

Tümosan Engine and Tractor Industry Inc.

**Condensed financial statements
for the interim period from
January 1 to September 30, 2013**

Tümosan Engine and Tractor Industry Inc.

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Tümosan Engine and Tractor Industry Inc.

**Condensed balance sheet
as of September 30, 2013
(Currency: Turkish Lira**

		Current period	Prior period
			Revised (Note 2.1).
		Unaudited	Audited
	Notes	September 30, 2013	December 31, 2012
Assets			
Current assets			
		216,922,163	252,744,117
Cash and cash equivalents	5	17,917,384	22,021,784
Financial investments	6	1,662,787	-
Trade receivables		63,356,041	52,370,805
- Trade receivables from third parties	9	63,356,041	51,962,276
- Trade receivables from related parties	26	-	408,529
Other receivables		151,329	78,742,029
- Other receivables from related parties	26	151,329	78,742,029
Inventories	10	98,669,269	67,260,905
Prepaid expenses		5,253,421	1,098,775
Other current assets	18	29,911,932	31,249,819
Fixed assets			
		85,573,555	75,278,795
Other receivables		6,105,963	-
- Other receivables from related parties	26	6,105,963	-
Investment property	13	361,216	367,847
Tangible fixed assets	11	78,628,900	74,139,688
Intangible fixed assets		360,158	418,512
- Other intangible fixed assets	11	360,158	418,512
Other fixed assets		117,318	352,748
Total assets		302,495,718	328,022,912

Tümosan Engine and Tractor Industry Inc.

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

		Current period	Prior period
			Revised (Note 2.1)
		Unaudited	Audited
	Notes	September 30, 2013	December 31, 2012
Resources			
Short-term liabilities			
		86,544,030	124,871,921
Short-term borrowings	7	8,674,616	4,817,900
Short-term portions of long-term borrowings:	7	2,886,176	16,659,031
Other financial liabilities	8	20,883,093	25,916,317
Trade payables		39,670,431	53,908,496
- Trade payables to related parties	26	33,247	68,777
- Trade payables to third parties	9	39,637,184	53,839,719
Liabilities for employee benefits	17	1,098,795	1,822,892
Other payables		11,976	-
- Other payables to third parties		11,976	-
Deferred income		5,576,791	5,963,558
Tax liability on income for the period		2,451,940	7,838,393
Short-term provisions		4,983,428	4,789,147
- Short-Term provisions for employee benefits	16	442,228	385,980
- Other short-term provisions	14	4,541,200	4,403,167
Other short-term liabilities	18	306,784	3,156,187
Long-term liabilities			
		2,931,938	4,661,182
Long-term borrowings	7	38,605	1,797,539
Long-term provisions		1,911,555	1,582,941
- Long-term provisions for employee benefits	16	1,911,555	1,582,941
Deferred tax liability	24	981,778	1,280,702
Equity			
		213,019,750	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		452,401	341,015
Reserves on retained earnings	19	3,954,095	85,576
Accumulated Losses	19	-	(12,092,063)
Net income for the period	19	41,167,555	29,542,521
Total resources			
		302,495,718	328,022,912

Tümosan Engine and Tractor Industry Inc.

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

		Current period		Prior period	
				Revised (Note 2.1)	
		Unaudited		-	
	Notes	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Sales	20	302,409,503	95,252,570	202,132,364	53,859,258
Cost of sales (-)	20	(235,392,464)	(75,154,563)	(163,176,627)	(43,187,905)
Gross profit	20	67,017,039	20,098,007	38,955,737	10,671,353
General administrative expenses (-)	21	(4,972,311)	(1,776,582)	(4,254,117)	(1,427,947)
Marketing, sales and distribution expenses (-)	21	(12,723,595)	(4,428,161)	(9,965,503)	(2,310,189)
Research and development expenses (-)	21	(1,625,149)	(525,718)	(1,130,659)	(565,301)
Other real operating income	23	23,413,617	16,369,190	7,665,596	5,897,402
Other real operating expenses (-)	23	(22,701,238)	(13,475,675)	(7,690,124)	(6,998,600)
Real operating profit		48,408,363	16,261,061	23,580,930	5,266,718
Income from investing activities		503,500	319,373	445,707	184,300
Operating profit before financial income/expense		48,911,863	16,580,434	24,026,637	5,451,018
Financing income		7,294,501	(11,674,339)	12,943,587	6,100,197
Financing expenses (-)		(4,893,021)	9,208,432	(11,958,330)	(4,362,956)
Profit before tax from continuing operations		51,313,343	14,114,527	25,011,894	7,188,259
Tax expense for the period (-)	24	(10,472,558)	(2,514,029)	(5,556,873)	(696,677)
Deferred tax income		326,770	(494,646)	576,774	(711,765)
Period income from continuing operations	25	41,167,555	11,105,852	20,031,795	5,779,817
Other comprehensive income/(expense)					
Actuarial gains/(losses) for employee benefits	16	139,228	(72,927)	296,522	(71,668)
Tax effect		(27,845)	14,586	(59,304)	14,334
Other comprehensive income/(expense) after tax		111,383	(58,341)	237,218	(57,334)
Total comprehensive income		41,278,938	11,047,511	20,269,013	5,722,483
Number of shares	19	115,000,000	115,000,000	115,000,000	105,000,000
Earnings per share (TL)	25	0.3580	0.0966	0.1908	0.0550
<u>Distribution of net income for the period</u>					
Minority interests		-	-	-	-
Shares of the parent company		41,278,938	11,047,511	20,269,013	5,722,483

Tümosan Engine and Tractor Industry Inc.

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

	Notes	Paid-in capital	Share premium	Tangible 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)	-
Dividends paid		-	-	-	-	-	(9,404,260)	-	(9,404,260)
Other comprehensive income		-	-	-	-	237,218	-	-	237,218
Net income for the period		-	-	-	-	-	-	20,031,795	20,031,795
Total comprehensive income		-	-	-	-	237,218	-	20,031,795	20,269,013
Balances as of September 30, 2012		105,000,000	-	39,371,136	85,576	484,439	(12,092,063)	20,031,795	152,880,883
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 1 January 2013, revised		115,000,000	26,241,624	39,371,136	85,576	341,015	(12,092,063)	29,542,521	198,489,809
Transfers		-	(13,167,061)	-	3,868,519	-	38,841,063	(29,542,521)	-
Dividends paid		-	-	-	-	-	(26,749,000)	-	(26,749,000)
Other comprehensive income		-	-	-	-	111,386	-	-	111,386
Net income for the period		-	-	-	-	-	-	41,167,555	41,167,555
Total comprehensive income		-	-	-	-	111,386	-	41,167,555	41,278,941
Balances as of September 30, 2013		115,000,000	13,074,563	39,371,136	3,954,095	452,401	-	41,167,555	213,019,750

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
September 30, 2013
(Currency: Turkish Lira (TL))**

		Current period	Prior period
		Unaudited	Unaudited
	Note references	January 1 - September 30, 2013	January 1 - September 30, 2012
Net income for the period before tax		51,313,343	25,011,894
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortisation and depletion	22	3,798,990	2,937,768
Provision for severance payments	16	580,149	479,422
Provision for doubtful receivables	9	312,282	-
Provision/(cancellation) for decline in value of inventories	10	657,030	699,006
Gains from sale of tangible fixed assets		(6,607)	-
Provision/(cancellation) for unused vacation entitlements		56,248	(46,883)
Provision, net/(cancellation) for warranties	14	(493,217)	83,210
Provision for lawsuits	14	631,250	455,500
Interest and factoring expenses		3,780,636	7,512,063
Interest income		(6,383,210)	(6,367,756)
Discount expenses		-	450,654
Net cash from operating activities before changes in operating assets and liabilities		54,246,894	31,214,878
Change in assets and liabilities			
Financial investments	6	(1,662,787)	-
Trade receivables from third parties		(11,706,047)	(26,177,145)
Receivables from related parties		78,999,229	(198,377)
Inventories		(32,273,860)	3,987,421
Other current assets and prepaid expenses		(2,816,759)	(12,458,914)
Other short-term liabilities and deferred income		(3,236,170)	-
Other long-term receivables from related parties		(6,105,963)	-
Other fixed assets		235,430	(75,156)
Payables to related parties		(35,530)	-
Trade payables		(13,994,069)	(16,611,163)
Other payables to third parties		11,976	-
Other short-term provisions		-	16,717,791
Employee benefits		(724,097)	(717,691)
Severance payments paid		(112,304)	80,906
Taxes paid		(15,859,011)	(2,283,953)
Net cash used in/(from) operating activities		44,966,932	(6,521,403)
Cash used in investing activities			
Purchases of tangible and intangible fixed assets		(8,228,858)	(3,505,594)
Proceeds from the sale of tangible and intangible fixed assets		12,247	-
Interest received		6,370,377	1,536
Advances given to related parties		-	(18,665,877)
Net cash used in investing activities		(1,846,234)	(22,169,935)
Net cash used in financial activities			
Bank loans obtained		32,036,757	50,326,142
Loans and financial payables paid		(48,219,575)	(16,538,685)
Interest paid		(4,306,114)	(7,512,063)
non-trade transactions with related parties, net		-	2,702,446
Dividend paid		(26,749,000)	-
Net cash from financial activities		(47,237,932)	28,977,840
Net increase/(decrease) in cash and cash equivalents		(4,117,233)	286,502
Cash and cash equivalents at the beginning of the period	5	21,981,784	248,474
Cash and cash equivalents at the end of the period	5	17,864,551	534,976

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the period
ended September 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. As of September 30, 2013, the free-float ratio was 17.08%.

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:

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

Tümosan Engine and Tractor Industry Inc.

Notes to the financial statements for the accounting period ended 30 September 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:

2013	September 30,	December 31, 2012
Ereğli Textile Tourism Industry and Trade Inc.	75.75%	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	17.08%	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 September 30, 2013, the average number of white-collar workers employed by the Company is 142 (December 31, 2012 - 106) and the number of blue-collar employees is 261 (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/TFRS") and annexes and interpretations thereof have been taken as a basis.

The Company has prepared its financial statements for the interim period ended September 30, 2013 in accordance with the Turkish Accounting Standard No. 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 accounting period ended 30 September 2013 (continued) (Currency: Turkish Lira (TL))

2. Basis of presentation of financial statements

(continued) 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 classifications made in the statement of comprehensive income of the Company as of September 30, 2012 are as follows:

- Expenses from exchange-rate differences related to customers' and suppliers' current accounts amounting to TL 7,280,256 that are presented in the account of financing expenses, are classified to the account of other real operating expenses;
- Income from exchange-rate differences related to customers' and suppliers' current accounts amounting to TL 6,670,989 that is presented under the account of financing income is reclassified to the account of other real operating income.
- Rental income amounting to TL 445,707 that is presented under the account of other income is classified to income from investing activities.

**Notes to the financial statements for the accounting period ended 30 September 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 September 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. The Company was recognising actuarial gains/losses in the income statement prior to this change. 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 accounting period ended 30 September 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.

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

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 accounting period ended 30 September 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 September 30, 2013 and December 31, 2012, the amounts of the Company's current and time deposits, and the time deposits' average rates of return and average maturities are as follows:

	September 30, 2013	December 31, 2012
Cash	11,179	5,999
Demand deposits in banks	25,843	21,968,573
Time deposits in banks	17,880,362	47,212
	17,917,384	22,021,784

As of September 30, 2013, the time deposit amounting to USD 8,759,344 with a maturity of October 23, 2013 and an interest rate at 3.70% and the time deposit amounting to TL 40,000 with an interest rate at 6.5%, which is a guarantee for an oil company with which the Company has an agreement, are maintained as time deposits in the bank.

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

	2013	2012
Cash	11,179	2,896
Banks	17,906,205	272,047
Less: Interest accruals	(12,833)	-
Less: Blocked bank deposits	(40,000)	(40,000)
Cash and cash equivalents in the cash-flow statement as of September 30	17,864,551	234,943

Tümosan Engine and Tractor Industry Inc.

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

6. Financial investments

- Short term

	September 30, 2013		December 31, 2012	
	Share rate (%)	Amount	Share rate (%)	Amount
Available-for-sale financial assets-reflected at fair value				
Garanti Investment Trust Inc.	4.98%	1,403,437	-	-
Cosmos Investment Trust Inc.	4.75%	259,350	-	-
Total		1,662,787		-

Garanti Investment Trust Inc. and Cosmos Investment Trust Inc., whose shares are traded at Istanbul Stock Exchange, are presented as valued at market prices quoted at the end business day on 30 September 2013.

- Long term

None

7. Financial payables

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

	September 30, 2013		December 31, 2012	
	Effective interest rate %	TL amount	Effective interest rate %	TL amount
<u>Short term:</u>				
- US dollar (*)	0.00%	419,330	-	-
- TL	11.47% - 19.64%	8,255,286	13.58% - 19.64%	4,817,900
		8,674,616		4,817,900
<u>Short-term portion of long-term loans:</u>				
- TL	11.47% - 19.64%	2,886,176	0.00% - 19.64%	16,659,031
		2,886,176		16,659,031
<u>Long term:</u>				
- US dollar (*)	0.00%	38,605	7.63%	102,555
- TL	-	-	17.77% - 19.64%	1,694,984
		38,605		1,797,539
		11,599,397		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 September 30, 2013, there is a total financial debt of TL 457,935 (US dollar 225,590) in relation to this loan, including a short-term liability of TL 419,330 (US dollar 206,140) and long-term liability of TL 38,605 (US dollar 14,450).

Tümosan Engine and Tractor Industry Inc.

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

7. 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:

2013	September 30,	December 31,
		2012
2014	-	1,762,867
2015	38,605	34,672
	38,605	1,797,539

8. Other financial liabilities

2013	September 30,	December 31,
		2012
Payables from factoring transactions (*)	20,883,093	25,916,317
	20,883,093	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 9.

9. Trade receivables and payables

a) Trade receivables from third parties

2013	September 30,	December 31,
		2012
Trade receivables	21,599,970	5,375,255
Postdated cheques and notes receivable	44,573,214	49,091,882
	66,173,184	54,467,137
Less: Provision for doubtful receivables	(2,817,143)	(2,504,861)
	63,356,041	51,962,276

Tümosan Engine and Tractor Industry Inc.

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

9. Trade receivables and payables (continued)

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

	2013	2012
Balance on January 1	(2,504,861)	(2,566,603)
Provisions allocated during the period	(312,282)	-
Provisions no longer required	-	59,243
Balance on September 30	(2,817,143)	(2,507,360)

The aging schedule relating to trade receivables for which a provision for doubtful receivables is not allocated as of September 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
September 30, 2013	18,783,016	17,398,868	162,240	682,141	282,586	257,181
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

	September 30,	December 31,
2013	2013	2012
Trade payables	37,432,450	19,047,028
Notes payable	2,204,734	34,792,691
	39,637,184	53,839,719

Tümosan Engine and Tractor Industry Inc.

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

10. Inventories

	September 30,	December 31,
2013		2012
Raw material	62,107,927	46,844,753
Work in process inventories	4,907,497	3,282,684
Finished goods inventories	16,935,678	11,427,876
Trade goods	3,203,060	2,393,352
Goods in transit	12,266,244	4,630,509
	99,420,406	68,579,174
Less: Provision for inventories (*)	(751,137)	(1,318,269)
	98,669,269	67,260,905

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

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

As of September 30, 2013 and December 31, 2012, the amount of inventories written down and recognised as expenses 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	(657,030)	(699,006)
Disposed of in the current period	1,224,162	895,017
Balance on September 30	(751,137)	(733,962)

Tümosan Engine and Tractor Industry Inc.

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

11. Tangible and intangible fixed assets

The Company has made improvements in the concrete tractor waiting area, conference hall and management building at its production centre in Selçuklu, a district of Konya province. The total of fixed assets acquired in 2013 is

TL 1,995,044 TL, and for the ongoing improvements in Konya Selçuklu and for the tractor waiting area, a purchase amounting to TL 3,095,938 was realised. By the Board of Management's decision of 28 March 2013, the Company decided to move its R&D centre to technocity located in Istanbul Technical University and purchased office equipment and supplies for the branch established in the technocity. The development expenses amounting to TL 2,250,471 incurred due to R&D works carried out have been capitalised as of September 30, 2013. The Company did not buy or sell any important fixed assets other than these purchases and capitalisations.

The Company implemented an R&D-engine simulation program in the amount of TL 947,268 in 2013. 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.

	September 30, 2013	December 31, 2012
Machinery and equipment	7,472,036	7,174,763
Vehicles	273,377	338,810
Furniture and fixtures	1,029,648	1,000,754
Rights	305,701	125,547
Special costs	286,273	285,538
	9,367,035	8,925,412

Tümosan Engine and Tractor Industry Inc.

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

13. Investment property

	2013	2012
Cost		
1 January	445,783	1,930,542
Transfers from tangible fixed assets (**)	-	445,783
Outflows (*)	-	(1,930,542)
September 30,	445,783	445,783
Depreciation		
1 January	77,936	253,863
Depreciation expense for the period	6,631	23,673
Transfers from tangible fixed assets (**)	-	73,182
Outflows (*)	-	(275,017)
September 30,	84,567	75,701
Net book value on September 30	361,216	370,082

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

(**) As of September 30, 2013, assets classified as investment property consist of buildings that have a net book value of TL 367,847 as at January 1, 2013. In the current period, the Company obtained TL 329,389 rental income from these investment properties.

14. Provisions, contingent assets and contingent liabilities Short-term debt provisions

	September 30, 2013	December 31, 2012
Provision for warranties	3,623,949	4,117,166
Provision for litigation expenses (*)	917,251	286,001
	4,541,200	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 accounting period ended 30 September 2013 (continued) (Currency: Turkish Lira (TL))

14. Provisions, contingent assets and liabilities (continued)

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

	2013	2012
Balance on January 1	4,117,166	5,161,228
Provision used during the period	(4,755,368)	(4,005,848)
Provision allocated during the period	4,262,151	4,089,059
Balance on September 30	3,623,949	5,244,439

15. Commitments

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

	September 30, 2013	December 31, 2012
A: Guarantees and mortgages given on behalf of its own legal personality	2,441,665	15,856,855
B: The total amount of GPMs given on behalf of other third parties for the continuation of its ordinary business operations (*)	320,263,894	260,663,519
C: The total amount of other GPMs given	-	-
i. The total amount of GPMs given on behalf of the parent company	-	-
ii. The total amount of GPMs given on behalf the other Group companies that do not fall under Articles B and C	-	-
Total	322,705,559	276,520,374

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

	September 30, 2013	December 31, 2012
Turkish lira	322,272,081	275,329,002
US dollar	433,478	1,191,372
Total	322,705,559	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 accounting period ended 30 September 2013 (continued)
(Currency: Turkish Lira (TL))**

16. Provisions for employee benefits

a) Short-term employee benefits

	September 30,	December 31,
2013		2012
Provision for unused vacations	442,228	385,980
	442,228	385,980

b) Long-term employee benefits

	September 30,	December 31,
2013		2012
Provision for severance payments	1,911,555	1,582,941
	1,911,555	1,582,941

Pursuant to the existing Turkish Labour Law, the Company is obligated to make a certain amount of severance payment to the personnel, who has served at least for one year, that leaves work due to retirement or resignation or that is dismissed from work for reasons other than misconduct or that is obliged to leave work because of compulsory military service. The amount payable consists of one month's salary for each year of service and is limited to TL 3,254 as of 30 September 2013 and TL 3,034 as of 31 December 2012.

Based on the information gained from past experience, the Company has discounted the benefits gained by employees entitled to severance payments by using the government bond rates valid at the balance sheet date and reflected the discounted net values to the financial statements.
- Provision for severance payments is allocated by calculating the present value of the possible liability to be paid in case of the employees' retirement. Accordingly, the actuarial assumptions used to calculate the liability as of September 30, 2013 and December 31, 2012 are as follows:

	September 30, 2013	December 31, 2012
Discount rate	8.60%	8.60%
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	444,013	349,043
Interest expense	136,136	130,379
Actuarial income	(139,228)	(296,522)
Paid	(112,307)	(80,907)
Balance on September 30	1,911,555	1,405,779

Tümosan Engine and Tractor Industry Inc.

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

17. Liabilities for employee benefits

	September 30, 2013	December 31, 2012
Taxes and liabilities payable (*)	504,662	1,394,059
Payables to employees	594,133	428,833
	1,098,795	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

	September 30, 2013	December 31, 2012
Deferred VAT	29,647,993	30,880,679
Advances and down-payments	63,106	292,309
Other	200,833	76,831
	29,911,932	31,249,819

b) Other fixed assets

	September 30, 2013	December 31, 2012
Other fixed assets	117,318	352,748
	117,318	352,748

c) Other liabilities Other

short-term liabilities

	September 30, 2013	December 31, 2012
Taxes and funds payable	276,151	3,137,129
Other	30,633	19,058
	306,784	3,156,187

Tümosan Engine and Tractor Industry Inc.

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

19. Equity

a) Capital

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

		September 30, 2013		December 31, 2012
	Rate %	TL	Rate %	TL
Ereğli Textile Tourism Industry and Trade Inc.	70.75	81,359,006	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	17.08	19,640,994	12.50	14,374,352
Capital	100	115,000,000	100	115,000,000
Paid-in capital		115,000,000		115,000,000

As of September 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 13, 2013 to offset prior year's losses with share premiums.

Tümosan Engine and Tractor Industry Inc.

Notes to the financial statements for the accounting period ended 30 September 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 are as follows:

	September 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 accounting period ended 30 September 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:

	September 30, 2013	December 31, 2012
Legal reserves	3,954,095	85,576
Accumulated losses	-	(12,092,063)
Net income for the period	41,167,555	29,542,521
	45,121,650	17,536,034

20. Sales and cost of sales

Sales:	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Domestic sales	299,682,783	94,330,556	199,143,189	53,291,237
Foreign sales	3,207,800	1,075,218	4,460,461	1,827,079
Sales returns and allowances	(481,080)	(153,204)	(1,471,286)	(1,259,058)
Total sales, net	302,409,503	95,252,570	202,132,364	53,859,258
Cost of sales:	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Expenses for raw materials and supplies	205,474,003	58,230,182	153,453,547	43,147,254
General production expenses	11,015,813	2,423,288	9,624,215	3,624,907
Depreciation and amortization charges	3,065,047	908,242	2,522,155	390,445
Personnel expenses	3,621,718	1,335,046	4,286,796	1,324,906
Changes in work-in-process inventories	1,624,814	453,884	2,229,223	(1,386,397)
Changes in finished goods inventories	5,507,802	9,979,533	(12,468,338)	(4,849,182)
	230,309,197	73,330,175	159,647,598	42,251,933
Cost of trade goods sold	5,083,267	1,824,288	3,324,363	987,780
Total cost of sales (-)	235,392,464	75,154,563	162,971,961	43,239,713
Gross Profit	67,017,039	20,098,007	38,955,737	10,671,353

Tümosan Engine and Tractor Industry Inc.

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

21. Operating expenses

	January 1 September 30, 2013	July 1 - September 30, 2013	January 1 September 30, 2012	July 1 - September 30, 2012
Marketing, sales and distribution expenses	12,723,595	4,428,161	9,939,564	2,315,781
General administrative expenses	4,972,311	1,776,582	4,213,480	1,437,994
Research and development expenses	1,625,149	525,717	1,105,378	569,521
	19,321,055	6,732,460	15,258,422	4,323,296

a) Research and development expenses

	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Project and study expenses	834,793	725,984	-	-
Depreciation and amortization expenses	505,543	169,757	13,779	13,779
Personnel expenses	130,498	(15,031)	583,335	47,477
Raw materials and supplies	16,162	-	14,678	14,678
Outsourced benefits and services	11,810	(240,021)	427,147	427,147
Other	126,343	(114,971)	91,630	62,220
	1,625,149	525,718	1,130,569	565,301

Tümosan Engine and Tractor Industry Inc.

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

21. Operating expenses (continued)

b) Marketing, sales and distribution expenses

	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Warranty expenses (Note 15)	3,013,608	(426,690)	4,005,848	672,065
Sales transportation expenses	2,407,546	802,703	1,738,501	406,095
Personnel expenses	2,106,590	792,845	1,312,621	441,833
Premium and commission expenses	1,596,446	1,596,446	87,941	87,941
Representation and entertainment expenses	743,799	743,799	9,480	180
Advertising and announcement expenses	536,179	44,038	828,675	127,712
Promotion expenses	497,162	-	924,916	258,542
Accommodation expenses	444,473	109,429	144,145	47,222
Fair and exhibition expenses	269,727	24,359	268,941	100,334
Fuel expenses	151,043	23,213	176,133	63,708
Mobile service meal and accommodation expenses	39,014	24,254	19,095	2,777
Vehicle rental expenses	16,330	3,419	71,403	24,975
Mobile service car rental expenses	3,842	-	-	-
Other	897,836	690,346	377,804	76,805
	12,723,595	4,428,161	9,965,503	2,310,189

c) General administrative expenses

	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Personnel expenses	1,414,297	750,979	1,446,586	624,534
Litigation, enforcement and proceeding expenses	953,317	-	508,509	2,612
Bank and commission expenses	562,136	562,136	-	-
Data processing materials expenses	338,167	20,385	227,751	43,055
Rental expenses	254,064	89,860	257,475	92,593
Depreciation and amortization expenses	228,400	79,469	415,613	153,111
Financial and legal consulting expenses	182,864	552	560,243	347,510
Subscription expenses	120,708	39,002	76,111	19,529
Letter of guarantee commissions	100,378	58,854	129,151	53,857
Vehicle rental expenses	94,130	28,549	5,713	298
Travel and accommodation expenses	87,398	28,316	191,574	63,858
Fuel expenses	46,892	17,481	35,559	11,035
Stationery expenses	29,740	4,767	27,680	4,214
Electricity expenses	22,944	14,037	18,024	4,515
Internet and telephone expenses	6,925	394	8,103	3,865
Other	529,951	81,801	346,025	3,361
	4,972,311	1,776,582	4,254,117	1,427,947

Tümosan Engine and Tractor Industry Inc.

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

22. Expenses by nature

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

a) Depreciation and amortization expenses

2013	January 1 - September 30,	July 1 - September 30, 2013	January 1 - September 30 2012	July 1 - September 30, 2012
Cost of sales	3,065,047	908,242	2,522,155	390,445
Research and development expenses	505,543	(319,624)		
General administrative expenses	228,400	79,469	415,613	153,111
	3,798,990	668,087	2,937,768	543,556

b) Employee benefits

2013	January 1 - September 30,	July 1 - September 30 2013	January 1 September 30, 2012	July 1 - September 30, 2012
Wages and salaries	5,433,273	2,017,882	6,200,711	2,141,028
Social security costs	1,441,357	499,874	961,744	250,152
Expenses for employee benefits	384,861	125,252	466,883	47,570
	7,259,491	2,643,008	7,629,338	2,438,750

23. Real operating income/expenses

a) Real operating income

2013	January 1 - September 30,	July 1 - September 30 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Income from exchange-rate differences related to trade receivables/payables	21,546,060	15,277,605	6,670,989	6,263,925
Revenue from scrap sales	566,936	205,679	327,263	106,922
Other	1,300,621	885,906	667,344	(473,445)
	23,413,617	16,369,190	7,665,596	5,897,402

Tümosan Engine and Tractor Industry Inc.

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

23. Real operating income/expenses (contd)

b) Real operating expenses

	January 1 - September 30,	July 1 - September 30, 2013	January 1 September 30, 2012	July 1 - September 30, 2012
2013				
Expenses from exchange-rate differences related to trade receivables/payables	21,606,710	12,643,757	7,280,256	6,886,106
Donations and grants	98,304	20,472	22,000	-
Other	996,224	811,446	387,868	112,494
	22,701,238	13,475,675	7,690,124	6,998,600

24. Tax assets and liabilities

	January 1 - September 30,	July 1 - September 30, 2013	January 1 September 30, 2012	July 1 - September 30, 2012
2013				
Corporate income tax for the current period	(10,472,558)	(2,514,029)	(5,556,873)	(696,677)
Deferred tax income/(expense)	298,924	(480,061)	517,470	(697,431)
	(10,173,634)	(2,994,090)	(5,039,403)	(1,394,108)

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

24. 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 accounting period ended 30 September 2013 (continued)
(Currency: Turkish Lira (TL))**

24.→Tax assets and liabilities (contd)

Deferred tax assets and liabilities

As of September 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	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Tangible and intangible fixed assets	6,998,141	4,890,782	(1,399,628)	(978,156)	(421,472)	(261,508)
Provision for severance payments	(1,911,555)	(1,582,941)	382,311	316,588	65,723	55,831
Provision for vacation	(442,228)	(385,980)	88,446	77,196	11,250	10,442
Provision for inventories	(751,137)	(1,318,269)	150,227	263,654	(113,427)	77,659
Effect of inventory valuation adjustments	(2,210,160)	2,221,450	442,032	(444,290)	886,322	(649,437)
Provision for doubtful receivables	(2,440,725)	(2,504,861)	488,145	500,972	(12,827)	(12,349)
Effects of rediscount adjustments	(344,876)	(462,975)	68,975	92,595	(23,620)	45,925
Provision for warranty expenses	(3,623,949)	(4,117,166)	724,790	823,433	(98,643)	(208,813)
Interest accruals	-	-	-	-	-	629,999
Tangible fixed assets valuation fund	41,443,305	41,443,301	(2,072,165)	(2,072,165)	-	-
Provision for lawsuits	(917,252)	(286,001)	183,450	57,200	126,250	57,200
Other	191,696	(411,355)	(38,361)	82,271	(120,632)	90,563
Deferred tax liabilities, net	35,991,260	37,485,985	(981,778)	(1,280,702)	298,924	(164,488)

Tümosan Engine and Tractor Industry Inc.

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

24. Tax assets and liabilities (continued)

For the periods ended September 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 - September 30, 2013	January 1 - September 30, 2012
Profit/(loss) before tax	51,313,343	25,308,419
Applicable corporate income tax rate is 20%	(10,262,670)	(5,061,684)
Non-deductible expenses	(212,897)	(67,729)
Effect of other permanent differences	301,934	149,313
Tax expense	(10,173,633)	(4,980,100)

25. 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.

	January 1 - September 30, 2013	January 1 - September 30, 2012
The weighted average number of shares outstanding during the period (*) (each 1 TL)	115,000,000	105,000,000
Net income for the period	41,167,555	20,328,319
Earnings per share (full TL)	0.3580	0.1936

(*) 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 accounting period ended 30 September 2013 (continued)
(Currency: Turkish Lira (TL))**

26. 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:

							September 30, 2013
							Receivables
							Payables
							Short term
							Short term
							Long term
							Short term
							non-trade
							Trade
							Trade
							non-trade
							Trade
							non-trade
Balances with related parties							
Shareholders							
Ereğli Textile Tourism Industry Trade Inc. (1)	-	112,009	-	6,105,963	-	-	
Other companies managed by the main shareholder							
Tümosan Foundry Inc. (2)	-	39,320	-	-	-	-	
Albayrak Tourism Travel Construction Trade Inc. (2)	-	-	-	-	33,247	-	
	-	151,329	-	6,105,963	33,247	-	

							December 31, 2012
							Receivables
							Payables
							Short term
							Short term
							Long term
							Short term
							non-trade
							Trade
							Trade
							non-trade
							Trade
							non-trade
Balances with related parties							
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 accounting period ended 30 September 2013 (continued)
(Currency: Turkish Lira (TL))**

26. Related party disclosures (continued)

As of September 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

2013	January 1 - September 30,	January 1 - September 30, 2012
Net Publishing Industry and Trade Inc. (b)	-	225,000
Albayrak Holding Inc. (1) (c)	-	1,469
Tümosan Foundry Inc. (d)	5,004,890	421,100
Ereğli Textile Tourism Industry and Trade Inc. (c)	-	480
Albil Central Services and Trade Inc. (a)	701,199	778,981
Albayrak Tourism Travel Construction Trade Inc. (c)	28,241	-
Kademe Waste Technologies Industry Inc. (d)	30,600	-
Reklam Piri Media Communication Inc. (b)	22,430	-
Birlikte Distribution Inc. (d)	1,055	-
	5,788,415	1,427,030

- (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) The company purchases raw materials from this company.

Sales and other income

	January 1 - September 30, 2013			January 1 - September 30, 2012		
	Interest	Rent	Other	Interest	Rent	Other
Albayrak Tourism Travel Construction Trade Inc. (1)	4,908,388	-	-	6,179,095	-	-
Ereğli Textile Tourism Industry and Trade Inc. (2)	550,193	49,389	-	-	-	50,097
Güneş Albayrak Tourism Travel Industry and Trade Inc. (1)	-	-	-	-	-	-
Albil Central Services and Trade Inc. (a)	-	-	-	-	40,894	-
Kademe Waste Technologies Industry Inc. (1)	-	114,693	33,676	-	546,739	-
Tümosan Foundry Inc. (1)	-	114,694	774,049	-	38,231	33,497
Varaka Paper Production Inc. (1)	-	-	-	-	3,600	-
Albayrak Foundation (1)	-	2,400	-	-	-	-
	5,458,581	281,176	807,725	6,179,095	629,464	83,594

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

Tümosan Engine and Tractor Industry Inc.

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

26. Related party disclosures (contd)

Dividends paid to related parties

	January 1 - September 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 - September 30, 2013	January 1 - September 30, 2013	January 1 - September 30, 2012	January 1 - September 30, 2012
-				
Short-term benefits provided to the top management (*)	599,381	218,993	672,632	340,297

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

27. 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 accounting period ended 30 September 2013 (continued) (Currency: Turkish Lira (TL))

27. 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).

	September 30, 2013	December 31, 2012
Total debt	89,475,968	129,533,103
Less: Cash and cash equivalents	17,917,384	22,021,784
Net debt	71,558,584	107,511,319
Total equity	213,019,750	198,489,809
Debt equity balance	141,461,166	90,978,490
Net financial liability/equity ratio	34%	54%

Interest rate risk

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

On a total basis	September 30, 2013	December 31, 2012
A. Assets in foreign currency	18,528,106	1,116,678
B. Liabilities in foreign currency	(10,270,638)	(14,383,953)
Net foreign-exchange position (A + B)	8,257,468	(13,267,275)

Tümosan Engine and Tractor Industry Inc.

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

27. Financial risk management and policies (continued)

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

	September 30, 2013								
	US dollar	TL Equivalent	Euro	TL equivalent	GBP	TL equivalent	CHF	TL equivalent	Total TL equivalent
Cash and cash equivalents	8,759,392	17,818,356	1,654	4,547	-	-	-	-	17,822,903
Trade receivables	85,492	173,909	193,310	531,294	-	-	-	-	705,203
Current assets	8,844,884	17,992,265	194,964	535,841	-	-	-	-	18,528,106
Total assets	8,844,884	17,992,265	194,964	535,841	-	-	-	-	18,528,106
Short-term financial payables and factoring payables	(152,572)	(310,363)	-	-	-	-	-	-	(310,363)
Trade payables	(51,710)	(105,192)	(3,571,707)	(9,816,478)	-	-	-	-	(9,921,670)
Short-term liabilities	(204,282)	(415,555)	(3,571,707)	(9,816,478)	-	-	-	-	(10,232,033)
Long-term financial payables	(18,978)	(38,605)	-	-	-	-	-	-	(38,605)
Long-term liabilities	(18,978)	(38,605)	-	-	-	-	-	-	(38,605)
Total liabilities	(223,260)	(454,160)	(3,571,707)	(9,816,478)	-	-	-	-	(10,270,638)
Net foreign-currency position	8,621,624	17,538,105	(3,376,743)	(9,280,637)	-	-	-	-	8,257,468

Tümosan Engine and Tractor Industry Inc.

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

27. 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 accounting period ended 30 September 2013 (continued)
(Currency: Turkish Lira (TL))**

27. 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 September 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 September 30, 2013 and December 31, 2012 is as follows:

		September 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)	1,753,810	(1,753,810)
2-	Hedged amount from US dollar risk (-)	-	-
Net effect of the US dollar		1,753,810	(1,753,810)
<i>If the euro appreciates/depreciates 10% against the Turkish lira</i>			
3-	Income/(loss) arising from euro net asset/(liability)	(928,064)	928,064
4-	4- Hedged amount from euro risk (-)	-	-
Net effect of the euro		(928,064)	928,064
Total net effect		825,746	(825,746)

		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-	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 accounting period ended 30 September 2013 (continued) (Currency: Turkish Lira (TL))

27. 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 the 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 September 30, 2013	Trade receivables		Receivables			Deposits in banks
	Related party	Other party	Related Party	Other party	Other current assets	
The maximum exposure to credit risk at the reporting date (A+B+C+D+E)						
(1)		66,173,184	6,257,292	-		17,906,205
- The portion of maximum risk secured by guarantee, etc. (2)	-	59,105,850	-	-		-
A. Net book value of financial assets that are neither past due nor impaired	-	64,789,037	6,257,292	-		17,906,205
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		1,384,147				
- The portion secured by guarantee, etc.	-	-	-	-		-
D. Net book value of impaired assets						
- Past due (gross book value)	-	2,817,143	-	-		-
- Impairment (-)	-	(2,817,143)	-	-		-
- 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	Trade receivables		Receivables			Deposits in banks
	Related party	Other party	Related party	Other party	Other current assets	
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	-	-	-	-	-	-

Tümosan Engine and Tractor Industry Inc.

**Notes to the financial statements for the accounting
period ended 30 September 2013 (continued)
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- (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 accounting period ended 30 September 2013 (continued)
(Currency: Turkish Lira (TL))

27. Financial risk management and policies (continued)

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

	September 30, 2013	December 31, 2012
1-30 days overdue	162,240	-
1-3 month overdue	682,141	-
3-6 months overdue	282,586	34,425
6 months-5 years overdue	257,181	1,172,208
	1,384,148	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 September 30, 2013 and December 31, 2012 according to the maturities of undiscounted contractual payments.

September 30, 2013	Book value	Less than 3 months	3 to 12 months	1 to 5 years	Having no fixed term	Total
Financial payables	(32,482,490)	(2,761,700)	(8,751,373)	(38,605)	-	(11,551,678)
Trade payables to third parties	(39,637,184)	(43,290,659)	-	-	-	(43,290,659)
Trade payables to related parties	(33,247)	(33,247)	-	-	-	(33,247)
Other payables	(11,670,990)	(11,670,990)	-	-	-	(11,670,990)
Total	(83,823,911)	(57,756,597)	(8,751,373)	(38,605)	-	(66,546,574)

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 accounting period ended 30 September 2013 (continued)
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28. 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.

29. Events after the balance sheet date

None.