Tümosan Engine and Tractor Industry Inc.

The financial statements for the period from January 1 to December 31, 2013 and independent audit report

Tümosan Engine and Tractor Industry Inc.

Contents

INDEPENDENT AUDIT REPORT ON FINANCIAL STATEMENTS

To the Shareholders of the Management of Tümosan Engine

and Tractor Industry Inc.; Introduction

1. We have audited the accompanying balance sheet of Tümosan Engine and Tractor Industry Inc. (hereinafter "Tümosan" or the "Company") prepared as of December 31, 2013 and the related statements of comprehensive income, changes in equity, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Company management's responsibility for the financial statements

2. The Company's management is responsible for the preparation and fair presentation of these financial stastements in accordance with Turkish Accounting Standards ("TAS") issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") and, to this end, for the implementation of the necessary internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the independent auditing company

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the independent auditing standards promulgated by the Capital Markets Board. These standards require that we comply with ethical requirements and plan and perform the independent audit in such a manner that it may be ascertained with reasonable assurance whether the financial statements give a true and fair view.

   Our audit involves using independent audit techniques to obtain audit evidence about the amounts and disclosures in the financial statements. The selection of independent audit techniques depends on our professional judgment, including the assessment of the risk of "material misstatements" in the financial statements, whether due to error or fraud. In assessing this risk, the entity's internal control system is considered. Our purpose, however, is not to express an opinion on the effectiveness of the internal control system but to establish the relationship between the financial statements prepared by the Company's management and the internal control system in order to design the independent audit techniques that are appropriate in the circumstances. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

4. In our opinion, the accompanying financial statements present, in accordance with TAS (see Note 2), a true and fair view of the financial position of Tümosan Engine and Tractor Inc. and its subsidiaries as at December 31, 2013 and of their financial performance and their cash flows for the year then ended. -

Reports on Independent Auditor's Obligations Arising from Other Relevant Legislation

5. In accordance with Article 402 of the Turkish Commercial Code (Law No. 6102) (“TCC”), the Board of Management made the required disclosures and provided us the required documents within the scope of the audit; moreover, we have not encountered any material issue as to whether the bookkeeping method of the Company in the period from January 1 to December 31,2013 does not comply with the provisions of the law and company's articles of association.

6. Pursuant to Article 378 of the Turkish Commercial Code (Law No. 6102), for companies whose shares are listed in the stock exchange the Board of Management is obligated to set up an expert committee to run and to develop the system for the purpose of early detection of the causes that jeopardize the existence of the company, its development and continuity of the business unit in danger, of applying the necessary measures and remedies in this regard, and of managing the risk. Pursuant to paragraph 4 of Article 398 of the same law, the auditor shall prepare a separate report, whose terms will be determined by POA, explaining whether the Board of Management has established a system and an authorised committee in accordance with Article 378 to determine the risks that threaten the company and provide risk management; and if such a system and committee exist, the report shall include the structure of the risk management system and the activities of risk management committee, and this report shall be submitted to the Board of Management together together with the audit report. Our audit does not involve assessing the operational effectiveness and competence of the activities performed by the Company's Management to manage these risks. As at the balance sheet date, no disclosure has been made by POA on the terms this report yet. Therefore, we have not prepared a separate report on this issue. However, the Company established that committee on June 10, 2013. It consists of 3 members. The committee has convened once until the date of the report following its establishment date for the purpose of early detection of the causes that jeopardize the existence and development of the Company, of applying the necessary measures and remedies in this regard, and of managing the risk, and submitted the reports that it prepared to the Board of Management.

Güney Independent Audit and Certified Public Accountancy Inc. A member firm
of Ernst & Young Global Limited

Metin Canoğulları, CPA
Responsible Auditor

Istanbul, March 3, 2014

Tümosan Engine and Tractor Industry Inc.

Statement of financial position as of December 31, 2013

		Current period	Prior period
		Audited	Audited (Revised)
Assets	**Note References**	**December 31, 2013**	December 31, 2012
Current assets		**188,979,813**	252,744,117
Cash and cash equivalents	5	**5,353,636**	22,021,784
Financial investments	6	**242,251**	-
Trade receivables		**53,792,169**	52,370,805
Trade receivables from third parties	*9*	***53,481,090***	*51,962,276*
Trade receivables from related parties	*29*	***311,079***	*408,529*
Other receivables	29	**131,435**	78,742,029
Other receivables from related parties	29	**131,435**	*78,742,029*
Inventories	10	**96,405,746**	67,260,905
Prepaid expenses		**2,848,724**	1,098,775
Other current assets	19	**30,205,852**	31,249,819
Fixed assets		**98,429,090**	75,278,795
Tangible fixed assets, net	11	**84,212,934**	72,394,794
Intangible fixed assets, net	12	**7,801,456**	2,163,406
Investment property	14	**358,982**	367,847
Other receivables	29	**6,055,718**	-
Other receivables from related parties	29	***6,055,718***	-
Other fixed assets	19	**-**	352,748
Total assets		**287,408,903**	328,022,912

The accompanying accounting policies and notes on pages 7 to 54 are an integral part of these financial statements.

Tümosan Engine and Tractor Industry Inc.

Statement of financial position as of December 31, 2013

		Current period	Prior period
		Audited	Audited (Revised
Resources	**Note references**	**December 31, 2013**	December 31, 2012
Short-term liabilities		**50,583,033**	124,871,921
Short-term borrowings	7	**639,468**	4,817,900
Short-term portions of long-term borrowings:	7	**2,906,810**	16,659,031
Other financial liabilities		**-**	25,916,317
Trade payables		**33,398,269**	53,908,496
- Trade payables to related parties	*29*	***139,962***	*68,777*
- Trade payables to third parties	*9*	***33,258,307***	*53,839,719*
Liabilities for employee benefits	18	**1,064,414**	1,822,892
Deferred income		**1,556,375**	5,963,558
Tax liability on income for the period	27	**4,319,199**	7,838,393
Short-term provisions		**6,365,912**	4,789,147
- Short-term provisions for employee benefits	*17*	***518,366***	*385,980*
- Other short-term provisions	*15*	***5,847,546***	*4,403,167*
Other short-term liabilities	19	**332,586**	3,156,187
Long-term liabilities		**3,135,147**	4,661,182
Long-term borrowings	7	**41,512**	1,797,539
Long-term provisions		**2,039,725**	1,582,941
- Long-term provisions for employee benefits	*17*	***2,039,725***	*1,582,941*
Deferred tax liability	27	**1,053,910**	1,280,702
Equity		**233,690,723**	198,489,809
Equity			
Paid-in capital	20	**115,000,000**	115,000,000
Premiums on shares	20	**13,074,563**	26,241,624
Tangible fixed assets valuation fund	2.3.1	**39,371,136**	39,371,136
Reserves on retained earnings	20	**3,954,095**	85,576
Other accumulated comprehensive income and expenses not to be reclassified to profit or loss		**227,596**	341,015
- Actuarial gains/losses fund from pension plans	18	**227,596**	341,015
Accumulated losses		**-**	(12,092,063)
Net income for the period	20	**62,063,333**	29,542,521
Total liabilities and equity		**287,408,903**	328,022,912

The accompanying accounting policies and notes on pages 7 to 54 are an integral part of these financial statements.

Tümosan Engine and Tractor Industry Inc.

Statement of financial position as of December 31, 2013

	Note references	**Current period**	Prior period
		Audited	Audited (Revised)
		January 1 - December 31 2013	January 1 - December 31, 2012
Continuing operations			
Revenue	21	**445,085,493**	291,562,394
Cost of sales (-)	21	**(347,944,442)**	(237,962,299)
Gross profit	21	**97,141,051**	53,600,095
Research and development expenses (-)	22	**(1,964,326)**	(920,888)
Marketing, sales and distribution expenses (-)	22	**(16,101,761)**	(12,934,475)
General administrative expenses (-)	22	**(4,870,280)**	(5,456,829)
Other real operating income	24	**2,690,543**	3,270,561
Other real operating expenses (-)	24	**(2,431,963)**	(1,288,602)
Real operating profit		**74,463,264**	36,269,862
Income from investing activities		**759,777**	-
Operating profit before financing income		**75,223,041**	36,269,862
Financial income	25	**7,884,429**	12,947,316
Financial expenses	26	**(6,318,081)**	(11,695,225)
Profit before tax		**76,789,389**	37,521,953
Tax expense			
- Tax expense for the period (-)	27	**(14,924,493)**	(7,838,392)
- Deferred tax income/(expense)	27	**198,437**	(141,040)
Net income for the period		**62,063,333**	29,542,521
Other comprehensive income/(expense):			
Actuarial gains/losses for employee benefits			
Tax effect		**(141,774)**	117,243
	2.3.1	**28,355**	(23,449)
Other comprehensive income (after tax)		**(113,419)**	(93,794)
Total comprehensive income		**61,949,914**	29,636,315
Earnings per share attributable to major shareholders (full TL)	28	**0.5397**	0.2569
Weighted average number of shares (average share for 1 TL)		**115,000,000**	115,000,000

The accompanying accounting policies and notes on pages 7 to 54 are an integral part of these financial statements.

Tümosan Engine and Tractor Industry Inc.

Statement of changes in equity for the year ended December 31, 2013
(Currency: Turkish Lira (TL))

	Capital	Premiums on shares (Note 20)	Tangible fixed assets valuation fund (Note 2.3.1)	Reserves on retained earnings	Actuarial gains and losses from retirement benefit plans	Accumulated losses	Net income/(loss) for the period	Total
December 31, 2011 (previously reported)	**55,950,000**	**-**	**39,371,136**	**85,576**	**-**	**(7,341,355)**	**53,950,773**	**142,016,130**
Effect of mandatory change in accounting - TAS 19	-	-	-	-	247,221	-	(247,221)	142,016,130
January 1, 2012	**55,950,000**	**-**	**39,371,136**	**85,576**	**247,221**	**(7,341,355)**	**53,703,552**	**142,016,130**
Transfers	**49,050,000**	**-**	**-**	**-**	**-**	**4,653,552**	**(53,703,552)**	**-**
Capital increase	**10,000,000**	**26,241,624**	**-**	**-**	**-**	**-**	**-**	**36,241,624**
Outflows relating to division	**-**	**-**	**-**	**-**	**-**	**(9,404,260)**	**-**	**(9,404,260)**
Net income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**29,542,521**	**29,542,521**
Comprehensive income for the period	**-**	**-**	**-**	**-**	**(93,794)**	**-**	**-**	**(93,794)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(93,794)**	**-**	**29,542,521**	**29,636,315**
December 31, 2012	**115,000,000**	**26,241,624**	**39,371,136**	**85,576**	**341,015**	**(12,092,063)**	**29,542,521**	**198,489,809**
December 31, 2012 (previously reported)	**115,000,000**	**26,241,624**	**39,371,136**	**85,576**	**-**	**(11,844,842)**	**29,636,315**	**198,489,809**
Effect of mandatory change in accounting - TAS 19	-	-	-	-	341,015	(247,221)	(93,794)	-
As of January 1, 2013, revised	**115,000,000**	**26,241,624**	**39,371,136**	**85,576**	**341,015**	**(12,092,063)**	**29,542,521**	**198,489,809**
Transfers	**-**	**(13,167,061)**	**-**	**3,868,519**	**-**	**38,841,063**	**(29,542,521)**	**-**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**(26,749,000)**	**-**	**(26,749,000)**
Net income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**62,063,333**	**62,063,333**
Comprehensive income for the period	**-**	**-**	**-**	**-**	**(113,419)**	**-**	**-**	**(113,419)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(113,419)**	**-**	**62,063,333**	**61,949,914**
December 31. 2013	**115.000.000**	**13.074.563**	**39.371.136**	**3.954.095**	**227.596**	**-**	**62.063.333**	**233.690.723**

The accompanying accounting policies and notes on pages 7 to 54 are an integral part of these financial statements.

Tümosan Engine and Tractor Industry Inc.

Cash-flow statement for the year ended
December 31, 2013
(Currency: Turkish Lira (TL))

	Note references	Current period Audited January 1 - December 31, 2013	Prior period Audited (Revised) January 1 - December 31, 2012
Net profit before tax		**76,789,389**	37,521,953
Reconciliation of net income to net cash provided by operating activities:			
Depreciation, amortisation and depletion	10, 11, 13	**5,287,220**	4,906,879
Provision for severance payments	17	**554,030**	360,061
Provision for doubtful receivables	9	**247,373**	-
Provision for inventories	10	**791,725**	1,283,313
Gains from sale of tangible fixed assets	22	**(76,332)**	-
Provision for unused vacation entitlements	17	**132,386**	52,210
Provision for warranties, net	15	**1,730,381**	(1,044,063)
Discount (income)/expenses, net		**-**	-
Provision for lawsuits	15	**(286,001)**	286,001
Interest and factoring expenses	26	**5,371,230**	9,879,253
Interest income	25	**(6,673,989)**	(9,964,252)
Net cash provided by operating activities before changes in operating assets and liabilities		**83,867,412**	43,281,355
Change in assets and liabilities			
Financial investments		**(242,251)**	-
Trade and other receivables, net		**(1,766,187)**	(20,476,799)
Commercial transactions with related parties, net		**168,635**	(17,188,476)
Inventories		**(29,936,566)**	11,011,762
Other current assets		**(705,982)**	(12,274,305)
Other fixed assets		**352,748**	(284,506)
Trade payables		**(20,581,412)**	(31,667,503)
Other liabilities and provisions		**(5,159,368)**	7,566,433
Other long-term liabilities and provisions		**1,444,379**	(717,690)
Severance payments paid	17	**(97,246)**	(80,906)
Deferred income		**(4,407,183)**	-
Taxes paid		**(18,443,687)**	(2,283,955)
Net cash from/(used in) operating activities		**4,493,292**	(23,114,590)
Cash used in investing activities			
Purchases of tangible and intangible fixed assets	11, 12	**(22,743,410)**	(3,987,441)
Proceeds from the sale of tangible fixed assets		**76,332**	-
Interest received		**-**	43,185
Advances given to related parties		**78,610,594**	9,904,930
Net cash from/(used in) investing activities		**55,943,516**	5,960,674
Net cash used in financial activities			
Bank loans obtained		**-**	39,284,676
Loans and financial payables paid		**(45,602,997)**	(26,823,620)
Interest paid		**(5,371,230)**	(9,879,253)
non-trade transactions with related parties, net		**(6,055,718)**	63,799
Dividend paid		**(26,749,000)**	-
Capital increase		**-**	36,241,624
Interest earned		**6,673,989**	-
Net cash from/(used in) financing activities		**(77,104,956)**	38,887,226
Net (decrease)/increase in cash and cash equivalents		**(16,668,148)**	21,733,310
Cash and cash equivalents at the beginning of the period	5	**21,981,784**	248,474
Cash and cash equivalents at the end of the period	5	**5,313636**	21,981,784

The accompanying accounting policies and notes on pages 7 to 54 are an integral part of these financial statements.

(Currency: Turkish Lira (TL))

1. Organization and area of activity of the Company

Tümosan Engine and Tractor Inc. (formerly Alçelik Çelik Yapı Construction Industry and Trade Inc.) (hereinafter "Tümosan" or the "Company") was established in 1975 to produce engine parts, transmission organs and similar equipment, but later on has concentrated its activities in the production of diesel engines and tractors. Tümosan, being Turkey's first diesel-engine manufacturer, has been supplying diesel engines for tractors manufactured under the same brand, as well as other manufacturers of diesel-powered vehicles for many years.

The Company was included in the privatization program on August 18, 1998, and the Company's shares belonging to the Mechanical and Chemical Industry Corporation were transferred to the Privatization Administration and it was decided to complete the privatization process within one year.

Four companies participated in the privatization tender held on April 24, 2000. Anadolu Joint Venture Group ranked first and Konya Selçuklu Joint Venture Group ranked second, according to the results of the tender.
As the entrepreneurs determined to be the buyers as per the tender result were not able to sign the sales contract offered to them respectively within the given time period, the tender could not be concluded positively and their tender guarantees were forfeited in connection therewith. Tümosan, which continued its activities limitedly after the tender, was attached to Sümer Holding on February 7, 2003. The second tender for its privatization was announced in 2004 and Alçelik Çelik Yapı Construction Industry and Trade Inc. purchased Tümosan by means of an asset sale and the transfer was completed on July 1, 2004. On December 5, 2012, 26% of the Company's shares were offered to the public at Istanbul Stock Exchange.

Tümosan Engine and Tractor Industry Inc.'s shares are traded on the Istanbul Stock Exchange since 5 December 2012. The Company's headquarters and factory are located at the following addresses:

Approval of financial statements

The Company's General Manager, Mr. Kurtuluş Ögün, signed the financial statements on behalf of the Board of Management on March 3, 2014. The statutory financial statements, which are the basis of these financial statements, shall be finalised with the approval of the General Meeting.

Head office:

Istanbul World Trade Centre A3 Blok Kat: 8, 34149-Istanbul/Turkey Factory:

Büyükkayacık Mahallesi Aksaray Çevre Yolu Caddesi No: 7/1, Selçuklu/Konya/Turkey

Information on the Company's shareholders and their shares is as follows:

2013	December 31,	December 31, 2012
Ereğli Textile Tourism Industry and Trade Inc.	**68.57%**	**67.58%**
Muzaffer Albayrak	**1.74%**	**5.72%**
Ahmet Albayrak (son of Ahmet)	**1.74%**	**2.84%**
Bayram Albayrak	**1.74%**	**2.84%**
Nuri Albayrak	**1.74%**	**2.84%**
Kazım Albayrak	**1.74%**	**2.84%**
Mustafa Albayrak	**1.74%**	**2.84%**
Hedef Venture Capital Investment Trust Inc.	**1.74%**	**-**
Free-float portion	**19.25%**	**12.50%**
	100%	**100%**

The Company is controlled by the Albayrak Family although Ereğli Textile Tourism Industry and Trade Inc. is the main shareholder.

As of December 31, 2013, the average number of white-collar workers employed by the Company is 125 (December 31, 2012 - 106) and the number of blue-collar workers is 290 (December 31, 2012 - 255).

2. Basis of presentation of financial statements

2.1 Basis of presentation

Basis for Preparing Financial Statements

The Company's financial statements have been prepared on the basis of Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS), promulgated by the Public Oversight, Accounting and Auditing Standards Authority ("POA") in line with international standards, as well as attachements and interpretations thereof, purauant to the provisions of the Capital Markets Board's "Communiqué on Principles of Financial Reporting in Capital Markets (Serial: II, No. 14.1)" ("Communiqué"), promulgated in the Official Gazette edition 28676 on 13 June 2013. TAS/TFRS are being updated through communiqués in order to ensure compliance with the amendments in International Financial Reporting Standards ("IFRS").

With a decision of 17 March 2005 which would be effective from 1 January 2005, CMB announced that implementation of inflation accounting was not required for publicly listed companies. The financial statements of the Company have been prepared pursuant to this decision.

All items of significant importance in terms of content and amount, even if they are of a similar nature, are presented separately in the financial statements. Insignificant amounts are aggregated with items similar to each other in terms of their bases or functions. The recognition of the transaction or event over net amounts, due to the fact that the transaction or event require offsetting, or the monitoring of assets over the amount less impairment shall not be regarded as a violation of the non-offsetting rule. Revenues earned due to the operations performed by the Company in the normal course of business are presented with their net values provided that this is consistent with the nature of the transaction or event.

The financial statements have been prepared in Turkish Lira ("TL"), which is the Company's functional and presentation currency, based on historical cost except for financial assets and liabilities carried at fair value.

Functional and presentation currency

The functional and presentation currency of the Company is accepted as TL.

2.2 Changes in accounting policies New

and amended standards and interpretations

The accounting policies adopted in preparation of the financial statements for the period ended December 31, 2013 are consistent with those of the previous year, except for the new and amended TFRS standards and TFRIC interpretations effective as of January 1, 2013. The effects of these standards and interpretations on the Company’s financial position and performance are disclosed in the related paragraphs.

2. Basis of presentation of financial statements (continued)

The new standards, amendments and interpretations effective from 1 January 2013 are as follows:

TFRS 7 Financial Instruments: Disclosures - Offsetting of Financial Assets and Liabilities (Amendment)

The amendment requires the entity to disclose certain information about the rights to offset financial instruments and related arrangements (e.g. guarantee contracts). The disclosures presented to the users of the financial statements provide useful information for

i) the assessment of the effects of offsetting the transactions on the financial position of the company and their possible effects, and

ii) the comparison and analysis of financial statements prepared in accordance with TFRS and other generally accepted accounting principles.

New disclosures should be given for all financial instruments that are offset in the balance sheet in accordance with TAS 32. Such disclosures are also applicable to financial instruments that are subject to applicable main offsetting arrangements or a similar agreement, even if they could not be offset in the balance sheet pursuant to TAS 32. The amendment only affects the disclosure rules and does not have an impact on the Company's financial statement.

TAS 1 Presentation of Financial Statements (Revised) - Presentation of Components of Other Comprehensive Income (Statement of Comprehensive Income)

The amendments made only change the grouping of items shown in the statement of other comprehensive income. In the statement of other comprehensive income, hereinafter, items that can be classified (or that may be reversed) in the income statement at a future date will be shown separately from items that can never be classified in the income statement. The amendment has only affected the basis of presentation, but not the Company's financial position or performance.

TAS 19 Employee Benefits (Revised)

Within the scope of the amendment to the standard, either many issues were clarified or amendments were made in the implementation. The most important ones of the many changes that have been made are the removal of the application of the mechanism of indemnification corridor, the recognition of actuarial gains/losses on defined benefit plans in the other comprehensive income and the determination of the distinction of short- and long-term employee benefits according to the estimated date of payment obligation rather than according to the principle of employee's entitlement.
Since the Group has already recognised actuarial gains/losses in the other comprehensive income, the change in the recognition of actuarial gain/loss did not affect the Company's financial position and performance. However, under the amendment to the presentation of short- and long-term employee benefits, unused vacation provisions presented in short-term debt provisions were retrospectively reclassified as long-term debt provisions and subjected to actuarial calculation.

TAS 27 Separate Financial Statements (Revised)

As a result of the publication of TFRS 10 and TFRS 12, POA has also amended TAS 27. As a result of the amendments, TAS 27 now includes only the acccounting of subsidiaries, jointly controlled entities and associated companies in separate financial statements. This amendment has not affected the Company's financial position or performance.

2. Basis of presentation of financial statements (continued)

TAS 28 Investments in Associates and Joint Ventures (Amendment)

In consequence of the publication of TFRS 11 and TFRS 12, POA has also amended TAS 28 and changed the name of the standard as TAS 28 Investments in Associates and Joint Ventures. With this amendment, equity method of accounting has also been introduced for joint ventures in addition to associates. This standard has not affected the Company's financial position or performance.

TFRS 10 Consolidated Financial Statements

TFRS 10 replaced the consolidation part of the standard TAS 27 Consolidated and Separate Financial Statement. A new "control" definition has been made which will be used to determine which companies will be consolidated. It is a principle-based standard that leaves preparers of financial statement more space to decide. This standard has not affected the Company's financial position or performance.

TFRS 11 Joint Arrangements

The standard regulates how jointly managed joint ventures and joint activities shall be accounted for. Under the new standard, proportionate consolidation of joint ventures is no longer allowed. This standard has not affected the Company's financial position or performance.

TFRS 12 Disclosure of Interests in Other Entities

IFRS 12 comprises all notes disclosures required to be made in relation to associates, joint ventures, subsidiaries and structural entities. The Company presents the aforementioned disclosures in Note 11.

TFRS 13 Fair Value Measurement

While the new standard explains how to measure the fair value within TFRS, it does not introduce any change as to when the fair value may be used and/or has to be used. It is a guide for all fair value measurements. The new standard also introduces additional disclosure requirements for fair value measurements. New disclosures are required to be made as from the period when TFRS 13 will be implemented. The Standard had no effect on the Company's year-end financial statements.

TFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The interpretation clarifies when and under what conditions the excavations in the production phase will be accounted for as assets and how the accounted assets will be measured in the first recognition and in subsequent periods. This interpretation does not apply to the Company and has not affected the Company's financial position or performance.

Implementation Guidance (TFRS 10, TFRS 11 and TFRS 12 amendment)

The amendments were made in the implementation guidance in oder to abolish the need for retroactive correction. The first implementation date is defined as "the beginning of the annual accounting period in which TFRS 10 is applied for the first time". Assessment of whether or not to control will be made at the date of first application instead of at the beginning of the comparative period. If the control assessment in accordance with TFRS 10 differs from that made in accordance with TAS 27/[TFRS] 12, retroactive adjustment effects should be identified. However, if the control assessment is the same, no retroactive adjustment is required. If more than one comparative period is presented, only one period is allowed to be retroactively adjusted. with same reasons

2. Basis of presentation of financial statements (continued)

TFRS 11 and TFRS 12 implementation guidelines have also been amended and the transition provisions have been simplified. The amendment has not affected the Company's financial position or performance.

Improvements in TFRS

The 2009-2011 annual TFRS improvements, which are effective for annual periods beginning on or after 1 January 2013 and explained below, have not affected the Company's financial position or performance.

TAS 1 Presentation of Financial Statements:
It has clarified the difference between additional comparative information that is optional and comparative information that must be presented as a minimum.

TAS 16 Property, Plant and Equipment:
It has clarified that spare parts and maintenance equipment, which conform to the definition of tangible fixed assets (property, plant and equipment), are not an inventory item.

TAS 32 Financial Instruments: Presentation:
It has clarified that the tax effect of distributions to shareholders should be accounted for in accordance with TAS 12. The amendment requires that existing obligations in TAS 32 be removed and all income taxes arising from distributions made by companies to shareholders be accounted for in accordance with TAS 12.

TAS 34 [Interim] Financial Reporting:
TAS 34 clarifies the disclosures required about total segment assets and liabilities for each operating segment. The total assets and liabilities of operating segments should only be disclosed if such information is regularly reported to the competent authority to take decisions about the entity's operations and if there is a significant change in the total amounts disclosed compared to the previous year's financial statements.

Standards issued but not yet effective and not applied early

The new standards, interpretations and amendments published as of the date of approval of the financial statements but not yet effective for the current reporting period and not applied early by the Company are as follows. Unless otherwise stated, the Company will make the necessary changes that will affect the financial statements and notes after the entry into force of the new standards and interpretations.

TAS 32 Financial Instruments: Presentation - Offsetting of Financial Assets and Liabilities (Amendment)

The amendment clarifies the meaning of the expression "presence of a legal right available on offsetting the amounts accounted for" and clarifies the application area of TAS 32 offsetting principle in accounting systems (such as clearing offices) which are not realized simultaneously and where gross settlement is made. The amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014. It is not expected that this standard will have any significant impact on the Company's financial position or performance.

TFRS 9 Financial Instruments - Classification and Disclosure

With the amendment made in December 2011, the new standard will be effective for annual periods beginning on or after 1 January 2015. The first phase of the standard TFRS 9 Financial Instruments introduces new provisions for the measurement and classification of financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and the measurement of financial liabilities that are classified as the ones which are measured by reflecting the fair value difference to profit or loss. These amendments require that the portion relating to credit risk of the fair value changes in this kind of financial liabilities be presented in the statement of other comprehensive income. Early application of the standard is permitted.

2. Basis of presentation of financial statements (continued)

The Company is assessing the impact of the standard on its financial position and performance.

TFRIC Interpretation 21 Levies

This interpretation clarifies that an entity should recognise a liability for compulsory levy at the time the event that triggers the payment of the levy occurs in accordance with the relevant legislation. Furthermore, this interpretation clarifies that the liability to pay a levy can only be recognised progressively if the obligating event that triggers the payment occurs over a period of time in accordance with the relevant legislation. If an obligation is triggered on reaching a minimum threshold, the liability to pay a levy is recognised when that minimum threshold is reached. This interpretation is effective for annual reporting periods beginning on or after 1 January 2014, whereby an earlier application is permitted. It is necessary to apply this interpretation retrospectively. It is not expected that this interpretation will have any effect on the Company's financial position or performance.

The new and amended standards and interpretations published by the International Accounting Standards Board (IASB) but not published by POA.

The below-mentioned new standards, interpretations and amendments in existing IFRS standards are published by IASB but are not yet effective for the current reporting period. However, these new standards, interpretations and amendments are not yet adapted to TFRS, or published, by POA and therefore do not form a part of TFRS. The Company will make the necessary changes in the financial statements and notes after these standards and interpretations become effective as TFRS standards.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 has been amended to provide an exception to the waiver of companies that meet the definition of an investment company from the consolidation provisions. With the exception introduced for the consolidation provisions, the investment companies are required to account for their subsidiaries at fair value in accordance with the provisions of IFRS 9 Financial Instruments. This amendment will not affect the Company's financial position or performance.

IAS 36 Impairment of Assets - Recoverable amount disclosures for non-financial assets (Amendment)

IASB has amended certain disclosures about the recoverable amounts of impaired assets under IAS 36 "Impairment of assets" after the amendment to IFRS 13 "Fair value measurement". The amendment provides additional disclosure requirements for the measurement of the recoverable amount of impaired assets (or an asset group) at fair value less costs to derecognise. This amendment will be applied retrospectively for annual periods beginning on or after 1 January 2014. If the entity has applied IFRS 13, early application is permitted. It is not expected that this standard will have any significant impact on the Company's financial position or performance.

IAS 39 Financial Instruments: Recognition and Measurement - Novation of derivatives and continuation of hedge accounting (Amendment)

In June 2013, IASB published the amendments made to the standard IAS 39 Financial Instruments: Recognition and Measurement. This amendment introduces a narrow exception to the provision that requires the cessation of the hedge accounting in the event that the hedging instrument is transferred to a central counterpart by law or due to arrangements. This amendment will be applied retrospectively for annual periods beginning on or after 1 January 2014. It is not expected that this standard will have any effect on the Company's financial position or performance.

2. Basis of presentation of financial statements (continued)

IFRS 9 Financial Istruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 – IFRS 9 (2013)

In November 2013, IASB issued a new version of IFRS 9 that includes the requirements for new hedge accounting and related amendments to IAS 39 and IFRS 7. Depending on this version, entities may choose as their accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all hedging transactions. This Standard does not have a mandatory effective date but is still applicable and a new mandatory effective date will be determined after IASB has completed the impairment phase of the project. The Company is assessing the impact of the standard on its financial position and performance.

Improvements to IFRS

In December 2013, IASB published two series of 'Annual Improvements to IFRS' for '2010-2012 period' and '2011-2013 period'. The amendments other than the amendments affecting the "Basis for Conclusions" of the Standards are effective from 1 July 2014.

Annual improvements - *2010-2012 Period*

IFRS 2 Share-based payment:

Definitions of vesting conditions were amended and performance condition and service condition were defined in order to resolve the problems. The amendment will be applied prospectively.

IFRS 3 Business Combinations

A contingent consideration that is not classified as equity in a business combination is measured at fair value in subsequent periods and recognized in the income statement, whether or not it is within the scope of IFRS 9 Financial Instruments. The amendment will be applied prospectively for business combinations.

IFRS 8 Operating Segments

The amendments are as follows: i) Operating segments may be combined/aggregated if aggregation is consistent with the core principles of the the standard. ii) Reconciliations of the total assets to the entity's assets shall be disclosed if this reconciliation is reported to the director who is authorized to take decisions related to operating activities. The amendments will be applied retrospectively.

IFRS 13 Fair Value Measurement

As explained in the basis for conclusion of the decision, short-term trade receivables and payables with no stated interest rate may be shown at the original invoice amount if the effect of discounting is immaterial. The amendments will be implemented immediately.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value; or ii) Determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment will be applied retrospectively.

2. Basis of presentation of financial statements (continued)

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment will be applied retrospectively.

Annual Improvements - ***2011–2013 Period***

IFRS 3 Business Combinations

The amendment clarifies i) that not only joint ventures but also joint arrangements are excluded from the scope of IFRS 3, and ii) that this scope exception only applies to the accounting in the financial statements of the joint arrangement. The amendment will be applied prospectively.

IFRS 13 Fair Value Measurement

It clarifies that the portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment will be applied prospectively.

IAS 40 Investment Property

The amendment clarifies the interrelationship between IFRS 3 and IAS 40 in classification of a property as investment property or owner-occupied property. The amendment will be applied prospectively.

It is not expected that these amendments would have any significant effect on the Company's financial position or performance.

Principle decisions issued by POA

In addition to the ones mentioned above POA has isued the following decisions for the implementation of the Turkish Accounting Standards. "Examples of financial statement and guide for use" became effective as of the date of publication, however, other decisions will be effective for annual reporting periods beginning after December 31, 2012.

2013-1 Examples of Financial Statement and Guide for Use

On May 20, 2013, POA issued the "Examples of financial statement and guide for use" in order to ensure uniformity of financial statements and facilitate their audit. Examples of financial statements included in this arrangement are published for the purpose of forming an example for the financial statements to be prepared by the companies that are obligated to implement TAS other than financial institutions established for banking, insurance, private pension or capital market operations. The Company has made classification changes in order to meet the requirements of this regulation.

2013-2 Recognition of Business Combinations under Common Control

According to the Decision, i) business combinations under common should be accounted for by the pooling of interest method, ii) goodwill should therefore not be included in financial statements and iii) when applying the pooling of interes method, financial statements should be adjusted as if the combination was realised at the beginning of the reporting period in which the common control occurred and presented comparatively from the beginning of the reporting period in which common control occurred. This Decision has not affected the Company's financial statements.

2. Basis of presentation of financial statements (continued)

2013-3 **Recognition of Certificates of Beneficial Interest**

It clarifies in which circumstances a certificate of beneficial interest should be accounted for as a financial liability or an equity instrument. This Decision has not affected the Company's financial statements.

2013-4 **Recognition of Cross-Holdings**

A situation in which an associate of an entity owns a share of that entity is defined as cross-holding (or reciprocal shareholding) relationship. The recognition of cross-holdings is considered according to the nature of investment and the different accounting principles applied. This decision considered the subject under the following three topics and the accounting principles for each of them were determined.

i) The situation in which a subsidiary owns equity instruments of the parent company,
ii) The situation in which an associate or a joint venture own equity instruments of the parent company,
iii) The situation in which an entity where the entity has an investment that is recognised under TAS 39 and TFRS 9 owns equity instruments of that entity.

This Decision has not affected the Company's financial statements.

2.3 Summary of significant accounting

policies Cash and cash equivalents

Cash and cash equivalents include cash, checking accounts and other short-term highly liquid investments with a maturity of 3 months or less at the time of purchase, which are readily convertible to cash and not subject to significant risks in terms of change in value.

Financial instruments

Financial assets

The Company has classified its financial assets as trade receivables, available-for-sale financial investments and cash and cash equivalents. Classification is made according to the purpose of acquisition of financial assets. The management classifies the financial assets on the date of purchase.

Available-for-sale financial investments

The subsequent valuation following the initial recognition of available-for-sale securities classified under financial investments is made at fair value. Profit or loss arising from changes in the fair value of available-for-sale securities is presented in a separate line item under equity until the related assets are sold, converted to cash, or otherwise disposed of, or until their value decreases, and after that date, the accumulated fair value differences are associated with income and expenditure account.

The fair values of securities available for sale that are traded in active markets are determined either at the current market rates as of the balance sheet date or at the prices quoted on the Stock Exchange or at the current market buying prices.

Dividends received from securities available for sale are accounted for in dividend income.

2. Basis of presentation of financial statements (continued)

Trade receivables

Trade receivables are recognised at their invoiced amounts and are carried at their net values discounted using the effective interest rate method and, if any, after deducting provision for doubtful receivables in the following periods.
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Notes and postdated cheques classified in trade receivables are carried at their discounted values rediscounted using the effective interest rate method.

The provision for doubtful receivables is recognized as an expense. If there is a concrete indication that the due receivables cannot be collected, a provision for doubtful receivables is allocated. The provision is the amount that is estimated by the Company management and considered to cover the possible losses that may arise from economic conditions or risks which the account carries by its very nature. Uncollectible receivables (bad debts) are completely deleted from the records in case they are detected.

The Company collects some of its receivables through factoring. The Company follows the related receivables in the financial statements since the collection risk belongs to the Company until the factoring company collects the transferred receivables from the customers. Advances received from the factoring company in exchange of these receivables are reported as factoring payables under "Financial Payables". Factoring expenses are accounted for on accrual basis in financing expenses account.

Impairment of financial assets

At each balance sheet date, financial assets or groups of financial assets are assessed on whether there are any indicators of impairment. An impairment loss exists if, after the initial recognition of a financial asset, one or more events occur and there is an objective indicator that the related financial asset, or assets group, is impaired in value due to the negative impact of the said event(s) on the foreseeable future cash flows of the related financial asset, or assets group. The amount of impairment on loans and receivables is the difference between the asset's carrying amount and the present value of its anticipated future cash flows, which are discounted using the financial asset's effective interest rate. The Company follows its receivables separately and does not allocate a collective provision.

For all financial assets, except for trade receivables where the carrying amount is written down by the use of a reserve (provision) account, the impairment is directly deducted from the carrying amount of the related financial asset. A trade receivable will be deducted and deleted from the reserve account if it cannot be collected. Changes in the reserve account are recognized in the statement of comprehensive income/(expense)

Negative differences between the acquisition cost and the fair value of available-for-sale financial assets are associated with the statement of comprehensive income in case the difference is significant and prolonged. Impairment losses recognized in profit or loss (income statement) relating to investments in equity instruments classified as available for sale are not reversed through profit or loss.

Except for equity instruments available for sale, if the impairment loss decreases in the following period and the decrease can be attributed to an event occurring after the impairment loss is recognized, the previously recognized impairment loss will be cancelled in the statement of comprehensive income in a manner that will not exceed the amount of the amortized cost that would have been achieved if the impairment of the investment had not been accounted for at the date the impairment was cancelled.

The increase occurred after the impairment in the fair value of available-for-sale equity instruments is accounted for directly in equity.

2. Basis of presentation of financial statements (continued)

Financial liabilities

Financial liabilities are accounted for at their fair value and are carried at amortized cost using the effective interest method in the following periods together with the interest expense calculated according to the effective interest rate.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the related interest expense over the relevant period. The effective interest rate is the rate at which the estimated future cash payments are discounted over the expected life of the financial instrument or a shorter period, where applicable, to arrive at the net present value of the related financial liability.

Bank loans

All bank loans are recorded at time of the initial recognition at the cost value that is considered to reflect their fair value and that includes the transaction cost.

After initial recognition, the loans are shown with their net values discounted using the effective interest rate method.
When calculating discounted value, costs at the time of initial issue and discounts and premiums during the reimbursement are taken into account.

Trade payables

Trade payables are recognised at discounted cost value representing the fair value of the invoiced or uninvoiced amount related to the purchase of goods and services to be incurred in the future. A part of the Company's trade payables is paid by the factoring company and the bank and the Company owes the amount paid to the factoring company or bank. The related amounts are reported as factoring payables and letter of credit liabilities under "Financial Payables", respectively.

Recognition and derecognition of financial assets and liabilities

All purchases and sales of financial assets are recognised on the transaction date, i.e. on the date the Company
commits to purchase or sell the asset. Such purchases and sales are trades that generally require the delivery of the financial asset within the time-frame determined by general custom and regulations of the market.

A financial asset (or part of a financial asset, or a part of a group consisting of similar financial assets) is derecognized;

- if the time relating to the right to obtain cash flow from the asset is over;
- if the Company has the right to obtain cash flow from the asset but is obligated to pay the full amount without spending too much time under an agreement requiring direct transfer to a third party;
- if, in the case the Company transfers its right to obtain cash flows from the asset, (a) all risks or rewards with respect to the asset have been transferred or (b) all controls on the asset have been transferred although all rights or rewards have not been transferred.

If, in the case the Company transfers its right to obtain cash flows from the asset, all risks or rewards with respect to the asset have not been transferred or controls on it have not been transferred, the asset is carried in the financial statements according to the Company's ongoing relationship with the asset.

Financial liabilities are derecognized if the debts arising from these liabilities are abolished, cancelled or expired.

2. Basis of presentation of financial statements (continued)

Netting / Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously.
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Effects of changes in foreign exchange rates

Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the transaction dates when they are initially recognized. Monetary assets and liabilities denominated in foreign currencies are measured at the rates prevailing at the reporting date and foreign exchange gains and losses resulting therefrom are recognized in the comprehensive income statement for the related period. All monetary assets and liabilities are translated at the period-end exchange rates and the related foreign exchange differences are recognized in the comprehensive income statement. Non-monetary items denominated in foreign currencies and measured at cost value are translated into functional currency at the rates prevailing at the initial transaction date. Non-monetary items denominated in foreign currencies and measured at fair value are translated into functional currency at the exchange rates prevailing at the time the fair value was determined.

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ('reporting entity').

(a) A person or a close member of that person's family is deemed related to the reporting entity in the following situations:

If that person:

(i) has control or joint control over the reporting entity;
(ii) exercises significant influence over the reporting entity;
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) The entity is related to the reporting entity if any of the following conditions applies:
(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) The entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity has a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity has itself such a plan, the sponsoring employers are also related to the reporting entity.

2. Basis of presentation of financial statements (continued)

(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost includes all costs incurred in bringing the inventories to their present location and condition. Material, direct labor and general manufacturing costs consist the cost included in the inventories. Raw materials and materials, work in process, finished goods, commodities, and spare parts that consist other inventories are valued using the moving weighted average cost method.

The Company has allocated provision for impairment of inventories for the parts of spare parts and commodity inventories that are not expected to be sold/used.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

Tangible fixed assets

Tangible fixed assets other than land are stated at cost less accumulated depreciation and impairment, if any. Lands are presented at fair value in accordance with the revaluation model as permitted by IAS 16 and are not subject to depreciation. When the tangible assets are sold, the income or expense that arises after the deduction of the cost and accumulated depreciation of these assets from the related accounts is included in the comprehensive income/loss statement.

The initial cost of a tangible fixed asset comprises its purchase price, import duties, non-refundable taxes and any directly attributable costs of preparing the asset for its intended use. Expenses such as repair and maintenance that occur after the use of the tangible fixed asset has started are recognized as expense in the period in which they are incurred. If the expenditures made provide economic added value for the future use of the related tangible asset, these costs are added to the cost of the asset.

Tangible fixed assets are capitalized and depreciated when their capacity is fully available for use. Depreciable assets are depreciated on prorata basis over their useful lives.

Depreciation periods are as follows:

	Period
Buildings	25-50 years
Machinery and equipment	4-20 years
Vehicles	4-5 years
Furniture and fixtures	2-10 years
Rights	7-14 years
Special costs	5 years

The useful life and depreciation method are regularly reviewed and accordingly the compliance of the method and the period of depreciation with the economic benefits to be gained from the related asset are
looked through and thus prospective amendments are made if they are in compliance.

2. Basis of presentation of financial statements

(continued) Intangible fixed assets

Intangibles fixed assets consisting of software rights are recognized at acquisition cost. Software rights are amortized over their adjusted cost values using straight-line method of depreciation on prorata basis over 3 to 15 years.

The carrying values of intangible fixed assets are reviewed and the necessary provision is allocated if the changes in conditions and the events indicate a possible decrease in the carrying value.

Investment property

Investment property is property held to earn rental income and/or for the purpose of capital appreciation. It is measured initially at cost, including transaction costs directly associated with acquisition. The book value also covers the cost of replacing a part of the investment property if the recognition principle of adding such costs is met. This value does not include daily expenditures made for the provision of services for investment properties.

Depreciation is calculated using the ordinary depreciation method over the estimated useful life of the investment property other than land. In this context, depreciation period applied for buildings is 25 to 50 years.

Research and development expenses

Research expenditures are recognised as an expense when incurred (Note 22). Costs incurred in development projects (related to the design and testing of new or improved products) are recognized as intangible fixed assets if the following conditions are met:

- In case the intangible asset is completed, it can be sold and used taking account of its technical feasibility;
- The management's intention to complete the intangible asset and either use it or sell it,
- the intangible assets can be used or sold,
- the demonstration of possible future economic benefits,
- Sufficient technical, financial and other resources for the completion, use or sale of the intangible asset;
- Reliable measurement of costs incurred during the development of the intangible asset.

Other development costs that do not meet these criteria are recorded as expense in the period in which they are incurred. Development costs recorded as expense in prior periods cannot be capitalized in subsequent periods. Capitalized development costs are recognized as intangible fixed assets and are amortized on a straight-line basis over the useful life not exceeding 5 years from the date the related asset is ready for use.

Government grants

All government grants, including non-monetary government grants monitored at fair value, are recognized in the financial statements only when there is reasonable assurance that the Company will comply with necessary conditions attached to the grant and the grant will be received or when the Company receives the grant. Government grants are accounted for as a deduction from the costs of the capitalizable intangible fixed assets that are intended to be financed with these grants.

2. Basis of presentation of financial statements (continued)

Impairment of non-financial assets

Impairment test is conducted for depreciable assets if it is not possible for the asset to recover its carrying amount. An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest level where cash flows are separately identifiable (cash-generating units). Non-financial assets are reviewed at each reporting date for possible indications of impairment.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of assets that require significant time to be ready for their intended use or sale are capitalized as part of the cost of the related assets. Other borrowing costs are accounted for as expense in the periods they are incurred. Borrowing costs include interest and other costs incurred due to borrowing.

Provisions, contingent liabilities and contingent assets

Provisions

Provisions are only recognized if, and only if the Company has a present obligation resulting from a past event, and there is a probability of an outflow of economic resources providing economic benefit to the entity due to this obligation and the amount of the obligation can be estimated reliably.

Where the time value of money is material, provisions are reflected with the discounted value of possible future costs at the balance sheet date. Provisions are reviewed at each balance sheet date and necessary adjustments are made to reflect the management's best estimates.

Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the financial statements, but disclosed in the notes if the situation requiring the transfer of resources is not highly probable. Contingent assets are not recognized in the financial statements, but disclosed in the notes where an inflow of economic benefits is probable.

Leasing transactions - as lessee

Finance leases

The Company recognises fixed assets acquired through finance lease at the fair value at the beginning of the lease date on the balance sheet or, if lower, the value of the minimum rent payments at the balance sheet date (they are included in the related tangible asset items in the financial statements). In calculating the present value of the minimum lease payments, the discount factor is the interest rate implicit in the lease if this is practicable to determine, if not, borrowing interest rate is used as the discount factor. The expenses incurred during the initial acquisition of the fixed asset subject to finance lease are included in the cost. The liability arising from the leasing transaction is divided into interest payable and principal debt. Interest expenses are calculated over the fixed interest rate and included in the comprehensive income statement accounts of the related period. Leased fixed assets recognized in the financial statements are depreciated according to the corresponding useful lives of the depreciable assets owned by the Company.

2. Basis of presentation of financial statements (continued)

Operating leases

If, in the lease of an asset, all risks and benefits remain with the lessor, such leases are classified as operating leases. Lease payments made under an operating lease are recognized as expense in the statement of comprehensive income on a straight-line basis over the lease term.

Taxes calculated on the basis of the company's earnings

Tax expense or income is the sum of the current and deferred taxes calculated in relation to the gains or losses incurred in the period.

In the calculation of current and deferred tax, the tax rates that are valid as at the balance sheet date are used in accordance with the tax legislation in force in the country in which the Company operates.

Deferred tax is calculated according to the balance sheet liability method. Deferred tax is the tax effect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their statutory tax bases, and is accounted for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, unused grants and financial losses carried forward, to the extent that it is probable that a future taxable profits will be available where this time time differences can be utilized. The deferred tax asset is reviewed at each balance sheet date and the carrying amount of the deferred tax asset is reduced in cases where it is not possible to generate sufficient taxable profit for future use of the deferred tax asset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the enterprise.

Deferred tax is directly associated with equity account group if it relates to transactions that are directly associated with equity at a similar or different period.

The Company recognizes the deferred tax asset for deductible temporary differences only in the following situations and only when both situations are probable:

(a) Temporary differences will reverse in the foreseeable future; and
(b) The taxable profit will be available against which the deductible temporary difference can be utilized.

Employee benefits

Provision for severance payments

Pursuant to the existing Turkish Labour Law, the Company is obligated to make a certain amount of severance payment to the personnel, who has served at least for one year, that leaves work due to retirement or resignation or that is dismissed from work for reasons other than misconduct.

The Company calculated the provision for severance pay contained in the financial statements using the "Projection Method" based on the Company's experience gained in the past years concerning the completion of the personnel service period and severance pay entitlements and discounted them according to the government bond rates on the date of the balance sheet. All actuarial gains and losses calculated are recognised in the statement of other comprehensive income.

2. Basis of presentation of financial statements (continued)

Unused vacation entitlements

The unused vacation entitlements in the financial statements represent the estimated total sum of possible future liabilities related to the accumulated vacation days of the employees as of the balance sheet date.
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Events occurring after the balance sheet date

Post-balance-sheet events (events requiring adjustments) that provide additional information about the Company's position at the balance sheet date are reflected in the accompanying financial statements. Post-balance-sheet events that do not require adjustment are disclosed in the notes if they are material.

Earnings per share (TL)

Earnings per share disclosed in the statement of comprehensive income are calculated by dividing the net income for the period by the weighted average number of shares outstanding during the reporting period.

In Turkey, companies can increase their capital through "bonus shares" distributed to their present shareholders from prior years' earnings. Such "bonus share" distributions are treated as issued shares in the calculation of earnings per share. Accordingly, the weighted average number of shares used in these calculations is found by also taking into account the retrospective effects of such share distributions.

Income

Sales revenues are recognized on an accrual basis at the fair value of the consideration received or receivable in the cases the goods are delivered or the service is provided, the product-related important risks and benefits are transferred to the buyer, the amount of income can be calculated reliably or if it is very likely that the Company will obtain the economic benefits related to the transaction. Net sales show the invoiced value, excluding sales tax of the sold product or completed service, less rebates and discounts (Note 21).

Interest income obtained within other income is calculated using the effective interest rate method and recognized on an accrual basis, and rental income obtained within operating lease is recognized on a periodical accrual basis.

Cash-flow statement

In the statement of cash flows, cash flows for the period are classified and reported as operating, investing and financing activities.

Cash flows from operating activities represent the Company's cash flows from tractor and engine selling activities.

Cash flows related to investing activities represent the cash flows which the Company uses in its investment activities (tangible and intangible investments and financial investments).

Cash flows from financing activities represent the resources which the Company uses in its financing activities and the repayments of those resources.

Cash and cash equivalents include cash, checking accounts and other short-term highly liquid investments with a maturity of 3 months or less at the time of purchase, which are readily convertible to cash and not subject to significant risks in terms of change in value.

2. Basis of presentation of financial statements (continued)

Fixed assets held for transfer and discontinued operations

Activities to be disposed of are the activities and cash flows, which the Company has disposed of or classified as available-for-sale asset, that can be separated from the entirety of the Company. The activities to be disposed of represent a separate field of activity or geographical area of activity, and are part of a separate plan for sale or disposal, or are a subsidiary purchased for sale. The Company measures the activities to be disposed of at the lower of the carrying amounts of the related assets and liabilities and their fair value less costs to sell.

2.4 Significant accounting judgements, estimates and assumptions

In the preparation of the financial statements, the Company's management is required to make judgments, estimations and assumptions to determine the liabilities and commitments that may occur as of the balance sheet date and the amounts of income and expenses for the reporting period, which will effect the amounts of reported assets and liabilities. Actual results may differ from estimates. Estimations are regularly reviewed and revised and necessary adjustments are made, and they are reflected in the statement comprehensive income for the period in which they occur.

Significant assumptions, which were made taking into consideration the main sources of estimations that were available at the balance sheet date or that may be realized in the future, that may have a significant effect on the amounts reflected in the financial statements are as follows:

Economic lives of tangible and intangible fixed assets

The Company's management has made significant assumptions in determining the economic lifetimes of tangible assets (Note 2.3). The Company constantly reviews the physical and economic usability of the machinery and equipment currently in use. The physical and economic lifetimes of the main production lines has been determined based on the assumption that the main production lines are not overly worn due to below-capacity production during and after the privatisation process.

Provision for warranties

Repair and maintenance costs made for the goods manufactured and sold by the Company, labour and material costs of the authorised services provided free of charge to the customers within the warranty period, initial maintenance costs incurred by the Company and results of estimations according to historical data for possible returns and repair levels of products in the coming years whose proceeds have been recognised as income in the current period are recognised as warranty expenses (Notes 15 and 21) The Company provides a two-year warranty for the goods which it sells. As the Company expects a significant part of the warranty expenses to be realised within 1 year, the Company reflects the provisions for warranties as short-term expenses.

Provision for doubtful trade receivables

The Company management has made estimates for the determination of doubtful trade receivables in its trade receivables portfolio, taking into account past collection history and the current status of customers (Note 9).

Provision for severance payments

Provision for severance pay is determined using actuarial calculations based on a number of assumptions, including discount rates, future salary increases and employee turnover rates. Because these plans are long-term, the assumptions involve significant uncertainties (Note 17).

2. Basis of presentation of financial statements (continued)

Provision for inventories

In relation to inventory impairment, inventories are examined physically and in terms of the length of time passed, their usability is determined according to the technical personnel's opinions and a provision is allocated for the items which are estimated as unusable (Note 10). In the determination of the net realizable value of inventories, the list prices and data regarding the average discount rates given during the year are used, and estimates related to the sales expenses to be incurred are made.

Deferred taxes

Deferred tax assets are accounted for to the extent that it is very likely that a taxable profit will be available to benefit from tax advantage in the future. Deferred tax assets are calculated on the basis of unused tax deductions and other temporary differences if the tax advantage is probable (Note 27).

(Currency: Turkish lira (TL))

3. Business combinations

The Company does not have a business combination in the current and prior periods.

4. Reporting by segments

The Company management does not report financial information by segments because there are no different types of products and different geographical areas that need to be reported by segments. The distribution of the Company's sales according to geographical markets (domestic-foreign) and product groups are shown in Note 20.

5. Cash and cash equivalents

As of December 31, 2013 and December 31, 2012, the amounts of the Company's time deposits, their average rates of return and their average maturity are as follows:

	December 31, 2013	December 31, 2012
Cash	**11,973**	5,999
Demand deposits in banks	**5,291,759**	21,968,573
Time deposits in banks	**49,904**	47,212
	5,353,636	22,021,784

On 31 December 2013 and 31 December 2012, the TL-denominated time deposit amounting to TL 40,000 is a guarantee for an oil company with which the Company has an agreement and is held as time deposit in the bank. This time deposit's interest rate is 6.5% per annum (2012 - 6.5%)

The details of the cash and cash equivalents in the cash-flow statements as of December 31, 2013 and December 31, 2012 are as follows:

	December 31, 2013	December 31, 2012
Cash	**11,973**	5,999
Banks	**5,341,663**	22,015,785
Less: Blocked bank deposits	**(40,000)**	(40,000)
Cash and cash equivalents in the cash-flow statement	**5,313636**	21,981,784

6. Financial investments

- **Short term**

	December 31, 2013	December 31, 2012
Cosmos Investment Trust Inc.	**242,251**	-
	242,251	-

Cosmos Investment Trust Inc., whose shares are traded on the Istanbul Stock Exchange, is presented by valuing it on the basis of its market prices quoted at the stock exchange at the end of the business day on 31 December 2013.

- **Long term**

None

(Currency: Turkish lira (TL))

7. Financial payables

The interest and foreign exchange details of financial loans are as follows:

	December 31, 2013		December 31, 2012	
	Effective interest rate %	**TL amount**	Effective interest rate %	TL Amount
Short term:				
- US dollar (*)	**0%**	**439,965**	-	-
- TL	**11.47% - 19.64%**	**199,503**	13.56% - 19.64%	4,817,900
Short-term portions of long-term loans:				
- TL	**11.47% - 19.64%**	**2,906,810**	0% - 19.31%	16,659,031
Long term				
- US dollar	**0%**	**41,512**	7.63%	102,555
- TL		**-**	17.77% - 19.64%	1,694,984
		3,587,790		23,274,470

The maturities of long-term financial payables (other than short-term portions of long-term loans) are as follows:

	December 31, 2013	December 31, 2012
2014	**-**	1,762,867
2015	**41,512**	34,672
	41,512	1,797,539

8. Other financial liabilities

	December 31, 2013	December 31, 2012
Liabilities from factoring transactions (*)	**-**	25,916,317
	-	25,916,317

(*) Liabilities from factoring transactions are about postdated cheques and notes transferred revocably to factoring institutions and are shown in the balance sheet assets within postdated cheques and notes receivables, details of which are given in Note 9.

(Currency: Turkish lira (TL))

9. Trade receivables and payables

a) Trade receivables from third parties

	December 31, 2013	December 31, 2012
Trade receivables	**24,844,200**	5,375,255
Postdated cheques and notes receivable	**30,653,084**	49,091,882
	55,497,284	54,467,137
Less: Provision for doubtful receivables	**(2,016,194)**	(2,504,861)
	53,481,090	51,962,276

The movement of the provision for doubtful receivables as of December 31, 2013 and 2012 is as follows:

	2013	2012
Balance on January 1	**(2,504,861)**	(2,566,603)
Provisions allocated during the period	**(247,373)**	(245,313)
Provisions no longer required	**736,040**	307,055
Balance on December 31	**(2,016,194)**	(2,504,861)

As of December 31, 2013 and December 31, 2012, the aging schedule relating to trade receivables for which a provision for doubtful receivables is not allocated is as follows:

			Provision not allocated despite being overdue			
	Total	Amounts that are not past due and for which a provision is not allocated	Up to 1 month	1 to 3 months	3 to 4 months -	4 months and over
December 31, 2013	**24,844,200**	**23,627,006**	**518,931**	**69,680**	**27,406**	**601,177**
December 31, 2012	4,677,268	3,470,635	-	-	34,425	1,172,208

The Company has a letter of guarantee and mortgage amounting to TL 452,000 for the receivable amounting to TL 302,013 from its trade receivables that are overdue by 6 months and over. (2012 – TL 852,000 for the receivable amounting to TL 558,981)

The Company did not allocate any provision for its overdue receivables not yet collected because it does not foresee a problem in their collections due to the long-term relationship with its customers and the ongoing trade with the customers in question.

b) - Trade payables to third parties

	December 31, 2013	December 31, 2012
Trade payables	**32,926,981**	19,047,028
Notes payable	**331,326**	34,792,691
	33,258,307	53,839,719

(Currency: Turkish lira (TL))

10. Inventories

	December 31, 2013	December 31, 2012
Materials and spare parts	**64,053,930**	46,844,753
Work in process inventories	**5,391,935**	3,282,684
Finished goods inventories	**5,931,882**	11,427,876
Trade goods	**4,309,758**	2,393,352
Goods in transit	**17,544,922**	4,630,509
	97,232,427	68,579,174
Less: Provision for inventories (*)	**(826,681)**	(1,318,269)
	96,405,746	67,260,905

(*) As of December 31, 2013, provision allocated for impairment of finished goods inventories and trade goods is recognised in cost-of-sales account.

As of December 31, 2013 and December 31, 2012, there are no pledges or mortgages on inventories.

The movements in inventory impairment by periods are as follows;

	2013	2012
Balance on January 1	**(1,318,269)**	(929,973)
Expense for the current period	**(791,725)**	(1,283,313)
Disposed of in the current period	**1,283,313**	895,017
Balance on December 31	**(826,681)**	(1,318,269)

(Currency: Turkish lira (TL))

11. Tangible fixed assets

	Lands (**)	Overland plants	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Special costs	Total
Cost								-
January 1, 2013	43,698,539	2,520	7,976,362	39,079,215	2,192,368	2,571,595	308,182	95,828,781
Inflows	414,536	-	3,531,970	7,314,000	599,614	3,836,469	394,524	16,091,113
December 31, 2013	44,113,075	2,520	11,508,332	46,393,215	2,791,982	6,408,064	702,706	111,919,894
Accumulated depreciation								
January 1, 2013	-	208	930,889	20,080,468	730,842	1,396,652	294,928	23,433,987
Depreciation for the current period	-	168	283,747	2,901,291	513,502	487,165	87,100	4,272,973
December 31, 2013	-	376	1,214,636	22,981,759	1,244,344	1,883,817	382,029	27,706,960
Net book value on January 1, 2012	43,698,539	2,312	7,045,474	19,007,141	1,461,525	1,166,549	13,255	72,394,794
Net book value on December 31, 2012	44,113,075	2,144	10,293,695	23,411,456	1,547,637	4,524,247	320,679	84,212,934

(**) In May 2012, TSKB Real Estate Appraisal Inc., a company licensed by the Capital Markets Board, determined the fair values of the lands using the comparable price method.

(Currency: Turkish lira (TL))

11. Tangible fixed assets

	Lands (**)	Overland plants	Buildings	Machinery and equipment	Vehicles	Furniture and Fixtures	Special costs	Investments in progress (*)	Total
Cost									-
January 1, 2012	43,698,539	-	7,817,378	45,551,634	1,704,514	2,290,006	308,182	-	101,370,253
Inflows	-	2,520	604,767	935,264	487,854	289,983	-	1,117,945	3,438,333
Transfers to investment property	-	-	(445,783)	-	-	-	-	-	(445,783)
Transfers to assets held for transfer	-	-	-	(7,407,683)	-	(8,394)	-	(1,117,945)	(8,600,817)
December 31, 2012	43,698,539	2,520	7,976,362	39,079,215	2,192,368	2,571,595	308,182	-	95,828,781
Accumulated depreciation									
January 1, 2012	-	-	1,065,588	17,640,817	436,954	1,124,892	292,247	-	20,560,498
Depreciation for the current period	-	208	213,832	3,433,041	293,888	280,154	2,681	-	4,223,804
Transfers to investment property	-	-	(75,416)	-	-	-	-	-	(75,416)
Transfers to assets held for transfer	-	-	(273,115)	(993,390)	-	(8,394)	-	-	(1,274,899)
December 31, 2012	-	208	930,889	20,080,468	730,842	1,396,652	294,928	-	23,433,987
Net book value on January 1, 2012	43,698,539	-	6,751,791	27,910,817	1,267,560	1,165,114	15,936	-	80,809,755
Net book value on December 31, 2012	43,698,539	2,312	7,045,473	18,998,747	1,461,526	1,174,943	13,254	-	72,394,794

(*) As of December 31, 2012, the Company has received TL 203,519 grant from TUBITAK for the development expenses which it monitors in the account of investments in progress. The Company has offset this grant income with development expenses, which it monitors under the account of investments in progress.

(**) In May 2012, TSKB Real Estate Appraisal Inc., a company licensed by the Capital Markets Board, determined the fair values of the lands using the comparable price method.

(Currency: Turkish lira (TL))

12. Intangible fixed assets

	2013	2012
Net book value on January 1	**2,163,406**	2,273,699
Purchases	**6,652,297**	549,108
Amortisation charges	**(1,014,247)**	(659,401)
Transfers	**-**	-
Net book value on December 31	**7,801,456**	2,163,406
December 31,		
Cost	**10,046,610**	3,394,313
Accumulated amortisation charges	**(2,245,154)**	(1,230,907)
Net book value	**7,801,456**	2,163,406

There are no pledges or mortgages on the Company's intangible fixed assets.

13. Completely depreciated and amortised tangible and intangible fixed assets

The book values of tangible and intangible fixed assets that have completed accumulated depreciation for the periods and that have been amortized, but which are still in use in the related periods, are as follows.

	December 31, 2013	December 31, 2012
Machinery and equipment	**7,472,036**	7,174,763
Vehicles	**273,377**	338,810
Furniture and fixtures	**1,029,648**	1,000,754
Rights	**305,701**	125,547
Special costs	**286,273**	285,538
	9,367,035	8,925,412

(Currency: Turkish lira (TL))

14. Investment property

	2013	2012
Cost		
Balance on January 1	**445,783**	1,930,542
Transfers from tangible fixed assets (**)	**-**	445,783
Transfers to assets held for transfer (*)	**-**	(1,930,542)
Balance on December 31	**445,783**	445,783
Depreciation		
Balance on January 1	**77,936**	253,863
Depreciation expense for the period	**8,865**	23,674
Transfers from tangible fixed assets (**)	**-**	75,416
Transfers to assets held for transfer (*)	**-**	(275,017)
Balance on December 31	**86,801**	77,936
Net book value on December 31	**358,982**	367,847

(*) As of January 1, 2012, investment properties consist of apartments rented as offices. These investment properties are leased to the related parties controlled by the parent company through operating lease. The Company transferred these assets to Tümosan Foundry Inc., which was newly established through partial division on 4 July 2012 pursuant to the decision of the Board of Management dated 15 March 2012.

(**) As of December 31, 2013, the assets classified as investment property consist of buildings with a net book value of TL 358,982 as of January 1, 2013. In the current period, the Company obtained TL 329,389 rental income from these investment properties. The Company determined the fair value of these investment properties approx. as TL 2,200,000, according to the valuation study made by TSKB Real Estate Appraisal Inc. in May 2012.

15. Provisions, contingent assets and

contingent liabilities Short-term debt provisions

	December 31, 2013	December 31, 2012
Provision for warranties	**5,847,546**	4,117,166
Provision for litigation expenses (*)	**-**	286,001
	5,847,546	4,403,167

(*) Includes provision for lawsuits filed against the Company.

(Currency: Turkish lira (TL))

15. Provisions, contingent assets and liabilities (continued)

The movements of provision for warranty expenses over periods are as follows:

	2013	2012
Balance on January 1	**4,117,166**	5,161,229
Provision used during the period	**(3,253,682)**	(5,841,291)
Provision allocated during the period	**4,984,062**	4,797,228
Balance on December 31	**5,847,546**	4,117,166

16. Commitments

The Company's position for the guarantees, pledges and mortgages (GPM) as of December 31, 2013 and December 31, 2012 is as follows: GPMs given by the Company:

	December 31, 2013	December 31, 2012
A: Guarantees and mortgages given on behalf of its own legal personality	**3,024,707**	15,856,855
B: The total amount of GPMs given on behalf of other 3rd parties for the continuation of its ordinary business operations (*)	**394,776,112**	260,663,519
C: The total amount of other GPMs given	**-**	-
i. The total amount of GPMs given on behalf of the parent company	**-**	-
ii. The total amount of GPMs given on behalf the other Group companies that do not fall under Articles B and C	**-**	-
Total	**397,800,819**	276,520,374

Details of GPMs in foreign currency are as follows (TL equivalents):

	December 31, 2013	December 31, 2012
Turkish lira	**397,129,088**	275,329,002
US dollar	**671,731**	1,191,372
Total	**397,800,819**	276,520,374

(*) The Company and the Turkish Ziraat Bank (hereinafter the “Bank”) signed an agreement on December 2010. According to this agreement, in the event the customer that has purchased the tractor which the Company sells through Tümosan's tractor vendors (Vendor) using credit via the Bank fails to repay the credit, the Bank has the right to request from the Company the difference between the income obtained from the forced sale of the tractor and the 75% of the insurable value determined by the Association of the Insurance and Reinsurance Companies of Turkey for the related tractor. However, the Company reflects the difference that the Bank will demand from it to the Vendor that has sold the tractor. Therefore, the liability is ultimately transferred to the Vendor although the guarantee mentioned above is a guarantee given to the Bank by the Company.

(Currency: Turkish lira (TL))

17. Provisions for employee benefits

a) Short-term employee benefits

	December 31, 2013	December 31, 2012
Provision for unused vacations	**518,366**	385,980
	518,366	385,980

b) Long-term employee benefits

	December 31, 2013	December 31, 2012
Provision for severance payments	**2,039,725**	1,582,941
	2,039,725	1,582,941

Pursuant to the existing Turkish Labour Law, the Company is obligated to make a certain amount of severance payment to the personnel, who has served at least for one year, that leaves work due to retirement or resignation or that is dismissed from work for reasons other than misconduct or that is obliged to leave work because of compulsory military service. The amount payable consists of one month's salary for each year of service and is limited to TL 3,254 as of 31 December 2013 and TL 3,034 as of 31 December 2012.

Based on the information gained from past experience, the Company has discounted the benefits gained by employees entitled to severance payments by using the government bond rates valid at the balance sheet date and reflected the discounted net values to the financial statements.
- Provision for severance payments is allocated by calculating the present value of the possible liability to be paid in case of the employees' retirement. Accordingly, the actuarial assumptions used to calculate the liability as of 31 December 2013 and 31 December 2012 are as follows:

	December 31, 2013	December 31, 2012
Discount rate	**8.6%**	8.6%
Estimated limit/wage increase	**5.00%**	5.00%
Net discount rate	**3.43%**	3.43%

The movement of the provision for severance payment is as follows:

	2013	2012
Balance on January 1	**1,582,941**	1,303,786
Service cost	**559,671**	365,179
Interest expense	**136,133**	112,126
Actuarial income	**(141,774)**	(117,244)
Paid	**(97,246)**	(80,906)
Balance on December 31	**2,039,725**	1,582,941

(Currency: Turkish lira (TL))

18. Liabilities for employee benefits

	December 31, 2013	December 31, 2012
Taxes and liabilities payable (*)	**519,550**	1,394,059
Payables to employees	**544,864**	428,833
	1,064,414	1,822,892

(*) It comprises the Company's payables for social security contributions of its employees and witholding debts.

19. Other assets and liabilities

a) Other current assets

	December 31, 2013	December 31, 2012
Deferred VAT	**29,953,770**	30,880,679
Deposits and guarantees given	**67,056**	292,309
Other	**185,026**	76,831
	30,205,852	31,249,819

b) Other fixed assets

	December 31, 2013	December 31, 2012
Other fixed assets	**-**	352,748
	-	352,748

c) Other liabilities Other

short-term liabilities

	December 31, 2013	December 31, 2012
Taxes and funds payable	**297,739**	3,137,129
Other	**34,847**	19,058
	332,586	3,156,187

(Currency: Turkish lira (TL))

20. Equity

a) Capital

The Company's shareholders and their shares in capital as of December 31, 2013 and December 31, 2012 are as follows:

	December 31, 2013		December 31, 2012	
	Rate %	TL	Rate %	TL
Ereğli Textile Tourism Industry and Trade Inc.	**68.57**	**78,859,006**	67.58	77,716,552
Muzaffer Albayrak	**1.74**	**2,000,000**	5.72	6,586,381
Ahmet Albayrak (son of Ahmet)	**1.74**	**2,000,000**	2.84	3,264,543
Bayram Albayrak	**1.74**	**2,000,000**	2.84	3,264,543
Nuri Albayrak	**1.74**	**2,000,000**	2.84	3,264,543
Kazım Albayrak	**1.74**	**2,000,000**	2.84	3,264,543
Mustafa Albayrak	**1.74**	**2,000,000**	2.84	3,264,543
Hedef Venture Capital Investment Trust Inc.	**1.74**	**2,000,000**		
Free-float portion	**19.25**	**22,140,994**	12.50	14,374,352
Capital	**100**	**115,000,000**	100	115,000,000
Paid-in capital		**115,000,000**		115,000,000

As of December 31, 2013, the Company's capital is fully paid up and consists of 115,000,000 shares with nominal value of TL 115,000,000 and TL 1 per share (December 31, 2012 - Capital: TL 115,000,000 and 115,000,000 shares with TL 1 per share).

In accordance with the Communiqué (Serial: XI, No: 29), which entered into force on January 1, 2008, and CMB announcements explaining this Communiqué, "Paid-in Capital", "Reserves on Retained Earnings" and "Share Premiums" are required to be presented at the amounts in statutory records.

The differences in valuations during the implementation of the said Communiqué:

- should be related with the "Capital Adjustment Difference" to be coming after the "Paid-in Capital" item if the differences arise from the "Paid-in Capital" and are not yet added to the capital;

- should be related with the "Accumulated Profits/Losses" if the differences arise from "Reserves on Retained Earnings" and "Share Premiums" and are not yet subject to profit distribution or capital increase. Other equity items are presented with their amounts valuated within the framework of CMB's Financial Reporting Standards.

Premiums on shares:

In the public offering held on December 5, 2012, the Company increased its capital by TL 10,000,000 by restricting its shareholders' subscription rights and reflected the share premium of TL 26,241,624, which was obtained after deducting the public offering expenses of TL 3,758,376 occurred during this transaction, in the equity on its financial statements. Furthermore, the Company decided at its General Meeting held on May 13, 2013 to offset prior year's losses with share premiums.

(Currency: Turkish lira (TL))

20. Equity (contd)

Dividend Distribution

Companies whose shares are traded on ISE are subject to the dividend requirement imposed by CMB as follows:

30 Pursuant to Article 19 of the Capital Markets Law No. 6392 which entered into force on [30] December 2012, publicly-listed companies distribute their profits within the frame of their dividend distribution policies to be determined by the general meeting of shareholders and in accordance with the provisions of the applicable legislation. The Capital Markets Board may identify different principles by corporations of similar characteristics with regard to dividend distribution policies of corporations.

Unless and until both the reserve required to be set aside according to the law, and the dividend determined for payment to shareholders in the articles of association are reserved, it cannot be decided to set aside other reserve, or to carry dividend forward to next year, or to distribute dividend to beneficial interest certificate, board members and company's employees, nor can profit shares be distributed to the said persons unless and until the dividend determined for shareholders are fully paid in cash.

In publicly-listed companies, dividends shall be distributed equally to all of the shares existing as of the date of distribution, regardless of their dates of issuance and acquisition.

According to the legislation in force, dividends can be distributed, depending on the decision of the general meeting of shareholders, in cash, or as bonus share distribution to shareholders by adding the capital, or both in cash and bonus share form with certain rates, or the amount of dividends can be kept in the company without distributing them as per the principles set out in the Communiqué Serial: IV, No: 27, in which CMB regulates the principles regarding distribution of dividends to be followed by the publicly-listed companies, the provisions of articles of association, the company's dividend distribution policies disclosed to public.

b) Reserves on retained earnings

Pursuant to the Turkish Commercial Code, the first order legal reserves are required to be set aside as 5% of the statutory net profit until reaching up to 20% of the company's paid-in capital. Pursuant to the Turkish Commercial Code, legal reserves can only be used for transactions aimed at offsetting losses or ensuring the entity's ability to continue as a going concern, unless they exceed 50% of the paid-in capital. Furthermore, in order to benefit from real estate and participating interests sales gains exemption, 75% of such gains must be held in a passive fund account (special reserves) and not withdrawn for 5 years.

The details of the reserves on retained earnings mentioned above are as follows:

	December 31, 2013	December 31, 2012
Legal reserves on retained earnings	**3,954,095**	85,576
	3,954,095	85,576

c) Accumulated profits/(losses)

The equity items in the Company's statutory financial statements prepared in accordance with the Tax Procedure Law are as follows:

	December 31, 2013	December 31, 2012
Legal reserves	**3,954,095**	85,576
Accumulated losses	**-**	(12,092,063)

Net income for the period	**62,063,333**	29,542,521
	66,017,428	17,536,034

(Currency: Turkish lira (TL))

21. Sales and cost of sales

a) Statement of sales and cost of sales

Sales:	2013	2012
Domestic sales	**440,471,992**	285,933,089
Foreign sales	**5,111,287**	7,590,857
Sales returns and allowances	**(497,786)**	(1,961,552)
Total sales, net	**445,085,493**	291,562,394

Cost of sales:	2013	2012
Expenses for raw materials and supplies	**315,688,813**	214,137,198
General production expenses	**15,999.664**	12,672,138
Depreciation and amortization charges	**4,954,967**	4,444,448
Personnel expenses	**7,533,619**	5,950,188
Changes in work-in-process inventories	**2,109,251**	1,220,648
Changes in finished goods inventories	**(5,495,994)**	(5,746,712)
	340,790,320	232,677,908
Cost of trade goods sold	**7,154,122**	5,284,391
	7,154,122	5,284,391
Total cost of sales (-)	**347,944,442**	237,962,299
Gross profit	**97,141,051**	53,600,095

The Company produced 9,166 tractors and sold 9,325 tractors in 2013 (2012 - production: 6,611, sale: 6,735).

b) Distribution of sales by product groups (net)

	2013	2012
Tractor sales	**433,795,619**	284,792,533
Engine sales	**2,918,361**	2,127,294
Spare part sales	**8,371,513**	4,642,567
Total sales	**445,085,493**	291,562,394

22. Operating expenses

	2013	2012
Research and development expenses	**1,964,326**	920,888
Marketing, sales and distribution expenses	**16,101,761**	12,934,475
General administrative expenses	**4,870,280**	5,456,829
	22,936,367	19,312,192

(Currency: Turkish lira (TL))

22. Operating expenses (continued)

a) Research and development expenses

	2013	2012
Personnel expenses	**17,318**	833,759
Furniture and fixtures and depreciation expenses	**23,698**	87,129
Outsourced benefits and services	**507,855**	-
Project and study expenses	**1,224,099**	-
Raw materials and supplies	**191,356**	-
	1,964,326	920,888

b) Marketing, sales and distribution expenses

	2013	2012
Provision for warranty expenses	**4,984,062**	4,797,228
Sales transportation expenses	**3,433,276**	2,466,060
Personnel expenses	**2,653,916**	1,885,640
Promotion expenses	**1,513,344**	1,169,253
Advertising and announcement expenses	**736,053**	951,069
Fair and exhibition expenses	**560,437**	378,289
Accommodation expenses	**533,229**	193,742
Fuel expenses	**203,834**	181,357
Premium and commission expenses	**277,290**	100,725
Vehicle rental expenses	**17,609**	93,243
Representation and entertainment expenses	**270,086**	29,527
Mobile service meal and accommodation expenses	**51,299**	25,105
Mobile service car rental expenses	**3,842**	925
Other	**863,484**	662,312
	16,101,761	12,934,475

c) General administrative expenses

	2013	2012
Personnel expenses	**2,447,460**	1,967,910
Financial and legal consulting expenses	**698,224**	610,305
Depreciation and amortization expenses	**308,555**	462,432
Data processing materials expenses	**306,833**	399,282
Real estate rental expenses (rental expenses)	**364,533**	341,112
Litigation, enforcement and proceeding expenses	**30,157**	339,214
Travel and accommodation expenses	**124,224**	141,381
Letter of guarantee commissions	**110,005**	129,976
Subscription expenses	**167,931**	108,243
Stationery expenses	**40,136**	59,340
Fuel expenses	**59,880**	46,751
Telephone expenses	**117,590**	44,940
Electricity expenses	**29,945**	24,271
Internet expenses	**13,012**	12,277
Vehicle rental expenses	**3,986**	6,413
Other	**47,809**	762,982
	4,870,280	5,456,829

(Currency: Turkish lira (TL))

23. Expenses by nature

The breakdown of depreciation, amortisation and depletion expenses is as follows:

a) Depreciation and amortization expenses

	2013	2012
Cost of sales	**4,954,967**	3,186,051
General administrative expenses	**308,555**	461,889
Research and development expenses	**23,698**	
	5,287,220	3,647,940

b) Employee benefits

	2013	2012
Wages and salaries	**10,068,430**	**8,465,875**
Social security costs	**1,977,397**	**1,526,899**
Expenses for employee benefits	**589,169**	**644,723**
	12,634,996	**10,637,497**

24. Other real operating income and expenses

a) Other real operating income

	2013	2012
Revenues from sales of scraps and raw materials	**665,884**	454,422
Rental income	**342,720**	445,707
Income from exchange-rate differences related to trade payables/receivables	**954,484**	1,257,655
Other Income	**727,455**	1,112,777
	2,690,543	3,270,561

b) Other real operating expenses

	2013	2012
Expenses from exchange-rate differences related to trade receivables/payables	1,604,713	879,826
Provision for doubtful receivables (Note 9)	247,373	245,313
Donations and grants	142,664	26,200
Other expenses	437,213	137,263
	2,431,963	1,288,602

(Currency: Turkish lira (TL))

25. Financial income

	2013	2012
Income from exchange differences	**1,210,440**	2,983,064
Interest income	**6,673,989**	9,964,252
	7,884,429	12,947,316

26. Financial expenses

	2013	2012
Losses from exchange differences (-)	**946,851**	1,815,972
Factoring commission expenses (-)	**1,235,264**	6,743,019
Interest expenses (-)	**4,135,966**	3,136,234
	6,318,081	11,695,225

27. Tax assets and liabilities

	2013	2012
Corporate income tax for the current period	**(14,924,493)**	(7,838,393)
Deferred tax (income)/expense	**198,437**	(141,040)
	(14,726,056)	(7,979,433)

In Turkey, the corporate income tax rate is 20% Corporate income tax rate is applied to the net corporation profit calculated by adding non-deductable expenses to the corporation's commercial earnings and deducting exemptions and discounts in tax laws.

Transfer pricing is regulated by Article 13 entitled "Disguised Profit Distribution Through Transfer Pricing" of the Corporate Income Tax Law, and detailed explanations on the subject are given in "General Communiqué on Disguised Profit Distribution Through Transfer Pricing".

Pursuant to the said arrangements, if goods or services are purchased or sold with related parties at prices that do not comply with the arm's length principle, the related profit is considered to have been distributed in a disguised manner through transfer pricing, and such profit distributions are not accepted as tax deductible for corporate income tax purposes.

According to the Corporate Income Tax Law, financial losses shown on the statement may be deducted from the corporate tax base for a period not exceeding 5 years. Statements and related accounting records can be reviewed by the tax office within five years, including transfer pricing from transactions with related parties, and tax calculations can be revised.

The Company calculates deferred tax assets and liabilities taking into account the effects of temporary differences arising as a result of different assessments of the balance sheet items between the financial statements prepared in accordance with the CMB Financial Reporting Standards and the statutory financial statements. Such temporary differences usually result from the recognition of income and expenses in different reporting periods according to CMB Financial Reporting Standards and Tax Laws.

(Currency: Turkish lira (TL))

27. Tax assets and liabilities (contd)

Deferred tax assets and liabilities

As of December 31, 2013 and December 31, 2012, the breakdown of the deferred tax liability calculated over temporary differences subject to deferred tax by using the prevailing tax rates is summarised below:

	Taxable temporary differences		Deferred tax assets/(liabilities)		Income statement and other comprehensive income	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012	**December 31, 2013**	December 31, 2012
Tangible and intangible fixed assets	**9,940,519**	4,890,782	**(1,988,104)**	(978,156)	**(1,009,947)**	(261,508)
Provision for severance payments	**(2,039,725)**	(1,582,941)	**407,945**	316,588	**91,357**	55,831
Provision for vacation	**(518,366)**	(385,980)	**103,673**	77,196	**26,477**	10,442
Provision for inventories	**(826,681)**	(1,318,269)	**165,336**	263,654	**(98,318)**	77,659
Effect of inventory valuation adjustments	**(2,797,459)**	2,221,450	**559,492**	(444,290)	**1,003,782**	(649,437)
Provision for doubtful receivables	**(1,344,570)**	(2,504,861)	**268,914**	500,972	**(232,058)**	(12,349)
Effects of rediscount adjustments	**(850,973)**	(462,975)	**170,195**	92,595	**77,600**	45,925
Provision for warranty expenses	**(5,847,546)**	(4,117,166)	**1,169,509**	823,433	**346,076**	(208,813)
Interest accruals	**-**	-	**-**	-	**-**	629,999
Tangible fixed assets valuation fund	**41,443,305**	41,443,301	**(2,072,165)**	(2,072,165)	**-**	-
Provision for lawsuits	**-**	(286,001)	**-**	57,200	**(57,200)**	57,200
Other	**(806,474)**	(411,355)	**161,295**	82,271	**50,668**	114,011
Deferred tax liabilities, net	**36,352,030**	37,485,985	**(1,053,910)**	(1,280,702)	**198,437**	(141,040)

(Currency: Turkish lira (TL))

27. Tax assets and liabilities (continued)

For the periods ended December 31, 2013 and 2012, the reconciliation between the tax expense determined by applying the statutory tax rate to pre-tax profit and the total provision for tax in the accompanying statement of comprehensive income is as follows:

	December 31, 2013	December 31, 2012
Profit before tax	**76,789,389**	**37,521,953**
Applicable corporate income tax rate is 20%	**(15,357,878)**	**(7,504,391)**
Effect of non-deductible expenses	**(226,612)**	**(248,251)**
Effect of other permanent differences	**858,434**	**(226,790)**
Tax expense	**(14,726,056)**	**(7,979,432)**

28. Earnings per share (TL)

Earnings per share is calculated by dividing the net income for the period by the weighted average number of shares in issue during the period.

In Turkey, companies are entitled to increase their capital through the distribution of bonus shares to be covered from the revaluation surplus fund or accumulated profits. In the calculation of earnings per share, such increases are accepted as bonus issue. Dividend distributions added to capital are also considered in the same way. Therefore, when calculating the average number of shares, it is considered that such shares are in issue during the year. Thus, the weighted average number of the shares used to calculate the earnings per share has been determined taking into account retrospective effects.

	December 31, 2013	December 31, 2012
The weighted average number of shares outstanding during the year (*) (each 1 TL)	**115,000,000**	115,000,000
Net income for the period	**61,949,914**	29,636,315
Earnings per share (TL)	**0.5397**	0.2577

(*) At the Ordinary General Meeting of Shareholders dated May 16, 2012, the Company increased its capital from TL 55,950,000 to TL 105,000,000 through a bonus issue.

At the Board of Management's meeting held on December 4, 2012, the Company increased its capital from TL 105,000,000 to TL 115,000,000 through rights issues.

(Currency: Turkish lira (TL))

29. Related party disclosures

The Company conducts various transactions with related parties during its operations. The details of outstanding balances with related parties are as follows:

(a) Receivables/payables concerning related parties:

						December 31, 2013
				Receivables		Payables
		Short term		Long term		Short term
Balances with related parties	**Trade**	**non-trade**	**Trade**	**non-trade**	**Trade**	**non-trade**
Shareholders						
Ereğli Textile Tourism Industry Trade Inc. (1)	-	131,435	-	6,055,718	-	-
Other (1) (*)	-	-	-	-	-	-
Other companies managed by the main shareholder						
Albil Central Services and Trade Inc. (2)	-	-	-	-	75,823	-
Albayrak Tourism Travel Construction Trade Inc. (2) (*)	-	-	-	-	15,690	-
Yeşil Adamlar Waste Management and Transport Inc. (2)	-	-	-	-	45,500	-
Dolu Fuel Marketing Inc. (2)	-	-	-	-	-	-
Güneş Albayrak Tourism Travel Industry and Trade Inc. (2)	-	-	-	-	-	-
Kademe Waste Technologies Industry Inc. (2)	152,625	-	-	-	-	-
Net Publishing Industry Trade Inc. (2)	-	-	-	-	-	-
Tümosan Foundry Inc.	158,454	-	-	-	-	-
	311,079	131,435	-	6,055,718	137,013	-

						December 31, 2012
				Receivables		Payables
		Short term		Long term		Short term
Balances with related parties	**Trade**	**non-trade**	**Trade**	**non-trade**	**Trade**	**non-trade**
Shareholders						
Ereğli Textile Tourism Industry Trade Inc. (1)	-	6,420,116	-	-	-	-
Other (1) (*)	-	1,093,714	-	-	-	-
Other companies managed by the main shareholder						
Albil Central Services and Trade Inc. (2)	-	-	-	-	63,794	-
Albayrak Tourism Travel Construction Trade Inc. (2) (*)	-	71,228,199	-	-	-	-
Albayrak Holding Inc. (2)	-	-	-	-	-	-
Dolu Fuel Marketing Inc. (2)	-	-	-	-	4,983	-
Güneş Albayrak Tourism Travel Industry and Trade Inc. (2)	-	-	-	-	-	-
Kademe Waste Technologies Industry Inc. (2)	147,162	-	-	-	-	-
Net Publishing Industry Trade Inc. (2)	-	-	-	-	-	-
Tümosan Foundry Inc.	261,367	-	-	-	-	-
	408,529	78,742,029	-	-	68,777	-

(1) Shareholder
(2) Companies controlled by the ultimate partner (Albayrak Group)

(*) In the offering circular prepared on 22 November 2012 for the public offering of the Company, there is a provision regarding the Company's receivable of TL 82,425,792 as of September 30, 2012 from Albayrak Tourism Trave Construction Trade Inc, a related entity of the Company, stating that the amount remaining after deducting the amount to be used for purchases within the scope of "Daily Purchase Order Commitment" from the proceeds obtained from the public offering will be collected from the said company in cash within six months from the public offering. In accordance with the aforementioned provision, the amount of TL 15,764,808 remaining after the repurchases made within the scope of "Daily Purchase Order Commitment" was paid to the Company after its public offering on December 5, 2012. As of December 31, 2012, the Company's receivable from Albayrak Tourism Travel Construction Inc. amounts to TL 71,228,199 and this amount is payable until June 5, 2012. For this receivable, interest amounts of TL 3,129,398 for the year ended 31 December 2011 and TL 12,869,260 for the current period ended 31 December 2012 were accrued at an interest rate of 17.50% per annum. The Company also accrued interest of TL 165,068 at an interest rate of 17.50% per annum with respect to its receivables from Muzaffer Albayrak as of December 31, 2012.

(Currency: Turkish lira (TL))

29. Related party disclosures (continued)

As of December 31, 2013 and December 31, 2012, there is no guarantee obtained from and/or given to related parties.

(b) Transactions made with related parties during the year:

Service and other purchases

	2013	2012
Tümosan Foundry Inc. (c)	**7,166,516**	1,384,852
Reklam Piri Media Communication Inc. (b)	**24,930**	1,031,518
Albil Central Services and Trade Inc. (a)	**1,122,153**	1,000,432
Net Publishing Industry and Trade Inc. (d)	**-**	250,000
Kademe Waste Technologies Industry Inc. (d)	**30,600**	31,780
Albayrak Tourism Trade Construction Imp. Exp. Ltd. (d)	**-**	1,469
Ereğli Textile Tourism Industry and Trade Inc. (d)	**-**	1,080
Yeşil Adamlar Waste Management Inc. (d)	**38,559**	-
Ağa Mining Industry and Trade Ltd. (d)	**122,881**	-
Albayrak Tourism Travel Construction Trade Inc. (d)	**28,241**	-
Birlikte Distribution Inc. (d)	**1,055**	-
	8,534,935	3,701,131

(a) The Company receives data processing service from this company.
(b) The Company receives advertising service from this company.
(c) The Company purchases raw materials from this company.
(d) Other purchases

Sales and other income

	2013			2012		
	Interest	**Rent**	**Other**	Interest	Rent	Other
Albayrak Tourism Travel Construction Trade Inc. (1)	**4,908,388**	**-**	**-**	12,869,260	148,397	1,575
Albayrak Tourism Travel Inc. (d)	**-**	**-**	**-**	-	-	41,667
Ereğli Textile Tourism Industry and Trade Inc. (2)	**550,193**	**65,851**	**-**	-	67,449	-
Güneş Albayrak Tourism Travel Industry and Trade (1)	**-**	**-**	**-**	-	-	-
Albil Central Services and Trade Inc. (a)	**-**	**999,470**	**-**	-	49,305	-
Kademe Waste Technologies Industry Inc. (1)	**-**	**144,480**	**56,575**	-	76,463	671,617
Tümosan Foundry Inc. (1)	**-**	**144,480**	**1,182,580**		11,664	798,579
Varaka Paper Production Inc. (1)	**-**	**-**	**-**	-	4,950	-
Muzaffer Albayrak (d)	**-**	**-**	**-**	165,068	-	-
	5,458,581	**1,354,281**	**1,239,155**	13,034,328	358,228	1,513,438

(1) Albayrak Group controls the company.
(2) Main shareholder

(Currency: Turkish lira (TL))

29. Related party disclosures (contd)

Dividends paid to related parties

	2013
Ereğli Textile Tourism Industry and Trade Inc.	20,087,105
Muzaffer Albayrak	465,200
Ahmet Albayrak	465,200
Bayram Albayrak	465,200
Nuri Albayrak	465,200
Kazım Albayrak	465,200
Mustafa Albayrak	465,200
Hedef Venture Capital Investment Trust Inc.	465,200
CSD	3,405,495
	26,749,000

The Company has made dividend payments in cash to Hedef Venture Capital Investment Trust Inc. and the Central Securities Depository (Turkey) and for other shareholders, by offsetting against their payables, or by offsetting through the transfer of the receivable.

Benefits provided to the top management

As of December 31, 2013, the total amount of benefits and advantages provided to the top management is TL 777,320 (December 31, 2012 - TL 712,716).

(Currency: Turkish lira (TL))

30. Financial risk management and policies

The Company's major financial instruments consist of bank loans, finance lease liabilities, factoring liabilities, cash and short-term deposits. The main purpose of the financial instruments is to finance the activities of the Company. The Company also has financial instruments such as trade receivables and payables which arise as a result of its activities.

The main risks which the Company's financial instruments generate are interest rate risk, foreign currency risk, credit risk and liquidity risk. The management's policies regarding the management of these risks are summarized below. The Company also takes into account the market-value risk of all its financial instruments.

Capital management

The company aims to increase its profitability in capital management by using the debt and equity balance in the most efficient way on the one hand and trying to maintain the continuity of its activities on the other hand. The Company's capital structure consists of payables, cash and cash equivalents and equity items, which comprise issued capital, capital reserves and profit reserves, as disclosed in Note 20.

The Company's top management assesses the capital cost of the Company and the risk inherent in each capital class. Based on the assessments of the top management and of the Board of Management, the Company intends to keep the capital structure stable by acquiring new debt or repaying existing debt.

The Company monitors the capital using the debt/equity ratio. This ratio is calculated by dividing net debt by total equity. Net debt is calculated by deducting cash and cash equivalents from total debt (which comprises financial payables, trade and other payables and other short- and long-term liabilities as shown in the balance sheet).

	December 31, 2013	December 31, 2012
Total debt	**53,142,180**	129,533,101
Less: Cash and cash equivalents	**5,353,636**	22,021,785
Net debt	**47,788,544**	107,511,316
Total equity	**233,690,723**	198,489,809
Debt equity balance	**185,902,179**	90,978,493
Net financial liability/equity ratio	**20%**	54%

(Currency: Turkish lira (TL))

30. Financial risk management and policies (continued)

Interest rate risk

As of December 31, 2013 and December 31, 2012, the Company does not carry any interest rate risk since it has no variable interest rate loans.

Foreign currency risk

The Company is exposed principally to currency risk in respect of the euro and US dollar and this currency risk arises in general from trade receivables, trade payables and financial payables in the euro and US dollar.
In order to minimize this risk, the Company monitors its financial position, cash inflows/outflows with detailed cash-flow statements.

As of December 31, 2013 and December 31, 2012, the Company's net foreign-exchange position is as follows:

On a total basis	**December 31, 2013**	December 31, 2012
A. Assets in foreign currency	**6,159,101**	1,116,678
B. Liabilities in foreign currency	**(14,132,140)**	(14,383,953)
Net foreign-exchange position (A + B)	**(7,973,039)**	(13,267,275)

(Currency: Turkish lira (TL))

30. Financial risk management and policies (continued)

As of December 31, 2013 and December 31, 2012, the details of the Company's foreign-currency position are as follows:

									December 31, 2013
	US dollar	TL Equivalent	Euro	TL equivalent	GBP	TL equivalent	CHF	TL equivalent	Total TL equivalent
Cash and cash equivalents	17,040	36,369	970,900	2,851,048	-	-	-	-	2,887,417
Trade receivables	228,484	487,654	259,520	762,080	-	-	-	-	1,249,734
Prepaid expenses	282,682	603,329	406,365	1,193,292	53,962	189,480	15,000	35,849	2,021,950
Current assets	528,206	1,127,352	1,636,785	4,806,420	53,962	189,480	15,000	35,849	6,159,101
Total assets	528,206	1,127,352	1,636,785	4,806,420	53,962	189,480	15,000	35,849	6,159,101
Short-term financial payables and factoring payables	(206,140)	(439,965)	-	-	-	-	-	-	(439,965)
Trade payables	(68,667)	(146,554)	(4,928,326)	(14,472,029)	-	-	-	-	(14,618,583)
Short-term liabilities	(274,807)	(586,519)	(4,928,326)	(14,472,029)	-	-	-	-	(15,058,548)
Long-term financial payables	(19,450)	(46,484)	-	-	-	-	-	-	(46,484)
Long-term liabilities	(19,450)	(46,484)	-	-	-	-	-	-	(46,484)
Total liabilities	(294,257)	(633,003)	(4,928,326)	(14,472,029)	-	-	-	-	(15,105,032)
Net foreign-currency position	233,949	494,349	(3,291,541)	(9,665,609)	53,962	189,480	15,000	35,849	(8,945,933)

(Currency: Turkish lira (TL))

30. Financial risk management and policies (continued)

									December 31, 2012
	US dollar	TL Equivalent	Euro	TL equivalent	GBP	TL equivalent	CHF	TL equivalent	Total TL equivalent
Cash and cash equivalents	22,784	40,615	20,938	49,240	-	-	-	-	89,855
Trade receivables	269 ,345	480,134	232,465	546,689	-	-	-	-	1,026,823
Current assets	292,129	520,749	253,403	595,929	-	-	-	-	1,116,678
Total assets	292,129	520,749	253,403	595,929	-	-	-	-	1,116,678
Short-term financial payables and factoring payables	5,373,471	9,578,749	-	-	-	-	-	-	9,578,749
Trade payables	59,666	106,363	2,041,669	4,801,396	-	-	-	-	4,907,759
Short-term liabilities	5,433,137	9,685,112	2,041,669	4,801,396	-	-	-	-	14,486,508
Long-term financial payables	(57,531)	(102,555)	-	-	-	-	-	-	(102,555)
Long-term liabilities	(57,531)	(102,555)	-	-	-	-	-	-	(102,555)
Total liabilities	5,375,606	9,582,557	2,041,669	4,801,396	-	-	-	-	14,383,953
Net foreign-currency position	(5,083,477)	(9,061,808)	(1,788,266)	(4,205,467)	-	-	-	-	(13,267,275)

(Currency: Turkish lira (TL))

30. Financial risk management and policies (continued)

In the profit/loss segment of the foreign currency sensitivity statement, it is presented how the statement of comprehensive income will be affected if the TL gains/loses 10% against the following foreign currencies as of December 31, 2013 and December 31, 2012. When analyzing, it is assumed that all other variables, especially the interest rates, remain constant.

The Company's exchange rate sensitivity analysis statement as of December 31, 2013 and December 31, 2012 is as follows:

			December 31, 2013
			Profit/(loss)
		Appreciation of the foreign currency	**Depreciation of the Foreign Currency**
	If the US dollar appreciates/depreciates 10% against the Turkish lira		
1-	Income/(loss) arising from US dollar net asset/(liability)	**49,435**	**(49,435)**
2-	Hedged amount from US dollar risk (-)	**-**	**-**
	Net effect of the US dollar	**49,435**	**(49,435)**
	If the euro appreciates/depreciates 10% against the Turkish lira		
3-	Income/(loss) arising from euro net asset/(liability)	**(966,561)**	**966,561**
4-	4- Hedged amount from euro risk (-)	**-**	**-**
	Net effect of the euro	**(966,561)**	**966,561**
	Total net effect	**(917,126)**	**917,126**

			December 31, 2012
			Profit/(loss)
		Foreign Currency's Value Appreciation	Foreign Currency's value Depreciation
	If the US dollar appreciates/depreciates 10% against the Turkish lira		
1-	Income/(loss) arising from US dollar net asset/(liability)	(906,181)	906,181
2-	Hedged amount from US dollar risk (-)	-	-
	Net effect of the US dollar		
	If the euro appreciates/depreciates 10% against the Turkish lira		
3-	Income/(loss) arising from euro net asset/(liability)	(420,547)	420,547
4-	4- Hedged amount from euro risk (-)	-	-
	Net effect of the euro	(420,547)	420,547
	Total net effect	(1,326,728)	1,326,728

(Currency: Turkish lira (TL))

30. Financial risk management and policies (continued)

Credit risk

Credit risk is defined as the risk that the Company could incur a loss as a result of one of the parties of the financial instrument not fulfilling its contractual obligation. The Company seeks to mitigate credit risk by performing transactions only with creditworthy parties and, where possible, by obtaining sufficient guarantees. The credit risks to which the Company is exposed and the credit ratings of its customers are monitored continuously. The credit risk is controlled through the limits set for the customers and reviewed and approved by the Company's management.

Trade receivables include a large number of customers. Credit evaluations are made continuously based on the balances of the customers' trade receivables.

As of December 31, 2013	Receivables					
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party	Other current assets	Deposits in banks
The maximum exposure to credit risk at the reporting date (A+B+C+D+E) (1)	**311,079**	**53,792,169**	**6,187,153**	**-**	**-**	**5,341,663**
- The portion of maximum risk secured by guarantee, etc. (2)	**-**	**53,464,000**	**-**	**-**	**-**	**-**
A. Net book value of financial assets that are neither past due nor impaired	**311,079**	**52,849,487**	**6,187,153**	**-**	**-**	**5,341,663**
B. Book value of financial assets that would otherwise be considered past due or impaired whose terms have been renegotiated	**-**	**-**	**-**	**-**	**-**	**-**
C. Net book value of assets that are past due but not impaired	**-**	**942,682**	**-**	**-**	**-**	**-**
- The portion secured by guarantee, etc.	-	-	-	-	-	-
D. Net book value of impaired assets	**-**	**-**	**-**	**-**	**-**	**-**
- Past due (gross book value)	**-**	**2,016,194**	**-**	**-**	**-**	**-**
- Impairment (-)	**-**	**(2,016,194)**	**-**	**-**	**-**	**-**
- The portion of net value secured by guarantee, etc.	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The portion of net value secured by guarantee, etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(1) In determining the amount, the guarantees received, factors that increase the credit reliability are not considered.
(2) Guarantees consist of collateral bonds, guarantee cheques and mortgages received from the customers.

(Currency: Turkish lira (TL))

30. Financial risk management and policies (continued)

As of December 31, 2012	Receivables					
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party	Other current assets	Deposits in banks
The maximum exposure to credit risk at the reporting date (A+B+C+D+E) (1)	408,529	54,467,137	78,742,029	-	-	22,015,786
- The portion of maximum risk secured by guarantee, etc. (2)	-	45,486,850	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	408,529	53,260,504	78,742,029	-	-	22,015,786
B. Book value of financial assets that would otherwise be considered past due or impaired whose terms have been renegotiated	-	-	-	-	-	-
C. Net book value of assets that are past due but not impaired	-	1,206,633	-	-	-	-
- The portion secured by guarantee, etc.	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross book value)	-	2,504,861	-	-	-	-
- Impairment (-)	-	(2,504,861)	-	-	-	-
- The portion of net value secured by guarantee, etc.	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The portion of net value secured by guarantee, etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(1) In determining the amount, the guarantees received, factors that increase the credit reliability are not considered.
(2) Guarantees consist of collateral bonds, guarantee cheques and mortgages received from the customers.

The maturity structure of trade receivables that are past due but not impaired is as follows:

	December 31, 2013	December 31, 2012
1-30 days overdue	**518,931**	-
1-3 month overdue	**69,680**	-
3-6 months overdue	**1,121**	34,425
6 months-5 years overdue	**352,951**	1,172,208
	942,683	1,206,633

Liquidity risk

Liquidity risk is the risk that the Company is not able to obtain its net funding requirements. Liquidity risk is managed through cash inflows and outflows that are balanced within credit limits that are predetermined with credit institutions.

The breakdown of financial liabilities according to their maturities is shown taking into account the period from balance sheet date to maturity date.

(Currency: Turkish lira (TL))

30. Financial risk management and policies (continued)

The following statement presents the position of the Company's financial liabilities as of December 31, 2013 and December 31, 2012 according to the maturities of undiscounted contractual payments.

December 31, 2013	**Book value**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Having no fixed term**	**Total**
Bank loans	**3,587,790**	**2,211,498**	**1,494,046**	**41,512**	**-**	**3,747,056**
Trade payables	**33,258,307**	**33,335,361**	**-**	**-**	**-**	**33,335,361**
Payables to related parties	**139,962**	**139,962**	**-**	**-**	**-**	**139,962**
Other short-term liabilities	**332,586**	**332,586**	**-**	**-**	**-**	**332,586**
Total	**37,318,645**	**36,019,407**	**1,494,046**	**41,512**	**-**	**37,554,965**

December 31, 2012	Book value	Less than 3 months	3 to 12 months	1 to 5 years	Having no fixed term	Total
Bank loans	49,190,787	32,596,629	15,840,738	1,797,539	-	50,234,906
Trade payables	53,839,719	54,192,811	-	-	-	54,192,811
Payables to related parties	68,777	68,777	-	-	-	68,777
Other short-term liabilities	3,156,187	3,156,187	-	-	-	3,156,187
Total	106,255,470	90,014,404	15,840,738	1,797,539	-	107,652,681

31. Financial instruments (Fair value disclosures and disclosures related to hedge accounting)

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties in an arm's-length transaction, other than a forced sale or liquidation.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is used in interpreting market data to estimate fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of financial instruments for which fair value could be determined:

Financial assets

It is accepted that the fair value of the foreign-currency-based balances translated with the year-end exchange rates approximates their carrying amounts. Cash and cash equivalents are shown at their fair values.
- Trade receivables and receivable from related parties are recorded at their discounted values and it is assumed that their fair values approximate their carrying amounts.

Financial liabilities

Trade payables, payables to related parties, financial payables and other monetary liabilities are estimated to approximate their fair values at their discounted carrying amounts and it is accepted that the fair values of the foreign-exchange-based balances translated with the year-end exchange rates approximate their carrying amounts.

32. Events after the balance sheet date

None