | |
| | | (67.149.043) | (80.956.520) |
| Financial Lease Payments | | | |
| | | (514.529) | (565.423) |
| Interest Collected | | | |
| | | | 495.928 |
| Interest Payments | | | |
| | | (4.174.271) | (5.558.384) |
| NET INCREASE / (DECREASE) IN CASH EQUIVALENTS BEFORE FOREIGN CURRENCY CONVERSION ADJUSTMENTS | | | |
| | | (6.499.983) | 1.175.067 |
| D. FOREIGN CURRENCY CONVERSION ADJUSTMENTS EFFECTS ON CASH AND CASH EQUIVALENTS | | | |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| | | (6.499.983) | 1.175.067 |
| E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | | | |
| | | 6 | |
| | | 16.981.050 | 6.743.368 |
| CASH AND CASH EQUIVALENTS AT THE END OF PERIOD | | | |
| | | 6 | |
| | | 10.481.067 | 7.918.435 |

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(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 which 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 regarding defense industry production and a liaison office which is located in Küçükbakkalköy Mah. Önder Sk. Panoroma 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 36,28 % of sheres are trading Istanbul Stock Exchange Inc. (ISE) as of June 30, 2016.

As of 30 June 2016, the total number of people employed by the Group is 291. (31 December 2015: 349).

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

Şirket'in bağlı ortaklıklarına ilişkin bilgiler aşağıda verilmektedir:

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

Companies included in consolidation:

| <u>Company Title</u> | <u>Nature of Business</u> | <u>Establishment Place</u> |
|--|---------------------------------|----------------------------|
| Katmerciler Profil San. ve Tic. A.Ş. | Painting Works | Turkey |
| Isipan Otomotiv ve Üst Ekipman Metal ve Makine San. ve Tic. A.Ş. | Weld workshop | Turkey |
| Gimkat Araç Üstü Ekipman San. ve Tic. A.Ş. | Onboard equipment manufacturing | Turkey |

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

A. Basic Standards of Presentation

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

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

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

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

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

In order to prepare financial statements in accordance with IFRSs, certain assumptions affecting notes to the financial statements and critical accounting estimations related to assets, liabilities, contingent assets and contingent liabilities are required to be used. Although these estimations are made upon the best afford of the management by interpreting the cyclical circumstances, actual results may differ from the forecasts. Issues that are complex and needs further interpretation, which might have a critical impact on financial statements. There is no change in judgements and critical accounting estimates used in interim condensed consolidated financial statements as of 30 June 2016.

Preparation of Financial Statements in Hyperinflationary Periods

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

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.

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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

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 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.

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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.

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

B. Declaration of Conformity to TAS

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

According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards / Turkish Financial Reporting Standards (TAS/IFRS) 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.

Interim condensed consolidated financial statements were authorized for issue on August 18, 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.

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5. SEGMENT INFORMATION (continued)

| 30.06.2016 | Onboard Vehicle Equipment | Weld Works | Painting Work | Consolidation Adjustments | Total |
|---|---------------------------------|-----------------|------------------|------------------------------|--------------------|
| Net Non-Group Sales | 68.277.093 | 15.153 | 7.462 | - | 68.299.708 |
| Net In-Group Sales | 10.285.179 | 612.869 | 723.063 | (11.621.111) | - |
| Net Sales Total | 78.562.272 | 628.022 | 730.525 | (11.621.111) | 68.299.708 |
| Cost of Sales (-) | (49.358.378) | (379.465) | (460.191) | 12.483.432 | (37.714.602) |
| Gross Profit | 29.203.894 | 248.557 | 270.334 | 862.321 | 30.585.106 |
| Research and Development Expenses (-) | (587.292) | - | - | - | (587.292) |
| Marketing, Selling and Distribution Expense (-) | (7.985.033) | - | - | 44.896 | (7.940.137) |
| General Administrations Expense (-) | (5.700.146) | (151.326) | (83.364) | 43.270 | (5.891.566) |
| Other Operating Income | 1.611.604 | 29.722 | 346.151 | 1.188.551 | 3.176.028 |
| Other Operating Expenses (-) | (586.261) | (328) | (487) | (2.114.945) | (2.702.021) |
| Operating Profit/Loss | 15.956.766 | 126.625 | 532.634 | 24.093 | 16.640.118 |
| Income from Investment Operation | 28.565 | - | - | 302.774 | 331.339 |
| Expense from Investment Operation (-) | - | - | - | - | - |
| OPERATION PROFIT BEFORE FINANCIAL INCOME AND EXPENSE | 15.985.331 | 126.625 | 532.634 | 326.867 | 16.971.457 |
| Financial Income | 3.810.439 | 239 | - | (2.364.568) | 1.446.110 |
| Financial Expense (-) | (12.580.523) | (278) | - | 2.683.022 | (9.897.779) |
| PRE-TAX PROFIT (LOSS) FROM ONGOING OPERATIONS | 7.215.247 | 126.586 | 532.634 | 645.321 | 8.519.788 |
| Tax Income / (Expense) from Operating Activities | (1.193.197) | (20.234) | (110.203) | - | (1.323.634) |
| - Tax Income / (Expense) | (1.177.259) | (23.855) | (116.099) | - | (1.317.213) |
| - Deferred Tax Income / (Expense) | (15.938) | 3.621 | 5.896 | - | (6.421) |
| NET PROFIT / (LOSS) | 6.022.050 | 106.352 | 422.431 | 645.321 | 7.196.154 |
| Investment Expenditure | | | | | |
| Tangible Fixed Assets | 4.660.420 | - | - | - | 4.660.420 |
| Intangible Fixed Assets | 2.280.894 | - | - | - | 2.280.894 |
| Amortization | 629.485 | 10.370 | 67.062 | - | 706.917 |
| Amortization and Depletion | 294.087 | - | - | - | 294.087 |
| Total Investment Expenditure | 6.941.314 | - | - | - | 6.941.314 |
| Other Information | | | | | |
| - Total Assets | 255.120.970 | 984.430 | 15.212.631 | (25.689.955) | 245.628.075 |
| - Total Liabilities | 255.120.970 | 984.430 | 15.212.631 | (25.689.955) | 245.628.075 |

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

5. SEGMENT INFORMATION (continued)

| 30.06.2015 | Onboard Vehicle Equipment | Weld Works | Painting Work | Consolidation Adjustment | Total |
|---|---------------------------------|-----------------|------------------|-----------------------------|--------------------|
| Net Non-Group Sales | 136.765.503 | 10.699 | 19.320 | - | 136.795.522 |
| Net In-Group Sales | 11.338.971 | 792.320 | 687.699 | (12.818.990) | - |
| Net Sales Total | 148.104.474 | 803.019 | 707.019 | (12.818.990) | 136.795.522 |
| Cost of Sales (-) | (119.226.453) | (542.250) | (597.255) | 13.363.102 | (107.002.856) |
| Gross Profit | 28.878.022 | 260.769 | 109.764 | 544.112 | 29.792.666 |
| Research and Development Expenses (-) | - | - | - | - | - |
| Marketing, Selling and Distribution Expenses (-) | (5.717.388) | - | - | 20.756 | (5.696.631) |
| General Administrations Expense (-) | (4.532.229) | (144.914) | (68.485) | 88.465 | (4.657.162) |
| Other Operating Income | 10.529.508 | 65.912 | 436.469 | (883.466) | 10.148.423 |
| Other Operating Expense (-) | (7.979.949) | (360) | (523) | - | (7.980.832) |
| Operating Profit / (Loss) | 21.177.964 | 181.407 | 477.225 | (230.132) | 21.606.464 |
| Income from Investment Operation | 147.603 | - | - | 36 | 147.639 |
| Expense from Investment Operation (-) | - | - | - | - | - |
| PRE-TAX PROFIT (LOSS) FROM ONGOING OPERATIONS | 21.325.567 | 181.407 | 477.225 | (230.096) | 21.754.103 |
| Financial Income | 4.388.981 | 469 | - | (787.672) | 3.601.778 |
| Financial Expense (-) | (15.576.624) | (775) | 1 | 963.814 | (14.613.584) |
| PRE-TAX PROFIT (LOSS) FROM ONGOING OPERATIONS | 10.137.924 | 181.101 | 477.226 | (53.954) | 10.742.297 |
| Tax Income / (Expense) from Operating Activities | (2.028.930) | (34.739) | (92.220) | - | (2.155.889) |
| -Tax Income / (Expense) | (2.039.811) | (36.552) | (101.098) | - | (2.177.461) |
| -Deferred Tax Income / (Expense) | 10.881 | 1.813 | 8.878 | - | 21.572 |
| NET PROFIT / (LOSS) | 8.108.994 | 146.362 | 385.006 | (53.954) | 8.586.408 |
| Investment Expenditure | | | | | |
| Tangible Fixed Assets | 3.014.459 | - | - | - | 3.014.459 |
| Intangible Fixed Assets | 1.506.954 | - | - | - | 1.506.954 |
| Amortization | 531.175 | 198 | 60.358 | - | 591.731 |
| Amortization and Depletion | 256.317 | - | - | - | 256.317 |
| Total Investment Expenditure | 4.521.413 | - | - | - | 4.521.413 |
| <u>Other Information</u> | | | | | |
| - Total Assets | 261.309.962 | 790.088 | 13.306.974 | (15.807.339) | 259.599.685 |
| - Total Liabilities | 261.309.962 | 790.088 | 13.306.974 | (15.807.339) | 259.599.685 |

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6. CASH AND CASH EQUIVALENTS

| | <u>30.06.2016</u> | <u>31.12.2015</u> |
|-----------------------|-------------------|-------------------|
| Cash | 79.798 | 31.476 |
| Banks | 10.401.269 | 16.949.574 |
| - Demand Deposits (*) | 9.889.833 | 16.949.574 |
| TL | 7.228.907 | 8.662.881 |
| USD | 466.828 | 1.096.060 |
| EURO | 2.194.098 | 7.190.633 |
| - Time Deposits | 511.436 | - |
| TL | 511.436 | - |
| Total | 10.481.067 | 16.981.050 |

(*) There is amounting to TL 384.840 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

| | <u>30.06.2016</u> | | <u>31.12.2015</u> | |
|---|-------------------|------------------|-------------------|------------|
| Financial Assets Available for Sale | Nominal Value | Book Value | Nominal Value | Book Value |
| Azimut GBK-Eurobond Debt Instrument Fund | 100.000 | 99.752 | - | - |
| Azimut GMA-Multiple Asset Flexible Debt Instrument Fund | 200.000 | 200.533 | - | - |
| Azimut GTF- Primary Debt Instrument Fund | 700.000 | 706.699 | - | - |
| Azimut GBL- Money market Debt Instrument Fund | 275 | 277 | - | - |
| | 1.000.275 | 1.007.261 | - | - |

8. FINANCIAL BORROWINGS

| | <u>30.06.2016</u> | <u>31.12.2015</u> |
|--|--------------------|--------------------|
| a) Bank Loans | 95.793.112 | 75.738.417 |
| b) Principal Repayments of Long Term Loans | 1.172.986 | 3.597.900 |
| c) Issued Bond | 36.723.545 | 20.647.602 |
| d) Financial Lease Obligations | 2.355.685 | 2.358.520 |
| Total | 136.045.328 | 102.342.439 |

a) Bank Loans

30.06.2016

| <u>Currency</u> | <u>Average Interest Rate (%)</u> | <u>Short-Term</u> | <u>Short-Term Portion of Long-Term Loans</u> | <u>Long-Term</u> |
|-----------------|------------------------------------|-------------------|--|-------------------|
| TL | 15,60-11,16 | 13.826.862 | 832.504 | 26.443.398 |
| USD | 3,20-4,50 | 776.148 | 166.229 | 1.659.376 |
| EUR | 2,85-4,80 | 33.193.233 | 174.253 | 19.894.095 |
| Total | | 47.796.243 | 1.172.986 | 47.996.869 |

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8. FINANCIAL BORROWINGS (continued)

a) Bank Loans (continued)

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 | | 29.565.935 | 3.597.900 | 46.172.482 |

| | | |
|----------------------------|-------------------|-------------------|
| | <u>30.06.2016</u> | <u>31.12.2015</u> |
| Payable within 1 year | 48.969.229 | 33.163.835 |
| Payable within 1 - 2 years | 21.360.669 | 15.390.827 |
| Payable within 2 - 3 years | 14.952.130 | 13.806.443 |
| Payable within 3 - 4 years | 11.684.070 | 16.975.212 |
| Total | 96.966.098 | 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 TL 15.6 million –values of buildings (31.12.2015: EUR 600.000, USD 5.000.000 and TL 15.600.000).

b) Principal Repayments of Long Term Loans

| <u>Currency</u> | <u>Average Interest Rate (%)</u> | <u>30.06.2016</u> | <u>31.12.2015</u> |
|-----------------|----------------------------------|-------------------|-------------------|
| TL | 11,25 | 832.504 | 2.594.236 |
| USD | 3,25-4,50 | 166.229 | 227.062 |
| EUR | 4,50 | 174.253 | 776.602 |
| Total | | 1.172.986 | 3.597.900 |

c) Issued Bonds

30.06.2016

| <u>Currency</u> | <u>Nominal Interest Rate</u> | <u>Term</u> | <u>Nominal Value</u> | <u>Book Value</u> |
|-----------------|------------------------------|-------------|----------------------|-------------------|
| TL | 15,18(*) Annual | 10.05.2017 | 36.000.000 | 36.723.545 |

(*) The amount of accrued interest is amounting to TL 723.545 as of 30.06.2016.

(*) 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 %5,00 addition annual yield. Bond are paid in quarterly and principal will be paid in date of maturity.

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8. FINANCIAL BORROWINGS (continued)**c) Issued Bonds (continued)****31.12.2015**

| Currency | Nominal Interest Rate | Term | Nominal Value | Book Value |
|----------|-----------------------|------------|---------------|------------|
| TL | 13,21 (*) Annual | 01.02.2016 | 20.000.000 | 20.647.602 |

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

(*) 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

| <u>Net Value</u> | <u>30.06.2016</u> | <u>31.12.2015</u> |
|--|-------------------|-------------------|
| Machinery, Equipment and Installations (net) | 2.355.685 | 2.358.520 |

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>Less than</u> <u>1 Year</u> | <u>TL</u> <u>More than 1 Year -</u> <u>Less than 5 Years</u> | <u>TL</u> <u>More than 5</u> <u>Years</u> | <u>TL</u> <u>Total</u> |
|---|--|--|---|---------------------------|
| 30.06.2016 | | | | |
| Amount of Minimum Lease Payments | | | | |
| TL Denominated Finance Leases | 533.567 | 2.020.741 | - | 2.554.308 |
| Total | 533.567 | 2.020.741 | - | 2.554.308 |
| Present Value of Payments | | | | |
| TL Denominated Finance Leases | 474.445 | 1.881.240 | - | 2.355.685 |
| Total | 474.445 | 1.881.240 | - | 2.355.685 |
| 31.12.2015 | | | | |
| 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 |

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

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.

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>30.06.2016</u> | <u>31.12.2015</u> |
|--|--------------------------|--------------------------|
| Customers | 71.168.958 | 64.892.194 |
| Postdated Checks | 9.289.073 | 11.044.373 |
| Less: Unaccrued Finance Income | (74.279) | (192.591) |
| Doubtful Trade Receivables (*) | 2.730.706 | 2.721.528 |
| Less: Provision for Doubtful Trade Receivables | (2.730.706) | (2.721.528) |
| Sub Total | 80.383.752 | 75.743.976 |
| | | |
| - Trade Receivables from Related Parties | 475.217 | 455.869 |
| Total | 80.858.969 | 76.199.845 |

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

| <u>Customers, Notes Receivables and Postdated Check</u> | <u>30.06.2016</u> | <u>31.12.2015</u> |
|--|--------------------------|--------------------------|
| Maturity between 1 – 3 Months | 51.842.950 | 49.162.090 |
| Maturity between 3 – 6 Months | 25.437.162 | 22.832.437 |
| Maturity between 6 – 9 Months | 3.653.136 | 4.397.909 |
| Maturity between 9 - 12 Months | - | - |
| Total | 80.933.248 | 76.392.436 |

As of 30.06.2016, the weighted average of interest rate respectively 8,46 % and 0,75 % and 0,00 % 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 30 June 2016, amounting to TL 2.730.706 (31.12.2015: TL 2.721.528) of trade receivables are doubtful receivables. As at 30 June 2016 amounting to TL 329.587 (2015: TL 1.719.588) provision has been made. Doubtful receivables consist of uncollected amount of sales.

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

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

| | <u>30.06.2016</u> | <u>31.12.2015</u> |
|-----------------------------------|-------------------|-------------------|
| Doubful Trade Receivables | | |
| Opening | 2.721.528 | 1.149.127 |
| Period Expense | 329.587 | 1.719.588 |
| Less: Cancelled within the Period | (320.409) | (147.187) |
| Closing | <u>2.730.706</u> | <u>2.721.528</u> |

Long-Term Trade Receivables

None (31.12.2015: None).

b) Trade Payables:

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

| <u>Short-Term Trade Receivables</u> | <u>30.06.2016</u> | <u>31.12.2015</u> |
|-------------------------------------|-------------------|-------------------|
| Suppliers (*) | 7.336.614 | 7.909.210 |
| Notes Payables (*) | 8.691.649 | 30.210.459 |
| Less: Unaccrued Finance Expense | (89.289) | (300.557) |
| Other Trade Payables | 3.904.971 | 7.959.467 |
| Total | <u>19.843.945</u> | <u>45.778.579</u> |

As of 30.06.2016, the weighted average of interest rates are % 8,46, %0,75 and % 0,00 used to calculate unearned finance expense for short-term trade payables in terms of TL, USD and EUR. (31.12.2015: %10,28 %0,00- %-0,00)

| <u>(*)Suppliers and Notes Payables</u> | <u>30.06.2016</u> | <u>31.12.2015</u> |
|--|-------------------|-------------------|
| Maturity between 0 - 6 Months | 11.528.014 | 31.802.063 |
| Maturity between 6 - 9 Months | 4.500.249 | 6.317.606 |
| Total | <u>16.028.263</u> | <u>38.119.669</u> |

Long-Term Trade Payables

None (31.12.2015: None).

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10. OTHER RECEIVABLES AND PAYABLES

| <u>Short-Term Other Receivables</u> | <u>30.06.2016</u> | <u>31.12.2015</u> |
|-------------------------------------|-------------------|-------------------|
| Deposits and Guarantees Given | 612 | 43.591 |
| Receivables from Tax Office | 165.992 | 7.870.968 |
| Blocked Receivables (*) | 384.840 | 59.790 |
| Other Miscellaneous Receivables | - | 4.828 |
| Total | <u>551.444</u> | <u>7.979.177</u> |

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

| <u>Long-Term Other Receivables</u> | <u>30.06.2016</u> | <u>31.12.2015</u> |
|------------------------------------|-------------------|-------------------|
| Deposits and Guarantees Given | 29.696 | 29.696 |
| Total | <u>29.696</u> | <u>29.696</u> |

| <u>Short-Term Other Payables</u> | <u>30.06.2016</u> | <u>31.12.2015</u> |
|----------------------------------|-------------------|-------------------|
| Taxes and Funds Payable | 1.546.467 | 1.565.547 |
| Other Miscellaneous Payables | 6.457 | 9.727 |
| Total | <u>1.552.924</u> | <u>1.575.274</u> |

11. INVENTORIES

| | <u>30.06.2016</u> | <u>31.12.2015</u> |
|--|-------------------|-------------------|
| Raw materials | 40.596.871 | 38.805.616 |
| Semi-product | 24.534.159 | 11.673.251 |
| Finished goods | 7.123.214 | 8.761.146 |
| Merchandise | 2.572.589 | 430.022 |
| Other Inventories | 10.386 | 24.437 |
| Provision for impairment in value of inventories (-) | (31.332) | (37.600) |
| Total | <u>74.805.887</u> | <u>59.656.872</u> |

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 is cancelled within the current period (31.12.2015: TL 5.255).

| <u>Provision for Impairment of Inventories</u> | <u>30.06.2016</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 June 30,2016. (31.12.2015: None).

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

| | <u>30.06.2016</u> | <u>31.12.2015</u> |
|------------------------------------|-------------------|-------------------|
| Advances Given for Inventories | 6.312.257 | 5.702.660 |
| Prepaid Expenses for Future Months | 304.580 | 241.318 |
| Total | <u>6.616.837</u> | <u>5.943.978</u> |

Long-Term Prepaid Expenses

| | <u>30.06.2016</u> | <u>31.12.2015</u> |
|-----------------------------------|-------------------|-------------------|
| Advances Given for Property | 2.055.380 | 1.106.755 |
| Prepaid Expenses for Future Years | 66.528 | 18.032 |
| Total | <u>2.121.908</u> | <u>1.124.787</u> |

Short-Term Deferred Income

| | <u>30.06.2016</u> | <u>31.12.2015</u> |
|-----------------------------------|-------------------|-------------------|
| Deferred Income for Future Months | 8.081.066 | 7.020.798 |
| Total | <u>8.081.066</u> | <u>7.020.798</u> |

Long-Term Deferred Income

None (31.12.2015: None).

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. Group management believes that valuation company has the relevant professional experience and current information regarding investment property.

According to 31 December 2015 dated expertise report, total values of factory building and lands located in Çiğli / İzmir set as TL 5.006.000, the total value of lands located in Güzelbahçe / İzmir set as TL 587.000 and the total value of buildings located in Ataşehir / İstanbul set as TL 1.066.000. Property values calculated according to coefficient comparison, cost, income comparison and direct capitilazition methods.

Group has been earned amounting to TL 34.962 rent income from investment properties. (31.12.2015: TL 64.106). There is amounting to TL 15.600.000 mortgage over investment properties. (31.12.2015: TL 15.600.000). Also there is amounting to TL 1.800.000 insurance coverage over investment properties. (31.12.2015: TL 1.800.000).

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15. PROPERTY, PLANT AND EQUIPMENT

Group has been purchased amounting to TL 4.660.420 (31.12.2015: TL 4.334.066) property, plant and equipment and has been sold amounting to TL 160.224 property, plant and equipment within the interim period. (31.12.2015: TL 979.385)

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

According to 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

Group has been purchased amounting to TL 2.280.894 (31.12.2015: TL 1.982.103) intangible fixed assets and has not been sold any intangible fixed assets within the interim period. (31.12.2015: TL 136.015)

17. GOODWILL

None (31.12.2015: None).

18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

| <u>Short-Term Debt Provision</u> | <u>30.06.2016</u> | <u>31.12.2015</u> |
|---|--------------------------|--------------------------|
| Warranty Expense Provision | 776.045 | 776.045 |
| Lawsuit Expense Provision | 32.172 | 56.793 |
| Potential Expense | - | 4.106 |
| Total | 808.217 | 836.944 |

Ongoing Lawsuits And Execution Proceedings

There is 1 lawsuits filed and ongoing as of 30 June 2016 , total amount of lawsuits are amounting to TL 32.172 and provision has been made for the entire amount (31.12.2015: 3 pcs - TL 56.793).

Collateral, Pledges, Mortgages, Bails

Colleterals, Pledges, Mortgages and Bails position table as of 30 June 2016 and 31 December 2015 are as below;

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18. PROVISIONS, ONTINGENT ASSETS AND LIABILITIES (continued)

Collateral, Pledges, Mortgages, Bails (continued)

30.06.2016

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

| | <u>TL</u> <u>Equivalent</u> | <u>USD</u> | <u>EUR</u> | <u>TRY</u> |
|---|--|-------------------------|-------------------------|--------------------------|
| 1. CPMB's given for company's own legal personality | 55.058.571 | 6.396.878 | 3.788.076 | 24.410.054 |
| 2. CPMB's given on behalf of fully consolidated Companies | - | - | - | - |
| 3. CPMB's given of behalf of third parties for ordinary course of business | - | - | - | - |
| 4. Other CPMB's given | - | - | - | - |
| - Total amount of CPMB's given on behalf of majotary shareholder | - | - | - | - |
| - Total amount of CPMB's given on behalf of other Group companies which are not in scope of 2 and 3 | - | - | - | - |
| - Total amount of CPMB's given on behalf of third parties which are not in scope of 3 | - | - | - | - |
| Toplam | <u>55.058.571</u> | <u>6.396.878</u> | <u>3.788.076</u> | <u>24.410.054</u> |

31.12.2015

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

| | <u>TL</u> <u>Equivalent</u> | <u>USD</u> | <u>EUR</u> | <u>TRY</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 | - | - | - | - |
| E. Other CPMB's given | - | - | - | - |
| 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 scope of C | - | - | - | - |
| Total | <u>47.285.883</u> | <u>5.853.385</u> | <u>2.938.836</u> | <u>20.928.136</u> |

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18. PROVISIONS, ONTINGENT ASSETS AND LIABILITIES (continued)

Collateral, Pledges, Mortgages, Bails (continued)

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

Collaterals, Pledges, Mortgages and Bails position table as of 30 June 2016 and 31 December 2015 are as below;

| <u>Collaterals, Pledges, Mortgages</u> | <u>30.06.2016</u> | | | | <u>31.12.2015</u> | | | |
|---|----------------------------------|-------------------|-------------------|-------------------|----------------------------------|-------------------|-------------------|-------------------|
| | <u>TL Equivalents</u> | <u>USD</u> | <u>EUR</u> | <u>TL</u> | <u>TL Equivalents</u> | <u>USD</u> | <u>EUR</u> | <u>TL</u> |
| Collaterals | 23.067.931 | 1.396.878 | 3.188.076 | 8.810.054 | 15.241.323 | 853.385 | 2.338.836 | 5.328.136 |
| Pledges | 31.990.640 | 5.000.000 | 600.000 | 15.600.000 | 32.044.560 | 5.000.000 | 600.000 | 15.600.000 |
| Total | 55.058.571 | 6.396.878 | 3.788.076 | 24.410.054 | 47.285.883 | 5.853.385 | 2.938.836 | 20.928.136 |

19. EMPLOYEE BENEFITS

Provision for Short-Term Employee Benefits

| | <u>30.06.2016</u> | <u>31.12.2015</u> |
|---------------------------|--------------------------|--------------------------|
| Unused Vacation Provision | 613.269 | 562.124 |
| Total | 613.269 | 562.124 |

Provision for Long-Term Employee Benefits

| | <u>30.06.2016</u> | <u>31.12.2015</u> |
|-------------------------|--------------------------|--------------------------|
| Severance Pay Provision | 2.995.846 | 2.609.471 |
| Total | 2.995.846 | 2.609.471 |

Scope of Employee Benefit Obligations

| | <u>30.06.2016</u> | <u>31.12.2015</u> |
|----------------------------------|--------------------------|--------------------------|
| Payables to Personnel | 506.066 | 278.821 |
| Social Security Premiums Payable | 476.787 | 476.473 |
| Total | 982.853 | 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.

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19. EMPLOYEE BENEFITS (continued)

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 June, 30 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) which is effective from 01 January 2016.

The movement of provision for severance pay are as follows:

| | 1 January – 30 June 2016 | 1 January - 31 December 2015 |
|---|-----------------------------|---------------------------------|
| Provision as of 1 st January | 2.609.471 | 2.246.329 |
| Service Cost | 494.271 | 594.336 |
| Interest Cost | 112.174 | 173.596 |
| Severance Pay Cancelled | (366.089) | (315.582) |
| Defined Benefit Plans Remeasurement Gain / Loss (*) | 146.019 | (89.208) |
| Total Provisions as of Period End | 2.995.846 | 2.609.471 |

(*) As of June 30, 2016, TL 146.019 (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**Other Current Assets**

| | 30.06.2016 | 31.12.2015 |
|--------------------|------------|------------|
| Deferred VAT | 11.565.594 | 9.928.902 |
| Work Advances | 874.332 | 505.610 |
| Personnel Advances | 970.266 | - |
| Total | 13.410.192 | 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)

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

Company's capital structure as of 30 June 2016 and 31 December 2015 as follows;

| | 30.06.2016 | | 31.12.2015 | |
|------------------------|-------------------|---------------------|-------------------|---------------------|
| | <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. (31.12.2015: 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

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

c) Revaluation and Remeasurement Gain / (Loss)

| | <u>30.06.2016</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> |

| <u>Tangible Assets Revaluation and Remeasurement Gain / (Loss)</u> | <u>30.06.2016</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>30.06.2016</u> | <u>31.12.2015</u> |
|---|-------------------|-------------------|
| Defined Benefit Plans Remeasurement Gain / Loss | (355.378) | (238.563) |
| | <u>(355.378)</u> | <u>(238.563)</u> |

e) Restricted Reserves Outgoing from Profit

| | <u>30.06.2016</u> | <u>31.12.2015</u> |
|----------------|-------------------|-------------------|
| Legal Reserves | 3.150.869 | 2.061.453 |
| Total | <u>3.150.869</u> | <u>2.061.453</u> |

f) Retained Profit / (Loss)

| | <u>30.06.2016</u> | <u>31.12.2015</u> |
|--------------------------|-------------------|-------------------|
| Retained Profit / (Loss) | 26.570.969 | 9.039.516 |
| Total | <u>26.570.969</u> | <u>9.039.516</u> |

g) Minority Shares

| | <u>30.06.2016</u> | <u>31.12.2015</u> |
|--------------------------------|-------------------|-------------------|
| Balance at 1 January | 17.910 | 3.116.498 |
| Additions / Disposals | - | (3.107.575) |
| Minority Profit / (Loss) Share | 4.609 | 8.987 |
| Minority Shares | <u>22.519</u> | <u>17.910</u> |

h) Merge Effect of Common Controlled Entity and Business

| | <u>30.06.2016</u> | <u>31.12.2015</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 purchased Isıpan 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.

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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>30.06.2016</u> | <u>31.12.2015</u> |
|-------------------------|--------------------------|--------------------------|
| Prepaid Taxes and Funds | 2.193 | 2.193 |

Tax Provision

| | <u>30.06.2016</u> | <u>31.12.2015</u> |
|--|---------------------------|---------------------------|
| Current Income Tax Provision (-) | (1.317.213) | (7.056.176) |
| Deferred Tax Provision Income / (Loss) | (6.421) | 1.936.086 |
| Total | <u>(1.323.634)</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).

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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>30.06.2016</u> | <u>31.12.2015</u> |
|---------------------------|--------------------------|--------------------------|
| Profit Before Tax | 8.519.788 | 23.749.946 |
| Taxable Profit | 8.519.788 | 23.749.946 |
| Corporate Tax Rate (%20) | 20% | 20% |
| Canceled Tax | 1.703.958 | 4.749.989 |
| Nonallowable Charges | 78.720 | (327.391) |
| Exemptions and Deductions | (18.243) | 715.773 |
| Deferred Tax Income, Net | (6.421) | 1.936.086 |
| Other | (440.801) | (18.281) |
| Total | <u>1.317.213</u> | <u>7.056.176</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. (2015 :%20)

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22. INCOME TAXES (continued)

| | 30 June 2016 | | 31 December 2015 | |
|--|-----------------------|-------------------------------------|-----------------------|-------------------------------------|
| | TEMPORARY DIFFERENCES | Deferred Tax Assets / (Liabilities) | TEMPORARY DIFFERENCES | Deferred Tax Assets / (Liabilities) |
| Deferred Tax Liabilities | | (457.239) | | (1.065.304) |
| Terminated Provisions (Doubtful Receivables+ Inventory Impairment) | 30.890 | (6.178) | 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) | - | - | 554.634 | (27.732) |
| Real Estate Appreciation (Intended Purpose) | - | - | 2.865.241 | (143.262) |
| Tangible Asset Sales Adjustment (TPL Sales Loss Reversal+IFRS Profit on Sale) | 22.982 | (4.596) | 953.446 | (190.689) |
| TPL(Tax Procedure Law) Amortization Expense Reversal | 1.046.138 | (209.228) | 2.098.579 | (419.716) |
| Leave Provision Reversal | 104.290 | (20.858) | 84.698 | (16.940) |
| Severance Pay Provision Reversal | 366.089 | (73.218) | 340.058 | (68.012) |
| Payable Rediscount | 54.130 | (10.826) | 237.994 | (47.599) |
| Defined Benefit Plans Remeasurement Gain / Loss | 146.019 | (29.204) | - | - |
| Warranty Expense Provision Reversal | - | - | 472.907 | (94.581) |
| Reclassification of Incomes Capitalized According to TPL | - | - | 89.636 | (17.927) |
| Deferred Tax Assets | | 450.817 | | 3.001.388 |
| Receivable Impairment (Receivables Booked as Expense) | - | - | 38.175 | (7.635) |
| Tangible Assets Sales Adjustment (TPL Sales Profit Reversal+IFRS Sales Loss) | (32.914) | 6.583 | (3.499.290) | 699.858 |
| Reclassification of Expenses Capitalized According to TPL | - | - | (825.195) | 165.039 |
| Financial Expense Deducted from Assets | - | - | - | - |
| Current Period IAS 16, IAS 38 Amortization Expense | (1.001.005) | 200.201 | (1.651.870) | 330.374 |
| TPL(Tax Procedure Law) Amortization Expense Adjustment | - | - | (75.865) | 15.173 |
| Impairment of Inventories | - | - | (37.600) | 7.520 |
| Severance Pay Provision | (606.445) | 121.288 | (767.930) | 153.586 |
| Receivable Rediscount | (74.279) | 14.856 | (192.590) | 38.518 |
| Leave Provision | (155.436) | 31.087 | (66.650) | 13.330 |
| Defined Benefit Plans Remeasurement Gain / Loss | (146.019) | 29.204 | - | - |
| Warranty Expense Provision | - | - | (911.615) | 182.323 |
| Provision for Doubtful Receivables | - | - | (6.086.600) | 1.217.320 |
| Payable Rediscount (Reversal) | (237.994) | 47.599 | (189.135) | 37.827 |
| Terminated Provisions Adjustment | - | - | (22.547) | 4.509 |
| Real Estate Appreciation | - | - | (7.690) | 384 |
| Deferred Tax Liability Deducted from Real Estate (Intended Purpose) Value Fund | - | - | 2.865.241 | 143.262 |
| Net, Deferred Tax Receivables Reflected to Profit / (Loss) | | (6.421) | | 1.936.086 |

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23. EARNING PER SHARE

| Earning Per Share | 01.01. - 30.06.2016 | 01.01. - 31.12.2015 |
|--|----------------------------|----------------------------|
| Net Profit / (Loss), Parent | 7.191.545 | 18.620.869 |
| Weighted Average Number of Shares | 25.000.000 | 25.000.000 |
| Earning / (Loss) Per Share from Operating Activities | 0,288 | 0,745 |
| Diluted Earning / (Loss) Per Share from Operating Activities | 0,288 | 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 June 30, 2016 and December 31, 2015 are as follows:

| | 30.06.2016 | 31.12.2015 |
|----------------------------------|-------------------|-------------------|
| Financial Liabilities | 136.045.328 | 102.342.439 |
| Less : Cash and Cash Equivalents | (10.481.067) | (16.981.050) |
| Net Financial Liabilities | 125.564.261 | 85.361.389 |
| Total Equity | 69.758.989 | 62.679.650 |
| Liabilities / Equity Ratio | 1,80 | 1,36 |

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

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.

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

b) Financial Risk Factors (continued)

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.

| 30.06.2016 | 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) | 475.217 | 80.383.752 | - | 581.140 | 10.401.269 |
| - Total receivable that have been secured with collaterals, other credit enhancements etc. (*) | - | - | - | - | - |
| A. Financial assets that are either past due or impaired (2) | 475.217 | 80.383.752 | - | 581.140 | 10.401.269 |
| B. The amount of financial assets that are past due as at the end of reporting period but not impaired (4) | - | - | - | - | - |
| C. The amount of financial assets that are impaired (3) | - | - | - | - | - |
| - Overdue (gross book value) | - | - | - | - | - |
| - Impairment (-) | - | 2.730.706 | - | - | - |
| - Net value guaranteed with collateral etc. | - | (2.730.706) | - | - | - |
| - Not overdue (gross book value) | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - |
| - Net value guaranteed with collateral etc. | - | - | - | - | - |
| D. Off balance sheet credit risk amount | - | - | - | - | - |

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

b) Financial Risk Factors (continued)

b.1) Credit Risk (continued)

| 31.12.2015 | Receivables | | | | Cash and Cash Equivalents |
|--|-------------------|-------------|-------------------|-------------|---------------------------|
| Previous Period | Trade Receivables | | Other Receivables | | Banks Deposit |
| | Related Parties | 3rd Parties | Related Parties | 3rd Parties | |
| The maximum amount of exposure to credit risk at the end of the reporting period | | | | | |
| (A+B+C+D) (1) | 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 (4) | - | - | - | - | - |
| 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 | - | - | - | - | - |

b.2) Market Risk Management

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

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

b.2.1) Foreign Exchange Risk Management

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

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

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

b.2.1) Foreign Exchange Risk Management

| CONSOLIDET EXCHANGE POSITION TABLE | | | | | | | | |
|--|--|------------------|------------|-------------|-------|------------------|------------|-------------|
| | | 30.06.2016 | | | | 31.12.2015 | | |
| | | TL Equivalent | USD | EUR | GBP | TL Equivalent | USD | EUR |
| 1.Trade Receivables | | 65.945.790 | 9.470.184 | 12.028.107 | - | 57.159.978 | 9.399.586 | 9.387.507 |
| 2a. Monetary Financial Assets (including cash and bank accounts) | | 2.872.020 | 199.979 | 715.692 | - | 8.386.019 | 387.890 | 2.284.174 |
| 2b. Non-Monetary Financial Assets | | 3.390.629 | 876.710 | 264.925 | 1.255 | 4.526.303 | 1.142.515 | 379.005 |
| 3. Other | | - | - | - | - | - | - | - |
| 4. Current Assets (1+2+3) | | 72.208.440 | 10.546.873 | 13.008.723 | 1.255 | 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) | | 72.208.440 | 10.546.873 | 13.008.723 | 1.255 | 70.072.300 | 10.929.990 | 12.050.686 |
| 10. Trade Payables | | 6.708.746 | 337.169 | 1.789.138 | - | 14.351.631 | 764.216 | 3.817.219 |
| 11. Financial Liabilities | | 36.001.525 | 779.657 | 10.530.991 | - | 31.003.909 | 2.379.722 | 7.579.504 |
| 12a. Other Monetary Financial Liabilities | | - | - | - | - | - | - | - |
| 12b. Other Non-Monetary Financial Liabilities | | 6.095.681 | 1.035.798 | 966.950 | - | 6.771.541 | 701.290 | 1.489.322 |
| 13. Short-Term Liabilities (10+11+12) | | 48.805.951 | 2.152.624 | 13.287.080 | - | 52.127.080 | 3.845.228 | 12.886.045 |
| 14. Trade Payables | | - | - | - | - | - | - | - |
| 15. Financial Liabilities | | 23.315.685 | 653.779 | 6.685.779 | - | 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) | | 23.315.685 | 653.779 | 6.685.779 | - | 22.279.968 | 877.492 | 6.208.639 |
| 18. Total Liabilities (13+17) | | 72.121.636 | 2.806.403 | 19.972.859 | - | 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) | | 86.803 | 7.740.470 | (6.964.136) | 1.255 | (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) | | 2.791.855 | 7.899.558 | (6.262.111) | - | (2.089.511) | 5.766.046 | (5.933.681) |
| 22. Total Fair Value of Financial Instruments Used for Currency Hedge | | - | - | - | - | - | - | - |

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

b.2.1) Foreign Exchange Risk Management

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

The following table details the Company's sensitivity to a 10% increase and decrease in the TL against USD, Euro and GBP. 10% is used in the reporting of currency risk to the key management and it represents the management's expectation on the potential exchange rate fluctuations. Sensitivity analysis can only 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 | | |
|--|---------------------------|---------------------------|
| 30.06.2016 | | |
| | Appreciated Exchange Rate | Depreciated Exchange Rate |
| Increase of 10% change in USD against TL: | | |
| 1- USD Net Assets / Liabilities | 2.239.782 | (2.239.782) |
| 2- The Amount of USD Hedging (-) | - | - |
| 3- USD Net Effect (1+2) | 2.239.782 | (2.239.782) |
| Increase of 10% change in EUR against TL: | | |
| 4- EUR Net Assets / Liabilities | (2.231.588) | 2.231.588 |
| 5- The Amount of EUR Hedging (-) | - | - |
| 6- EUR Net Effect (4+5) | (2.231.588) | 2.231.588 |
| Increase of 10% change in GBP against TL: | | |
| 7- GBP Net Assets / Liabilities | 486 | (486) |
| 8- The Amount of GBP Hedging (-) | - | - |
| 9- GBP Net Effect (7+8) | - | - |
| TOTAL (3+6+9) | 8.680 | (8.680) |

| 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 |

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

| 30.06.2016 | 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 | Fair Value | Notes |
|------------------------------|---|---|--|--|-------------|------------|-------|
| Financial Assets | | | | | | | |
| Cash and Cash Equivalents | - | 10.481.067 | - | - | 10.481.067 | - | 6 |
| Trade Receivables | - | 80.858.969 | - | - | 80.858.969 | - | 9 |
| Financial Investments | - | - | 1.007.261 | - | 1.007.261 | - | 7 |
| Financial Liabilities | | | | | | | |
| Financial Payables | - | - | - | - | - | - | - |
| Trade Payables | - | - | - | 136.045.328 | 136.045.328 | - | 8 |
| Other Financial Liabilities | - | - | - | 19.843.945 | 19.843.945 | - | 9 |
| | | | | - | - | - | - |
| 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 | - | - | - | - | - | - | - |
| Trade Payables | - | - | - | 102.342.439 | 102.342.439 | - | 8 |
| Other Financial Liabilities | - | - | - | 45.778.579 | 45.778.579 | - | 9 |
| | | | | - | - | - | - |

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

Financial Instrument fair values determine as follows;

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

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

26. POST BALANCE SHEET EVENTS

30.06.2016

- Company has been re-actualised Share Buyback program with 22.07.2016 dated and 2016/24 numbered and 26.07.2016 dated and 2016/25 numbered board decisions based on 21.07.2016 dated Capital Market Board announcement. Company re-acquired amounting to TL 35.099 nominal valued shares to amounting to TL 199.946 and amounting to TL 16.510 nominal valued shares to amounting to TL 97.723 on 25.07.2016. The total nominal value of re-acquired is amounting to TL 67.609.
- Company has been issued amounting to TL 12.000.000 nominal valued Private Sector Bond on 10.08.2016 trough the Oyak Yatırım Menkul Değerler A.Ş. in addition to amounting to TL 36.000.000 Private Sector Bond which was issued on 10 May 2016 based on amounting to TL 100.000.000 nominal valued Bond Issue Certificate which was approved by Capital Market Board on 14 April 2016. The total nominal value of Private Sector Bond is amounting to TL 48.000.000. Issued bonds has quarterly interest payments and principal repayment would be redeemed as single sum at maturity.
- First coupon payment made on 09 August 2016 regarding Private Sector Bond amounting to TL 36.000.000 which was issued on 10 May 2016.
- As at 30 June 2016, TL 4.093 severance pay ceiling has been increased to TL 4.297 to be effective from 1 July 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).