

Tümosan Engine and Tractor Industry Inc.

**Condensed financial statements for
the interim period from January 1 to
June 30, 2013 and the independent
review report**

Tümosan Engine and Tractor Industry Inc.

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Independent review report about the condensed financial statements for the interim period from January 1 to June 30, 2013

To the Shareholders of Tümosan Engine and Tractor Industry Inc.;

We have reviewed the accompanying condensed balance sheet of Tümosan Engine and Tractor Industry Inc. (hereinafter the "Company") as at June 30, 2013 and its condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. The Company management's responsibility is to prepare and present the aforementioned interim financial statements in accordance with the Turkish Accounting Standards 34 (TAS 34), promulgated by the Public Oversight, Accounting and Auditing Standards Authority (POA). Our responsibility is to disclose the conclusion of the review of these interim financial statements.

Scope of the review

We have conducted our review in accordance with the independent auditing standards promulgated by the Capital Markets Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Since the scope of a review is narrower than an audit carried out under the independent auditing standards promulgated by the Capital Markets Board, a review does not provide assurance that it will reveal all the material facts that are to be noticed in an independent audit. Accordingly, we have not expressed an audit opinion after our review.

Conclusion

Based on our review, nothing has come to our attention that the accompanying interim financial statements are not prepared, in all material respects, in accordance with TAS 34.

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

Metin Canoğulları, CPA,
Responsible Partner, Chief
Auditor

August 12, 2013
Istanbul, Turkey

Tümosan Engine and Tractor Industry Inc.

**Condensed balance sheet as
of June 30, 2013
(Currency: Turkish Lira (TL))**

		Current period	Prior period
			Revised (Note 2.1)
		Reviewe d	Audited
	Notes	June 30, 2013	December 31, 2012
Assets			
Current assets		247,638,734	252,744,117
Cash and cash equivalents	5	35,545,232	22,021,784
Trade receivables		88,847,841	52,370,805
- <i>Trade receivables from third parties</i>	8	88,311,176	51,962,276
- <i>Trade receivables from related parties</i>	28	536,665	408,529
Other receivables		41,475	78,742,029
- <i>Other receivables from related parties</i>	28	41,475	78,742,029
Inventories	9	75,816,764	67,260,905
Prepaid expenses		3,140,842	1,098,775
Assets related to current tax		14,904	-
Other current assets	18	44,231,676	31,249,819
Fixed assets		78,835,866	75,278,795
Other receivables		3,076,919	-
- <i>Other receivables from related parties</i>	28	3,076,919	-
Investment property	13	363,451	367,847
Tangible fixed assets	10	74,848,358	74,139,688
Intangible fixed assets		545,064	418,512
- <i>Other intangible fixed assets</i>	11	545,064	418,512
Other fixed assets		2,074	352,748
Total assets		326,474,600	328,022,912

Tümosan Engine and Tractor Industry Inc.

**Condensed balance sheet as
of June 30, 2013
(Currency: Turkish Lira (TL))**

		Current period	Prior period
			Revised
		Audited	(Note 2.1) Audited
	Notes	June 30, 2013	December 31, 2012
Resources			
Short-term liabilities			
		121,918,830	124,871,921
Short-term borrowings	6	12,168,122	4,817,900
Short-term portions of long-term borrowings:	6	2,666,715	16,659,031
Other financial liabilities	7	11,836,639	25,916,317
Trade payables		63,161,677	53,908,496
- Trade payables to related parties	28	26,468	68,777
- Trade payables to third parties	8	63,135,209	53,839,719
Liabilities for employee benefits	17	3,818,749	1,822,892
Other payables		2,774	-
- Other payables to third parties		2,774	-
Deferred income		3,593,099	5,963,558
Tax liability on income for the period		7,535,932	7,838,393
Short-term provisions		5,441,174	4,789,147
- Short-Term provisions for employee benefits	16	509,378	385,980
- Other short-term provisions	14	4,931,796	4,403,167
Other short-term liabilities	18	11,693,949	3,156,187
Long-term liabilities			
		2,583,534	4,661,182
Long-term borrowings	6	297,747	1,797,539
Long-term provisions		1,784,069	1,582,941
- [Long-Term provisions] for employee benefits long-term provisions	16	1,784,069	1,582,941
Deferred tax liability	26	501,718	1,280,702
Equity			
		201,972,236	198,489,809
Paid-in capital	19	115,000,000	115,000,000
Premiums on shares		13,074,563	26,241,624
Tangible fixed assets valuation fund		39,371,136	39,371,136
Actuarial gains/losses fund from pension plans		510,739	341,015
Reserves on retained earnings	19	3,954,095	85,576
Accumulated Losses	19	-	(12,092,063)
Net income for the period	19	30,061,703	29,542,521
Total resources		326,474,600	328,022,912

Tümosan Engine and Tractor Industry Inc.

**Statement of comprehensive income for the six-month
interim period ended June 30, 2013
(Currency: Turkish Lira (TL))**

	Notes	Current period		Prior period	
		Reviewed		Revised (Note 2.1)	
		January 1 - June 30, 2013	April 1 - June 30, 2013	January 1 - June 30, 2012	April 1 - June 30, 2012
Sales	20	207,156,933	116,891,188	148,273,106	62,150,689
Cost of sales (-)	20	(160,237,901)	(89,080,438)	(119,988,722)	(51,625,332)
Gross profit	20	46,919,032	27,810,750	28,284,384	10,525,357
General administrative expenses (-)	21	(3,195,729)	(2,043,745)	(2,826,170)	(1,442,092)
Marketing, sale and distribution expenses (-)	21	(8,295,434)	(7,942,944)	(7,655,314)	(2,165,753)
Research and development expenses (-)	21	(1,099,431)	(597,766)	(565,358)	(290,445)
Other real operating income	23	7,044,427	5,363,633	1,768,194	1,017,794
Other real operating expenses (-)	23	(9,225,563)	(7,321,009)	(691,524)	(615,038)
Real operating profit		32,147,302	15,268,919	18,314,212	7,029,823
Income from investing activities		184,127	12,767	261,407	131,418
Operating profit before financing income/expense		32,331,429	15,281,686	18,575,619	7,161,241
Financing income	24	18,968,840	13,536,556	6,843,390	3,411,080
Financing expenses (-)	25	(14,101,453)	(11,668,079)	(7,595,374)	(5,315,837)
Profit before tax from continuing operations		37,198,816	17,150,163	17,823,635	5,256,484
Tax expense for the period (-)	26	(7,958,529)	(4,154,298)	(4,860,196)	(2,216,545)
Deferred tax income	26	821,416	647,574	1,288,539	1,171,743
Period income from continuing operations	27	30,061,703	13,643,439	14,251,978	4,211,682
Other comprehensive income/(expense)					
Actuarial gains/(losses) for employee benefits	16	212,155	(6,965)	368,190	(172,353)
Tax effect		(42,431)	1,393	(73,638)	34,471
Other comprehensive income/(expense) after tax		169,724	(5,572)	294,552	(137,882)
Total comprehensive income		30,231,427	13,637,867	14,546,530	4,073,800
Number of shares	19	115,000,000	115,000,000	105,000,000	105,000,000
Earnings per share (TL)	27	0.2614	0.1186	0.1357	0.0401
<u>Distribution of net income for the period</u>					
Minority interests		-	-	-	-
Shares of the parent company		30,231,427	13,637,867	14,546,530	4,073,800

Tümosan Engine and Tractor Industry Inc.

**Statement of changes in equity for the six-month interim period
ended June 30, 2013
(Currency: Turkish Lira (TL))**

	Notes	Paid-in capital	Share premium (Note 19)	Tangi ble fixed assets valuation fund	Reserves on retained earnings	Actuarial gains and losses from retirement benefit plans	Accumulated losses	Net income/(loss) for the period	Total equity
Balances as of December 31, 2011 - Previously Reported		55,950,000	-	39,371,136	85,576	-	(7,341,355)	53,950,773	142,016,130
Adjustments resulting from changes in accounting policy – TAS 19	2.1	-	-	-	-	247,221	-	(247,221)	-
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)	-
Other comprehensive income		-	-	-	-	294,552	-	-	294,552
Net income for the period		-	-	-	-	-	-	14,251,978	14,251,978
Total comprehensive income		-	-	-	-	294,552	-	14,251,978	14,546,530
Balances as of June 30, 2012		105,000,000	-	39,371,136	85,576	541,773	(2,687,803)	14,251,978	156,562,660
Balances as of 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
Adjustments resulting from changes in accounting policy – TAS 19	2.1					341,015	(247,221)	(93,794)	-
Balances 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	19	-	(13,167,061)	-	3,868,519	-	38,841,063	(29,542,521)	-
Dividends paid		-	-	-	-	-	(26,749,000)	-	(26,749,000)
Other comprehensive income		-	-	-	-	169,724	-	-	169,724
Net income for the period		-	-	-	-	-	-	30,061,703	30,061,703
Total comprehensive income		-	-	-	-	169,724	-	30,061,703	30,231,427
Balances as of June 30, 2013		115,000,000	13,074,563	39,371,136	3,954,095	510,739	-	30,061,703	201,972,236

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 six-month interim period ended June 30, 2013
(Currency: Turkish Lira (TL))

		Current period	Prior period
			Revised (Note 2.1)
		Reviewed	Reviewed
	Notes	January 1 - June 30, 2013	January 1 - June 30, 2012
Operating activities:			
Profit before tax		37,198,816	17,823,635
Depreciation expense	10, 13	2,221,275	2,137,782
Amortisation charges	11	420,247	301,310
Provision for severance payments	16	458,881	516,089
Provision for unused vacation entitlements	16	123,398	123,619
Interest income	5	(69,467)	-
Provision for inventories	9	716,182	699,006
Expenses from provision for doubtful receivables	8	184,778	-
Net cash flow before changes in assets and liabilities for operating activities		41,254,110	21,601,441
Changes in assets and liabilities for operating activities - net:			
Trade receivables from third parties	8	(36,533,678)	(25,283,811)
Receivables from related parties	28	(128,136)	-
Other receivables from related parties	28	78,700,554	(1,089,341)
Inventories	9	(9,607,066)	(6,045,757)
Other current assets	18	(12,981,857)	(25,393,591)
Other short-term liabilities	18	8,537,762	1,171,208
Prepaid expenses		(2,014,540)	(12,148,270)
Other long-term receivables from related parties	28	(3,076,919)	986,243
Other fixed assets		350,674	(8,653)
Fixed assets held for sale		-	19,503,424
Payables to related parties	28	(42,309)	2,875,890
Trade payables	8	9,630,515	(10,179,327)
Other payables to third parties		2,778	-
Deferred income		(2,370,459)	793,071
Other short-term provisions		528,627	939,542
Other payables			491,981
Short-term provisions for employee benefits	17	1,995,857	-
Other long-term liabilities			(717,690)
Severance payments paid	16	(88,029)	(60,599)
Taxes paid		(8,260,991)	(2,283,955)
Net cash from/(used in) operating activities		65,896,893	(34,848,194)
Investing activities:			
Purchases of tangible and intangible fixed assets	10.11	(3,472,348)	(2,273,185)
Net cash used in investing activities		(3,472,348)	(2,273,185)
Financing activities:			
Cash received from bank loans	6	23,045,460	52,118,977
Repayment of financial payables	6	(48,646,237)	(13,936,826)
Dividend paid	28	(26,749,000)	-
Interest paid	25	3,379,213	(1,074,303)
Net cash used in/(from) financing activities		(48,970,564)	37,107,848
Increase/(decrease) in cash and cash equivalents		13,453,981	(13,531)
Opening balance of cash and cash equivalents		21,981,784	248,474
Period-end balance of cash and cash equivalents	5	35,435,765	234,943

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013
(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. After the public offering of the shares, the Company repurchased a part of the shares based on the repurchase and other commitments made in the offering circular, and as of June 30, 2013 the free float was 12.73%.

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: Head office:

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

Factory:

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

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

2. Basis of presentation of financial statements

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

	June 30, 2013	December 31, 2012
Ereğli Textile Tourism Industry and Trade Inc.	75.09%	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%
Hedef Venture Capital Investment Trust Inc.	1.74%	-
Mustafa Albayrak	1.74%	2.84%
Free-float portion	12.73%	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 June 30, 2013, the average number of white-collar workers employed by the Company is 121 (December 31, 2012 - 106) and the number of blue-collar workers is 276 (December 31, 2012 - 255).

2.1 Basis of presentation

Basis of presentation of condensed interim financial statements

The accompanying interim financial statements have been prepared in accordance with the provisions of the Capital Markets Board's ("CMB") "Communiqué on Principles of Financial Reporting in Capital Market" (Serial: II, No: 14.1) ("Communiqué"), promulgated in the Official Gazette edition 28676 on June 13, 2013, and thus pursuant to Article 5 of the Communiqué, the Turkish Accounting Standards/Turkish Financial Reporting Standards promulgated by the the Public Oversight, Accounting and Auditing Standards Authority ("TAS/IFRS") and annexes and interpretations thereof have been taken as a basis.

The Company has prepared its financial statements for the interim period ended June 30, 2013 in accordance with the Turkish Accounting Standards 34 on Interim Financial Reporting.

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.

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

The condensed interim financial statements have been prepared subject to certain amendments and reclassifications so as to duly present the Group's financial position in accordance with the Turkish Accounting Standards published by POA.

Tümosan Engine and Tractor Industry Inc.

Notes to the financial statements for the period ended June 30, 2013 (continued) (Currency: Turkish Lira (TL))

2. Basis of presentation of financial statements (continued)

The financial statements prepared as of June 30, 2013 were approved at the meeting of the Board of Management dated August 12, 2013 for publication.

Going concern

The Company has prepared the financial statements on a going concern basis.

Comparative information and adjustment of prior period financial statements

- (i) TAS 19 - Actuarial gains/losses for severance payment are accounted for under equity as a result of amendments made in the standard for employee benefits. This application is effective for annual periods beginning on or after January 1, 2013 and is applied retrospectively. The Company has classified actuarial gain amounting to TL 309,026 (as net of deferred tax effect: TL 247,221) in the balance sheet of January 1, 2012 from the prior years' profits/losses to the actuarial gain/loss fund account under equity. As of January 1, 2013, the amount of actuarial gains that are classified amount to TL 426,269 (as net of deferred tax effect: TL 341,015). Since it is not possible to determine the actuarial gains/losses for the periods prior to 1 January 2011, the actuarial gains/losses for the period prior to this date have not been reclassified to the fund account.
- (ii) In addition to the above adjustment, in accordance with the decision No. 20/670 taken at the CMB's assembly held on 7 June 2013, models of financial statements effective from interim periods ended 31 March 2013 and a usage guide were published for capital market institutions that fall under the scope of the Communiqué on Principles of Financial Reporting in Capital Markets. In accordance with these formats that entered into force, various classifications have been made in the Company's balance sheet, income statement and statement of other comprehensive income for the current period. In terms of comparability of financial statements, related classifications have also been made in the prior period's financial statements.

The following classifications were made in the Company's balance sheet dated 31 December 2012:

- Prepaid expenses, which amount to TL 1,098,775, presented in the other current assets account group are presented as a separate account in the balance sheet,
- Provision for unused vacations, which amounts to TL 385,980, presented in the other debt provisions account is presented separately in the short-term provisions for employee benefits account,
- Payables to employees, which amount to TL 1,822,892, presented in the other payables account are presented in the accounts payables under employee benefits.

The following classifications were made in the Company's comprehensive income statement dated 30 June 2012:

- Expenses from exchange-rate difference related to customers' and suppliers' current accounts, which amount to TL 394,150, presented under financing expenses account are presented in the other real operating expenses account,
- Income from exchange-rate differences related to customers' and suppliers' current accounts, which amounts to TL 407,064, presented under financing income account is presented in the other real operating income account.
- Rental income, which amounts to TL 261,407, presented under other income account is reclassified to income from investing activities.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

2. Basis of presentation of financial statements (continued)

2.2 Summary of significant accounting policies

The accounting policies adopted in preparation of the condensed interim financial statements for the interim period ended June 30, 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 that are summarised below. Therefore, these interim financial statements should be evaluated together with the financial statements for the year ended December 31, 2012.

The the new standards, amendments and interpretations effective from January 1, 2013 and effects of these standards and interpretations on the Company's financial position and performance are disclosed in the related paragraphs.

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 affects only disclosure rules and does not have an impact on the Company's condensed interim financial statements.

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. Before this amendment, the Company was recognising actuarial gains/losses in the income statement. The effect of the change that occurred due to the recognition of actuarial gains/losses under other comprehensive income on the Company's financial position and performance is adjusted retrospectively (Note 2.1).

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

2. Basis of presentation of financial statements

(continued) 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 accounting of subsidiaries, jointly controlled entities and associated companies in separate financial statements. This amendment has not affected the Company's financial position or performance.

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 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. None of the disclosures required to be made under the new standard are applicable to interim periods other than those required to be made due to significant events and transactions in the interim period, so the Company did not present these disclosures in the interim period.

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. Some of the disclosures related to financial instruments are also required to be presented in the condensed interim financial statements in accordance with TAS 34.16A(j). The standard has not affected the Company's condensed interim financial statements.

2. Basis of presentation of financial statements (continued)

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 initial 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 order 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. POA has also amended TFRS 11 and TFRS 12 implementation guidelines for the same reason and facilitated the transition provisions. 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 condensed interim 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.

2. Basis of presentation of financial statements (continued)

**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. The Company is assessing the impact of the standard on its financial position and 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 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. It is not expected that this standard will have any significant effect on the Company's financial position or performance.

IFRIC 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. This interpretation does not apply to the Company and has not affected the Company's financial position or performance.

2. Basis of presentation of financial statements (continued)

**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.

Principle decisions issued by POA

In addition to the ones mentioned above POA has issued 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. In order to fulfill the requirements of this arrangement, the Company has made the classifications and adjustments specified in Note 2.1 Basis of presentation.

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 interest 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. It is not expected that these decisions will have an effect on the Company's financial statements.

Tümosan Engine and Tractor Industry Inc.

Notes to the financial statements for the period ended June 30, 2013 (continued) (Currency: Turkish Lira (TL))

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. It is not expected that these decisions will have an effect on 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.

It is not expected that these decisions will have an effect on the Company's financial statements.

5. Cash and cash equivalents

As of June 30, 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;

	June 30, 2013	December 31, 2012
Cash	16,483	5,999
Demand deposits in banks	419,282	21,968,573
Time deposits in banks	35,109,467	47,212
	35,545,232	22,021,784

As of June 30, 2013, time deposits amounting to TL 35,000,000 with a maturity of July 21, 2013 and an interest rate of 7.49% and TL 40,000 with an interest rate of 6.5% are held as in the bank. The latter is a guarantee for the oil company with which the Company has an agreement.

The details of the cash and cash equivalents in the cash-flow statements as of June 30, 2013 and [December 31,] 2012 are as follows:

	2013	2012
Cash	16,483	2,896
Banks	35,528,749	272,047
Less: Interest accruals	(69,467)	-
Less: Blocked bank deposits	(40,000)	(40,000)
Cash and cash equivalents in the cash-flow statement as of June 30	35,435,765	234,943

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

6. Financial payables

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

	June 30, 2013		December 31, 2012	
	Effecti ve interest rate %	TL amou nt	Effecti ve interest rate %	TL Amount
<u>Short term:</u>				
- US dollar (*)	0.00% - 7.63%	4,305,298	-	-
- TL	7.20% - 19.64%	7,862,824	13.58% - 19.64%	4,817,900
Total short-term loans		12,168,122		4,817,900
<u>Short-term portion of long-term loans:</u>				
- TL	0.00% - 19.64%	2,666,715	0.00% - 19.64%	16,659,031
Total short-term portion of long-term loans		2,666,715		16,659,031
<u>Long term:</u>				
- US dollar	0.00%	235,826	7.63%	102,555
- TL	18.96%	61,921	17.77% - 19.64%	1,694,984
Total long-term loans		297,747		1,797,539
		15,132,584		23,274,470

(*) In 2012, the Company received an interest-free loan of US dollar 618,420 from the Technology Development Foundation of Turkey. As of June 30, 2013, there is a total financial liability of TL 632,605 (US dollar 328,660) in relation to this loan, including a short-term debt of TL 396,778 (US dollar 206,140) and long-term debt of TL 632,605 (US dollar 328,660).

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

6. Financial payables (continued)

Financial loans are measured at discounted value using the effective interest rate method and their carrying amounts are assumed to be close to their fair values.

The maturities of long-term financial payables are as follows:

	June 30, 2013	December 31, 2012
2014	260,310	1,762,867
2015	37,437	34,672
	297,747	1,797,539

7. Other financial liabilities

	June 30, 2013	December 31, 2012
Payables from factoring transactions (*)	11,836,639	25,916,317
	11,836,639	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 under postdated cheques and notes receivable, details of which are given in Note 8.

8. Trade receivables and payables

a) Trade receivables from third parties

	June 30, 2013	December 31, 2012
Trade receivables	39,204,904	5,375,255
Postdated cheques and notes receivable	51,795,911	49,091,882
	91,000,815	54,467,137
Less: Provision for doubtful receivables	(2,689,639)	(2,504,861)
	88,311,176	51,962,276

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

8. Trade receivables and payables (continued)

The movement of the provision for doubtful receivables as of June 30, 2013 and 2012 is as follows:

	2013	2012
Balance on January 1	(2,504,861)	(2,566,603)
Provisions allocated during the period	(184,778)	-
Provisions no longer required	-	59,243
Balance on June 30	(2,689,639)	(2,507,360)

The aging schedule relating to trade receivables for which a provision for doubtful receivables is not allocated as of June 30, 2013 and December 31, 2012 is as follows:

	Total	Amounts that are not past due and for which a provision is not allocated	Provision not allocated despite being overdue			
			Up to 1 month	1 to 3 months	3 to 4 months	4 months and over
June 30, 2013	39,204,904	26,151,018	7,149,089	5,244,718	421,035	239,044
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 150,000 for the receivable amounting to TL 71,931 from its trade receivables that are overdue by 6 months and over.

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

	June 30, 2013	December 31, 2012
Trade payables	33,945,002	19,047,028
Notes payable	29,190,207	34,792,691
	63,135,209	53,839,719

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

9. Inventories

	June 30, 2013	December 31, 2012
Raw material	56,593,375	46,844,753
Work in process inventories	4,453,614	3,282,684
Finished goods inventories	6,956,145	11,427,876
Trade goods	2,680,232	2,393,352
Goods in transit	5,884,535	4,630,509
	76,567,901	68,579,174
Less: Provision for inventories (*)	(751,137)	(1,318,269)
	75,816,764	67,260,905

(*) As of June 30, 2013, provision allocated for impairment of finished goods inventories and trade goods is recognised in cost-of-sales account.

As of June 30, 2013 and December 31, 2012, there are no pledges or mortgages on inventories.

As of June 30, 2013 and December 31, 2012, the amount of inventory write-downs recognised as expense is TL 132,673,331 (Note 20) and TL 214,137,198, respectively.

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	(716,182)	(699,006)
Disposed of in the current period	1,283,314	895,017
Balance on June 30	(751,137)	(733,962)

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

10. Tangible fixed assets

	Lands (**)	Overland plants	Buildings	Machine ry and equipment	Vehicle s	Furniture and fixtures	Speci al costs	Investments in progress (*)	Total
Cost/Fair price January 1,									
2013	43,698,539	2,520	7,976,362	39,079,215	2,192,368	2,571,595	308,184	1,744,892	97,573,675
Inflows	-	-	11.826	94,385	268,109	433,432	386,283	1,731,514	2,925,549
June 30, 2013	43,698,539	2,520	7,988,188	39,173,600	2,460,477	3,005,027	694,467	3,476,406	100,499,224
Accumulated									
depreciation January	-	208	930,889	20,080,468	730,842	1,396,652	294,928	-	23,433,987
1, 2013									
Depreciation for the current period	-	83	103,178	1,527,200	278,183	261,938	46,297	-	2,216,879
June 30, 2013	-	291	1,034,067	21,607,668	1,009,025	1,658,590	341,225	-	25,650,866
Net book value on January 1, 2013	43,698,539	2,312	7,045,473	18,998,747	1,461,526	1,174,943	13,256	1,744,892	74,139,688
Net book value on June 30, 2013	43,698,539	2,229	6,954,121	17,565,932	1,451,452	1,346,437	353,242	3,476,406	74,848,358

(*) As of June 30, 2013, the Company has not yet collected grant income for the development expenses which it monitors under the account of investments in progress since the approval process of the reports for the projects supported by TUBITAK continues in the current period.

(**) 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. As of June 30, 2013, the Company's management does not anticipate an impairment on the lands.

Tümosan Engine and Tractor Industry Inc.

Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))

10. Tangible fixed assets (continued)

	Lands (*)	Overland plants	Buildings	Machine ry and equipment	Vehicles	Furniture and fixtures	Speci al costs	Investments in progress	Total
Cost/Fair price									-
January 1, 2012	43,698,539	-	7,817,378	45,551,634	1,704,514	2,290,006	308,184	1,811,687	103,181,942
Inflows	-	2,520	-	579,827	46,900	155,879	-	352,107	1,137,233
Transfers to investment property	-	-	(445,783)	-	-	-	-	-	(445,783)
Transfers to assets held for transfer	-	-	-	(7,407,683)	-	(8,394)	-	(1,184,740)	(8,600,817)
June 30, 2012	43,698,539	2,520	7,371,595	38,723,778	1,751,414	2,437,491	308,184	979,054	95,272,575
Accumulated depreciation									
January 1, 2012	-	-	1,065,587	17,640,817	436,954	1,124,892	292,248	-	20,560,498
Depreciation for the current period	-	124	107,244	1,731,139	142,294	131,658	1,650	-	2,114,109
Transfers to investment property	-	-	(70,947)	-	-	-	-	-	(70,947)
Transfers to assets held for transfer	-	-	-	(993,390)	-	(8,394)	-	-	(1,001,784)
June 30, 2012	-	124	1,101,884	18,378,566	579,248	1,248,156	293,898	-	21,601,876
Net book value on January 1, 2012	43,698,539	-	6,751,791	27,910,817	1,267,560	1,165,114	15,936	1,811,687	82,621,444
Net book value on June 30, 2012	43,698,539	2,396	6,269,711	20,345,212	1,172,166	1,189,335	14,286	979,054	73,670,699

(*) Reflected at fair price.

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

11. Intangible fixed assets

	2013	2012
Net book value on January 1	418,512	528,805
Purchases	546,799	486,100
Amortisation charges	(420,247)	(301,310)
Outflows, net	-	-
Net book value on June 30	545,064	713,595
June 30,		
Cost	2,196,218	1,406,654
Accumulated amortisation charges	(1,651,154)	(693,059)
Net book value	545,064	713,595

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

12. 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.

	June 30, 2013	December 31, 2012
Machinery and equipment	7,362,390	7,174,763
Vehicles	338,810	338,810
Furniture and fixtures	1,013,368	1,000,754
Rights	125,547	125,547
Special costs	286,272	285,538
	9,126,387	8,925,412

Tümosan Engine and Tractor Industry Inc.

Notes to the financial statements for the period ended June 30, 2013 (continued) (Currency: Turkish Lira (TL))

13. 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 June 30	445,783	445,783
Depreciation		
Balance on January 1	77,937	253,863
Depreciation expense for the period	4,395	23,673
Transfers from tangible fixed assets (**)	-	70,947
Transfers to assets held for transfer (*)	-	(275,016)
Balance on June 30	82,332	73,467
Net book value on June 30	363,451	372,316

(*) As of December 31, 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 June 30, 2013, assets classified as investment property consist of buildings that have a net book value of TL 367,847 as of January 1, 2013. In the current period, the Company obtained TL 152,926 rental income from these investment properties. The Company determined the fair value of these investment properties approx. as TL 2,220,000, according to the valuation study made by TSKB Real Estate Appraisal Inc. in May 2012.

14. Provisions, contingent assets and contingent liabilities

Short-term debt provisions

	June 30, 2013	December 31, 2012
Provision for warranties	4,014,545	4,117,166
Provision for litigation expenses (*)	917,251	286,001
	4,931,796	4,403,167

(*) It expresses the debt figure mentioned in the expert opinion for a suit filed against the Company in 2009. As a precaution, the Company has allocated a provision for the related amount in the financial statements for the current period.

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

**14. Provisions, contingent assets and liabilities
(continued)**

follows:

The movements of provisions for warranty expense over the periods are as

	2013	2012
Balance on January 1	4,117,166	5,161,229
Provision used during the period	(3,542,919)	(2,849,741)
Provision allocated during the period	3,440,298	3,333,783
Balance on June 30	4,014,545	5,645,271

15. Commitments

The Company's position for the guarantees, pledges and mortgages (GPM) as of June 30, 2013 and December 31, 2012 is as follows: GPMs given by the Company:

	June 30, 2013	December 31, 2012
A: The total amount of guarantees and mortgages given on behalf of its own legal entity	17,345,446	15,856,855
B:→The total amount of GPMs given on behalf of other 3rd parties for the continuation of its ordinary business operations (*)	279,689,576	260,663,519
C: The total amount of other GPMs given	-	-
i. The total amount of GPMs given on behalf of the main shareholder	-	-
ii.→The total amount of GPMs given on behalf the other group companies that do not fall under Articles B and C	-	-
Total	297,035,022	276,520,374

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

	June 30, 2013	December 31, 2012
Turkish lira	294,741,869	275,329,002
US dollar	2,293,153	1,191,372
Total	297,035,022	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.

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

16. Provisions for employee benefits

a) Short-term employee benefits

	June 30, 2013	December 31, 2012
Provision for unused vacations	509,378	385,980
	509,378	385,980

b) Long-term employee benefits

	June 30, 2013	December 31, 2012
Provision for severance payments	1,784,069	1,582,941
	1,784,069	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, which is limited to a maximum of TL 3,129 as of 30 June 2013 and TL 3,034 as of 31 December 2015, for each year of service.

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 June 30, 2013, and December 31, 2012 are as follows:

	June 30, 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	433,245	450,899
Interest expense	68,067	65,190
Actuarial losses/(gains)	212,155	(368,190)
Paid	(88,029)	(60,599)
Balance on June 30	1,784,069	1,391,086

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

17. Liabilities for employee benefits

	June 30, 2013	December 31, 2012
Taxes and liabilities payable (*)	3,216,431	1,394,059
Payables to employees and premium accruals	602,318	428,833
	3,818,749	1,822,892

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

18. Other assets and liabilities

a) Other current assets

	June 30, 2013	December 31, 2012
Deferred VAT	43,941,544	30,880,679
Advances given for orders	58,178	292,309
Other	231,954	76,831
	44,231,676	31,249,819

b) Other liabilities

Other short-term liabilities

	June 30, 2013	December 31, 2012
Taxes and funds payable	11,683,907	3,137,129
Other	10,042	19,058
	11,693,949	3,156,187

Tümosan Engine and Tractor Industry Inc.

Notes to the financial statements for the period ended June 30, 2013 (continued) (Currency: Turkish Lira (TL))

19. Equity

a) Capital

The Company's shareholders and their shares in capital as of June 30, 2013 and December 31, 2012 are as follows:

		June 30, 2013		December 31, 2012	
	Rate %	TL	Rate %	TL	
Ereğli Textile Tourism Industry and Trade Inc.	75.09	86,359,006	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	12.73	14,640,994	12.50	14,374,352	
Capital	100	115,000,000	100	115,000,000	
Paid-in capital		115,000,000		115,000,000	

The Company increased its paid-in capital from TL 55,950,000 to TL 115,000,000 with a volume of TL 49,050,000 through a bonus issue by transferring from accumulated profits in accordance with the decision taken at the Ordinary General Meeting of Shareholders dated May 16, 2012 and TL 10,000,000 through rights issues to be paid in cash in accordance with the decision taken at the Board of Management's meeting dated December 4, 2012. As of June 30, 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 valued within the framework of CMB's Financial Reporting Standards.

Share premium:

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 15, 2013 to offset prior year's losses with share premiums.

Tümosan Engine and Tractor Industry Inc.

Notes to the financial statements for the period ended June 30, 2013 (continued) (Currency: Turkish Lira (TL))

19. Equity (continued)

Dividend Distribution

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

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.

The proposal for a dividend payment of TL 26,749,000 was accepted at the Ordinary General Meeting of Shareholders dated May 13, 2013 and dividend payments were made on May 31, 2013 as cash payment to shareholders or deduction from their liabilities.

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 as follows:

	June 30, 2013	December 31, 2012
Legal reserves on retained earnings	3,954,095	85,576
	3,954,095	85,576

The Company has classified TL 3,868,519 from its net income for the period into legal reserves retained on earnings pursuant to the decision taken at the General Meeting on May 15, 2013.

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

19. Equity (continued)

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:

	June 30, 2013	December 31, 2012
Legal reserves	3,954,095	85,576
Accumulated losses	(5,049,159)	(12,092,063)
Net income for the period	22,244,450	29,542,521
	21,149,386	17,536,034

20. Sales and cost of sales

a) Statement of sales and cost of sales

Sales:	January 1 - April 1 - June 30, June 30, 2013	April 1 - June 30, 2013	January 1 - June 30, 2012	April 1 - June 30, 2012
Domestic sales	205,352,227	115,914,166	145,851,952	60,762,617
Foreign sales	2,132,582	1,229,508	2,633,383	1,508,239
Sales returns and allowances	(327,876)	(252,486)	(212,229)	(120,167)
Total sales, net	207,156,933	116,891,188	148,273,106	62,150,689
Cost of sales:	January 1 - June 30, 2013	April 1 - June 30, 2013	January 1 - June 30, 2012	April 1 - June 30, 2012
Expenses for raw materials and supplies	147,243,821	82,648,366	110,261,414	41,545,608
General production expenses	8,592,525	5,251,183	5,999,308	3,350,534
Depreciation and amortization charges	2,156,805	903,011	2,176,590	227,626
Personnel expenses	2,286,672	1,240,839	3,218,364	1,524,623
Changes in work-in-process inventories	1,170,930	(1,577,421)	3,615,619	1,099,910
Changes in finished goods inventories	(4,471,731)	(1,091,236)	(7,619,156)	2,225,889
	156,979,022	87,374,742	117,652,139	49,974,190
Cost of trade goods sold	3,258,879	1,705,696	2,336,583	1,651,142
	3,258,879	1,705,696	2,336,583	1,651,142
Total cost of sales (-)	160,237,901	89,080,438	119,988,722	51,625,332
Gross profit	46,919,032	27,810,750	28,284,384	10,525,357

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

20. Sales and cost of sales (continued)

b) Distribution of sales by product groups (net)

	January 1 - June 30 2013	April 1 - June 30 2013	January 1 - June 30 2012	April 1 - June 30 2012
Tractor sales	194,863,365	107,015,219	145,848,651	60,659,434
Engine sales	3,113,154	2,518,705	605,797	399,545
Spare part sales	9,180,414	7,357,264	1,818,658	1,091,710
	207,156,933	116,891,188	148,273,106	62,150,689

21. Operating expenses

	January 1 - June 30 2013	April 1 - June 30 2013	January 1 - June 30 2012	April 1 - June 30 2012
Research and development expenses	1,099,431	597,766	565,358	290,445
Marketing, sales and distribution expenses	8,295,434	7,942,944	7,655,314	2,165,753
General administrative expenses	3,195,729	2,043,745	2,826,170	1,442,092
	12,590,594	10,584,455	11,046,842	3,898,290

a) Research and development expenses

	January 1 - June 30, 2013	1 April - June 30, 2013	January 1 - June 30, 2012	1 April - June 30, 2012
Fixtures and depreciation expenses	335,786	169,312	-	-
Outsourced benefits and services	251,831	251,831	-	-
Personnel expenses	145,529	19,647	565,358	290,445
Project and study expenses	108,809	-	-	-
Raw materials and supplies	16,162	-	-	-
Other	241,314	156,976	-	-
	1,099,431	597,766	565,358	290,445

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

21. Operating expenses (continued)

b) Marketing, sales and distribution expenses

	January 1 - April 1 - June		January 1 - April 1 - June	
	June 30	30	June 30	30
	2013	2013	2012	2012
Provision for warranty expenses (Note 14)	3,440,298	5,682,460	3,333,783	1,151,741
Promotion expenses	497,162	79,847	666,374	(808,195)
Sales transportation expenses	1,604,843	1,019,995	1,332,406	619,547
Personnel expenses	1,313,745	769,801	902,319	585,395
Advertising and announcement expenses	492,141	393,528	700,963	159,148
Accommodation expenses	335,046	148,808	96,923	51,510
Fair and exhibition expenses	245,368	81,295	168,607	48,750
Fuel expenses	127,830	74,693	112,425	60,560
Mobile service meal and accommodation expenses	14,760	8,054	16,318	9,517
Vehicle rental expenses	12,911	10,161	46,428	25,238
Mobile service car rental expenses	3,842	2,467	-	-
Representation and entertainment expenses	-	-	9,300	9,300
Other	207,488	(328,163)	269,468	253,242
	8,295,434	7,942,946	7,655,314	2,165,753

c) General administrative expenses

	January 1 - April 1 - June		January 1 - April 1 - June	
	June 30	30	June 30	30
	2013	2013	2012	2012
Litigation, enforcement and proceeding expenses	953,317	616,484	505,897	2,675
Personnel expenses	663,318	614,603	872,737	565,729
Data processing materials expenses	317,782	76,566	184,696	69,865
Financial and legal consulting expenses	182,312	152,299	201,733	147,988
Real estate rental expenses	164,204	83,413	164,882	79,218
Depreciation and amortization expenses	148,931	76,622	262,502	145,207
Subscription expenses	81,706	43,996	56,582	34,574
Telephone expenses	64,190	38,433	16,565	8,526
Travel and accommodation expenses	59,082	27,904	127,716	94,356
Commission expenses for public offering	50,566	-	-	-
Letter of guarantee commissions	41,524	39,981	75,294	46,182
Fuel expenses	29,411	13,073	24,524	11,113
Stationery expenses	24,973	9,508	23,466	8,207
Electricity expenses	8,907	3,428	13,509	7,049
Internet expenses	6,531	6,132	4,238	2,602
Vehicle rental expenses	1,391	691	5,415	957

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

Other	397,584	240,612	286,414	217,844
	3,195,729	2,043,745	2,826,170	1,442,092

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

22. Expenses by nature

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

a) Depreciation and amortisation expenses

	January 1 - June 30 2013	April 1 - June 30 2013	January 1 - June 30 2012	April 1 - June 30 2012
Cost of sales (Note 20)	2,156,805	903,011	2,176,590	227,626
Research and development expenses (Note 21)	335,786	169,312	-	-
General administrative expenses (Note 21)	148,931	76,622	262,502	145,207
	2,641,522	1,148,945	2,439,092	372,833

b) Employee benefits

	January 1 - June 30 2013	April 1 - June 30 2013	January 1 - June 30 2012	April 1 - June 30 2012
Wages and salaries	3,194,694	2,019,764	4,059,683	2,175,442
Social security costs	890,045	499,874	711,592	389,581
Expenses for employee benefits	324,525	125,252	787,503	401,169
	4,409,264	2,644,890	5,558,778	2,966,192

23. Real operating income/expenses

a) Real operating income

	January 1 - June 30, 2013	April 1 - June 30 2013	January 1 - June 30, 2012	April 1 - June 30 2012
Income from exchange-rate differences related to trade receivables/payables	6,268,455	5,078,589	407,064	232,859
Revenue from scrap sales	361,257	192,839	1,016,779	905,067
Other	414,715	92,205	344,351	(120,132)

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

7,044,427	5,363,633	1,768,194	1,017,794
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Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

23. Real operating income/expenses (contd)

b) Real operating expenses

	January 1 - April 1 - June June 30, 2013	April 1 - June 30 2013	January 1 - June 30, 2012	April 1 - June 30 2012
Expenses from exchange-rate differences related to trade receivables/payables	8,962,953	7,242,966	394,150	337,628
Provision for doubtful receivables (Note 5)	184,778	211	-	-
Donations and grants	77,832	77,832	22,000	22,000
Other	-	-	275,374	255,410
	9,225,563	7,321,009	691,524	615,038

24. Financial income

	January 1 - June 30, 2013	April 1 - June 30 2013	January 1 - June 30, 2012	April 1 - June 30 2012
Interest income	5,920,863	2,401,085	2,785,612	1,395,492
Income from exchange differences	13,047,977	11,135,471	4,057,778	2,015,588
	18,968,840	13,536,556	6,843,390	3,411,080

25. Financial expenses

	January 1 - April 1 - June June 30, 2013	April 1 - June 30 2013	January 1 - June 30, 2012	April 1 - June 30 2012
Foreign exchange losses	10,429,834	9,350,533	3,280,204	2,730,746
Interest expenses	3,301,522	1,963,256	750,228	293,699
Factoring commission expenses	370,097	354,290	3,564,942	2,291,392
	14,101,453	11,668,079	7,595,374	5,315,837

26. Tax assets and liabilities

	January 1 - April 1 - June June 30, 2013	April 1 - June 30 2013	January 1 - June 30, 2012	April 1 - June 30 2012
Corporate income tax for the current period	(7,958,529)	(4,154,298)	(4,860,196)	(2,216,545)
Deferred tax income/(expense)	778,985	648,967	1,214,901	1,206,214
	(7,179,544)	(3,505,331)	(3,645,295)	(1,010,331)

26. Tax assets and liabilities (continued)

In Turkey, the corporate income tax rate is 20%. Corporate income tax rate is applied to the net corporation profit calculated by adding non-deductible 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 considering 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 POA 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 POA Financial Reporting Standards and Tax Laws.

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

26.→Tax assets and liabilities (contd)

Deferred tax assets and liabilities

As of June 30, 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	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Tangible and intangible fixed assets	5,962,076	4,890,782	(1,192,415)	(978,156)	(214,259)	(261,508)
Provision for severance payments	(1,784,069)	(1,582,941)	356,814	316,588	40,226	55,831
Provision for vacation	(509,378)	(385,980)	101,876	77,196	24,680	10,442
Provision for inventories	(751,138)	(1,318,269)	150,228	263,654	(113,426)	77,659
Effect of inventory valuation adjustments	(2,575,032)	2,221,450	515,006	(444,290)	959,296	(649,437)
Provision for doubtful receivables	(2,689,639)	(2,504,861)	537,928	500,972	36,956	(12,349)
Effects of rediscount adjustments	(465,493)	(462,975)	93,099	92,595	504	45,925
Provision for warranty expenses	(4,014,545)	(4,117,166)	802,909	823,433	(20,524)	(208,813)
Interest accruals	-	-	-	-	-	629,999
Tangible fixed assets valuation fund	41,443,301	41,443,301	(2,072,165)	(2,072,165)	-	-
Provision for lawsuits	(917,251)	(286,001)	183,450	57,200	126,250	57,200
Other	(107,767)	(411,355)	21,552	82,271	(60,718)	90,563
Deferred tax liabilities, net	33,591,065	37,485,985	(501,718)	(1,280,702)	778,985	(164,488)

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

26. Tax assets and liabilities (continued)

For the periods ended June 30, 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:

	January 1 - June 30, 2013	January 1 - June 30, 2012
Profit/(loss) before tax	37,198,816	17,823,635
Applicable corporate income tax rate is 20%	(7,439,763)	(3,564,727)
Non-deductible expenses	(46,734)	(24,024)
Effect of other permanent differences	306,953	17.094
Tax expense	(7,179,544)	(3,571,657)

27. 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.

	June 30, 2013	April 1 - June 30 2013	June 30, 2012	1 April - June 30, 2012
The weighted average number of shares outstanding during the period (*) (each 1 TL)	115,000,000	115,000,000	105,000,000	105,000,000
Net income for the period	30,061,703	13,643,439	14,251,978	4,211,682
Earnings per share (full TL)	0.2614	0.1186	0.1357	0.0401

(*) 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.

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

28. 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:

							June 30, 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)	-	41,475	-	3,076,919	-	-	
Other companies managed by the main shareholder							
Kademe Waste Technologies Industry Inc. (2)	159,440	-	-	-	-	-	
Tümosan Foundry Inc. (2)	377,225	-	-	-	-	-	
Reklam Piri Media Communication Inc. (2)	-	-	-	-	26,468	-	
	536,665	41,475	-	3,076,919	26,468	-	

							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	-	-	-	-	
Dolu Fuel Marketing Inc. (2)	-	-	-	-	4,983	-	
Kademe Waste Technologies Industry Inc. (2)	147,162	-	-	-	-	-	
Tümosan Foundry Inc. (2)	261,367	-	-	-	-	-	
	408,529	78,742,029	-	-	68,777	-	

(1) Shareholder

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

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

28. Related party disclosures (continued)

As of June 30, 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

	January 1 - June 30, 2013	January 1 - June 30, 2012
Net Publishing Industry and Trade Inc. (b)	-	150,000
Kademe Waste Technologies Industry Inc. (d)	30,600	-
Tümosan Foundry Inc. (c)	3,286,494	-
Albayrak Holding Inc. (1) (c)	-	1,469
Ereğli Textile Tourism Industry and Trade Inc. (d)	-	480
Albil Central Services and Trade Inc. (a)	467,911	593,059
Reklam Piri Media Communication Inc. (b)	22,430	-
Birlikte Distribution Inc. (d)	1,055	-
	3,808,490	745,008

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

Sales and other income

	January 1 - June 30, 2013			January 1 - June 30, 2012		
	Interest	Rent	Other	Interest	Rent	Other
Albayrak Tourism Travel Construction Trade Inc. (1)	4,908,388			2,778,715	-	-
Ereğli Textile Tourism Industry and Trade Inc. (2)	550,192	32,926		-	-	33,634
Tümosan Foundry Inc. (1)		76,463	600,393	-	-	-
Albil Central Services and Trade Inc. (1)				-	32,662	-
Kademe Waste Technologies Industry Inc. (1)		76,462	9,315	-	506,940	-
Varaka Paper Production Inc. (1)				-	2,250	-
Albayrak Foundation (1)		2,400				
	5,458,580	188,251	609,708	2,778,715	541,852	33,634

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

Tümosan Engine and Tractor Industry Inc.

Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))

28. Related party disclosures (continued)

Dividends paid to related parties

	January 1 - June 30, 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 of 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

	January 1 - June 30 2013	April 1 - June 30 2013	January 1 - June 30 2012	April 1 - June 30 2012
Short-term benefits provided to the top management (*)	380,388	211,977	449,890	332,335

(*) General director and directors constitute the Company's top management.

29. 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 19.

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

29. Financial risk management and policies (continued)

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).

	June 30, 2013	December 31, 2012
Total debt	124,000,646	129,533,103
Less: Cash and cash equivalents	35,545,232	22,021,784
Net debt	88,455,414	107,511,319
Total equity	201,972,236	198,489,809
Debt equity balance	113,516,822	90,978,490
Net financial liability/equity ratio	44%	54%

Interest rate risk

As of June 30, 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 June 30, 2013 and December 31, 2012, the Company's net foreign-exchange position is as follows:

On a total basis	June 30, 2013	December 31, 2012
A. Assets in foreign currency	759,349	1,116,677
B. Liabilities in foreign currency	(9,289,567)	(14,383,952)
Net foreign-exchange position (A + B)	(8,530,218)	(13,267,275)

Tümosan Engine and Tractor Industry Inc.

Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))

29. Financial risk management and policies (continued)

As of June 30, 2013 and December 31, 2012, the details of the Company's foreign-currency position are as follows:

									June 30, 2013
	US dollar	TL Equivalent	Euro	TL equivalent	GBP	TL equivalent	CHF	TL equivalent	Total TL equivalent
Cash and cash equivalents	102	196	56,942	143,135	-	-	-	-	143,331
Trade receivables	61,640	118,645	197,865	497,373	-	-	-	-	616,018
Current assets	61,742	118,841	254,807	640,508	-	-	-	-	759,349
Total assets	246,431	118,841	631,143	640,508	-	-	-	-	759,349
Short-term financial payables and factoring payables	(2,236,751)	(4,305,298)	-	-	-	-	-	-	(4,305,298)
Trade payables	(261,814)	(503,941)	(1,688,547)	(4,244,502)	-	-	-	-	(4,748,443)
Short-term liabilities	(2,498,565)	(4,809,239)	(1,688,547)	(4,244,502)	-	-	-	-	(9,053,741)
Long-term financial payables	(122,520)	(235,826)	-	-	-	-	-	-	(235,826)
Long-term liabilities	(122,520)	(235,826)	-	-	-	-	-	-	(235,826)
Total liabilities	(2,621,085)	(5,045,065)	(1,688,547)	(4,244,502)	-	-	-	-	(9,289,567)
Net foreign-currency position	(2,559,343)	(4,926,224)	(1,433,740)	(3,603,994)	-	-	-	-	(8,530,218)

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
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(Currency: Turkish Lira (TL))**

**29. 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)

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
June 30, 2013 (continued)
(Currency: Turkish Lira (TL))**

29. 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 June 30, 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 June 30, 2013 and December 31, 2012 is as follows:

		June 30, 2013	
		Profit/(loss)	
		Appreciation of the foreign currency	Depreciation of the foreign currency
<i>If the US dollar appreciates/depreciates 10% against the Turkish lira</i>			
1-	Income/(loss) arising from US dollar net asset/(liability)	(492,622)	492,622
2-	Hedged amount from US dollar risk (-)	-	-
Net effect of the US dollar		(492,622)	492,622
<i>If the euro appreciates/depreciates 10% against the Turkish lira</i>			
3-	Income/(loss) arising from euro net asset/(liability)	(360,399)	360,399
4-	4- Hedged amount from euro risk (-)	-	-
Net effect of the euro		(360,399)	360,399
Total net effect		(853,021)	853,021

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

Tümosan Engine and Tractor Industry Inc.

Notes to the financial statements for the period ended June 30, 2013 (continued) (Currency: Turkish Lira (TL))

29. 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 June 30, 2013	Receivables					
	Trade receivables		Other receivables		Other current assets	Deposits in banks
	Related party	Other party	Related party	Other party		
The maximum exposure to credit risk at the reporting date (A+B+C+D+E) (1)	536,665	91,000,816	3,118,394			35,528,749
- The portion of maximum risk secured by guarantee, etc. (2)		55,255,850				
A. Net book value of financial assets that are neither past due nor impaired	536,665	77,946,930	3,118,394			35,528,749
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		13,053,887				
- The portion secured by guarantee, etc.						
D. Net book value of impaired assets						
- Past due (gross book value)	-	2,689,639	-	-	-	-
- Impairment (-)	-	(2,689,639)	-	-	-	-
- 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.

As of December 31, 2012	Receivables					
	Trade receivables		Other receivables		Other current assets	Deposits in banks
	Related party	Other party	Related party	Other party		
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.

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
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(Currency: Turkish Lira (TL))**

29. Financial risk management and policies (continued)

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

	June 30, 2013	December 31, 2012
1-30 days overdue	7,149,089	-
1-3 month overdue	5,244,718	-
3-6 months overdue	421,035	34,425
6 months-5 years overdue	239,044	1,172,208
	13,053,886	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.

The following statement presents the position of the Company's financial liabilities as of June 30, 2013 and December 31, 2012 according to the maturities of undiscounted contractual payments.

June 30, 2013	Book value	Less than 3 months	3 to 12 months	1 to 5 years	Having no fixed term	Total
Financial payables	26,969,223	9,292,588	17,660,986	297,747	-	27,251,321
Trade payables to third parties	63,135,209	67,169,438	-	-	-	67,169,438
Trade payables to related parties	26,468	26,468	-	-	-	26,468
Other payables	12,855,796	12,855,796	-	-	-	12,855,796
Total	102,986,696	89,344,290	17,660,986	297,747	-	107,303,023
December 31, 2012	Book value	Less than 3 months	3 to 12 months	1 to 5 years	Having no fixed term	Total
Financial payables	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	10,942,635	10,942,635	-	-	-	10,942,635
Total	114,041,918	97,800,852	15,840,738	1,797,539	-	115,439,129

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period ended
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30. 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.

31. Events after the balance sheet date

None.