

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

**Condensed consolidated interim financial
statements as of September 30, 2014**

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Contents

	<u>Page</u>
Consolidated interim statement of financial position	2
Consolidated interim statement of comprehensive income	3
Consolidated interim statement of changes in equity	4
Consolidated interim cash-flow statement	5
Notes to condensed consolidated interim financial statements	6 - 34

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

**Consolidated interim statement of
financial position as of September 30,
2014**

	Note References	Current period	Prior period
		Unre viewed	Audited (Revised)
Assets		September 30,	December 31, 2013
Current assets		234,372,351	192,221,008
Cash and cash equivalents	5	2,403,641	5,376,059
Financial investments	7	70,754	242,251
Trade receivables	8	96,697,170	54,910,894
<i>Trade receivables from related parties</i>		-	152,625
<i>Trade receivables from third parties</i>	8	96,697,170	54,758,269
Other receivables		-	131,435
<i>Other receivables from related parties</i>		-	131,435
Inventories	9	114,377,203	97,497,807
Prepaid expenses		58,043	2,900,204
Other current assets	13	20,765,540	31,162,358
Fixed assets		107,232,430	106,374,564
Tangible fixed assets, net	10	89,377,594	90,827,394
Intangible fixed assets, net	11	9,930,820	7,801,456
<i>Other intangible fixed assets</i>		9,930,820	7,801,456
Investment property	19	1,654,210	1,676,276
Other receivables		6,110,440	6,055,718
<i>Other receivables from related parties</i>		6,110,440	6,055,718
Other fixed assets		159,366	13,720
Total assets		341,604,781	298,595,572
Liabilities		116,851,575	56,558,359
Short-term liabilities		113,767,379	53,423,212
Short-term borrowings	6	41,314,377	639,468
Short-term portions of long-term borrowings:	6	-	2,906,810
Trade payables		63,192,761	36,010,114
<i>Trade payables to related parties</i>		-	139,962
<i>Trade payables to third parties</i>		63,192,761	35,870,152
Liabilities for employee benefits		1,151,667	1,146,217
Deferred income		2,057,450	1,556,375
Other payables		-	105,299
<i>Trade payables to third parties</i>		-	105,299
Tax liability on income for the period		660,428	4,319,199
Short-term provisions		4,973,057	6,365,912
<i>Provisions for employee benefits</i>		549,078	518,366
<i>Other short-term provisions</i>	12	4,423,979	5,847,546
Other short-term liabilities	13	417,639	373,818
Long-term liabilities		3,084,196	3,135,147
Long-term borrowings	6	-	41,512
Long-term provisions		1,940,245	2,039,725
<i>Provisions for employee benefits</i>		1,940,245	2,039,725
Deferred tax liability		1,143,951	1,053,910
Equity		224,753,206	242,037,213
Equity of the parent company			
Paid-in capital	14	115,000,000	115,000,000
Premiums on shares		13,074,563	13,074,563
Tangible fixed assets valuation fund		39,371,136	39,371,136
Reserves on retained earnings	14	10,504,898	3,954,095
Accumulated other comprehensive income and expenses that will not be			
-			
<i>Actuarial gains/losses fund from pension plans</i>		586,845	227,596
Accumulated profits		25,958,225	-
Net income for the period		20,257,539	62,063,333
Non-controlling interests		-	8,346,490
Total liabilities and equity		341,604,781	298,595,572

The accompanying accounting policies and notes on pages 6 to 31 are an integral part of these financial statements.

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

**Consolidated statement of comprehensive
income for the interim period ended September
30, 2014
(Currency: Turkish Lira (TL))**

	Notes	Current period		Prior period	
		Unre viewed		Unreviewed (revised 2.1)	
		January 1 - September 30,	July 1 - September 30,	January 1 - September 30, 2013	July 1 - September 30,
Sales	15	310,331,889	90,213,649	302,409,503	95,750,326
Cost of sales (-)	15	(260,715,757)	(76,525,964)	(235,965,426)	(76,242,017)
Gross profit		49,616,132	13,687,685	66,444,077	19,508,309
General administrative expenses (-)	16	(4,642,911)	(1,412,513)	(5,217,741)	(1,907,203)
Marketing, sales and distribution expenses	16	(14,451,660)	(4,796,425)	(12,732,450)	(4,417,754)
Research and development expenses (-)		(1,969,290)	(635,743)	(1,625,149)	(525,718)
Other real operating income		2,596,752	754,132	23,413,617	16,170,932
Other real operating expenses (-)		(3,207,298)	937,062	(22,701,238)	(13,462,199)
Real operating profit		27,941,725	8,534,198	47,581,116	15,366,367
Income from investing activities		15,963	-	503,500	319,373
Operating profit before financing income/expense		27,957,688	8,534,198	48,084,616	15,685,740
Financing income		1,756,175	(669,725)	7,304,185	(11,665,492)
Financing expenses (-)		(4,756,710)	(1,562,815)	(5,299,203)	8,822,686
Profit before tax from continuing		24,957,153	6,301,658	50,089,598	12,842,934
Tax expense for the period (-)		(4,699,387)	(765,714)	(10,472,558)	(2,514,029)
Deferred tax income/(expense)		(227)	(396,736)	326,770	(494,646)
Period income from continuing		20,257,539	5,139,208	39,943,810	9,834,259
Other comprehensive income/(expense)					
Employee benefits					
Actuarial gains/(losses) for employee benefits		(449,062)	(411,367)	139,228	(72,927)
Tax effect		89,813	82,274	(27,845)	14,586
Other comprehensive income/(expense)		(359,249)	(329,093)	111,383	(58,341)
Total comprehensive income		19,898,290	4,810,115	40,055,193	9,775,918
Number of shares	17	115,000,000	115,000,000	115,000,000	115,000,000
Earnings per share (TL)	17	0.1730	0.0418	0.3473	0.0850
Distribution of net income for the period					
Shares of the parent company		20,257,539	4,480,010	39,872,038	9,786,411
Non-controlling interests		-	659,198	71,772	47,848

The accompanying accounting policies and notes on pages 6 to 31 are an integral part of these financial statements.

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

**Consolidated statement of changes in equity for the
period ended September 30, 2014
(Currency: Turkish Lira (TL))**

		Paid-in capital	Share premium	Tangible fixed assets valuation fund	Reserves on retained earnings	Actuarial gains/losses funds from pension plans	Accumulated profits/losses	Net income for the period	Equity of the parent company	Non-controlling interests	Total
January 1, 2014	14	115,000,000	13,074,563	39,371,136	3,954,095	227,596	-	62,063,333	233,690,723	7,687,293	241,378,016
Dividend Paid	-	-	-	-	-	-	-	(17,250,000)	(17,250,000)	-	(17,250,000)
Transfers	-	-	-	-	6,550,803	-	38,262,530	(44,813,333)	-	-	-
Acquisition of shares of subsidiaries under	-	-	-	-	-	-	(12,304,305)	-	(12,304,305)	7,687,293	(19,991,598)
Net income for the period	-	-	-	-	-	-	-	20,257,539	20,257,539	-	20,257,539
Other comprehensive income/(expense)	-	-	-	-	-	359,249	-	-	359,249	-	359,249
September 30, 2014	14	115,000,000	13,074,563	39,371,136	10,504,898	586,845	25,958,225	20,257,539	224,753,206	-	224,753,206
January 1, 2013	14	115,000,000	26,241,624	39,371,136	85,576	341,015	(12,092,063)	29,542,521	198,489,809	9,404,581	207,894,390
Transfers	-	(13,167,061)	-	-	3,868,519	-	38,841,063	(29,542,521)	-	-	-
Dividends paid	-	-	-	-	-	-	(26,749,000)	-	(26,749,000)	-	(26,749,000)
Capital increase	-	-	-	-	-	-	-	-	-	18,155	18,155
Net income for the period	-	-	-	-	-	-	-	39,943,810	39,943,810	47,848	39,991,658
Other comprehensive income	-	-	-	-	-	111,386	-	-	111,386	-	111,386
September 30, 2013	14	115,000,000	13,074,563	39,371,136	3,954,095	452,401	-	39,943,810	211,796,005	9,470,584	221,266,589

(*) The Company purchased 10,000,000 shares corresponding to 100% in the paid-in capital of TL 10,000,000 of Tümosan Foundry Inc., which is owned by the Company's main shareholder, at the rate of TL 20,000,000.

The accompanying accounting policies and notes on pages 6 to 31 are an integral part of these financial statements.

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

**Consolidated cash-flow statement for the interim period
ended September 30, 2014
(Currency: Turkish Lira (TL))**

	Notes	Current period	Prior period
		Revised (Note 2.1)	
		Reviewed	Review ed
		January 1 - September 30, 2014	January 1 - September 30, 2013
Operating activities: Profit before tax		20,257,539	39,943,810
Depreciation expense		5,156,692	4,569,227
Amortisation charges		1,783,336	560,329
Provision for severance payments		(99,480)	580,149
Provision for unused vacation entitlements		30,712	56,248
Interest income		(1,756,175)	(6,383,210)
Provision for warranties		(1,423,567)	(493,217)
Provision for inventories		-	657,030
Interest and factoring expenses		4,756,710	3,780,636
Expenses from provision for doubtful receivables		-	312,282
Before changes in assets and liabilities for operating activities			
Changes in assets and liabilities for operating activities - net cash flow		28,705,767	43,583,284
Financial investments		-	(1,662,787)
Trade receivables from third parties		(41,938,901)	(11,706,047)
Receivables from related parties		284,060	78,999,229
Inventories		(16,879,396)	(32,273,860)
Other current assets and prepaid expenses		13,238,979	(2,816,759)
Other short-term liabilities and deferred income		(2,177,135)	3,280,462
Other long-term receivables from related parties		(54,722)	(6,105,963)
Other fixed assets		(123,580)	23,543
Payables to related parties		(139,962)	(3,553)
Trade payables		27,322,609	(13,994,069)
Other payables to third parties		(105,299)	11,976
Other short-term provisions		-	-
Employee benefits		5,450	(724,097)
Severance payments paid		-	(112,304)
Taxes paid		(4,037,093)	(15,859,011)
Net cash from operating activities		4,100,777	40,640,044
Investing activities:			
Purchases of tangible and intangible fixed assets		(7,619,592)	(3,901,969)
Cash inflow from the sale of tangible and intangible fixed assets		-	12,247
Interest received		1,756,175	6,370,377
Net cash used in investing activities		(5,863,417)	2,480,655
Financing activities: Bank loans obtained		72,679,689	32,036,757
Loans and financial payables paid		(34,272,122)	(48,219,575)
Interest paid		(17,250,000)	(4,306,114)
Dividend paid		(2,375,747)	(26,749,000)
Share acquisition		(19,991,598)	-
Net cash used in financing activities		(1,209,778)	(47,237,932)
Increase/(decrease) in cash and cash equivalents		(2,972,418)	(4,117,233)
Opening balance of cash and cash equivalents		5,376,059	21,981,784
Period-end balance of cash and cash equivalents		2,403,641	17,864,551

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the interim period ended September 30, 2014 (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 the Istanbul Stock Exchange.

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

Head office:

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

Factory:

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

Selçuklu/Konya/Turkey Information on the Company's shareholders and their shares

is as follows:

	September 30, 2014	December 31,
Ereğli Textile Tourism Industry and Trade Inc.	67.20%	67.58%
Muzaffer Albayrak	1.74%	5.72%
Ahmet Albayrak (son of Ahmet)	1.74%	2.84%
Bayram Albayrak	1.74%	2.84%
Nuri Albayrak	1.74%	2.84%
Kazım Albayrak	1.74%	2.84%
Mustafa Albayrak	1.74%	2.84%
Hedef Venture Capital Investment Trust Inc.	1.30%	-
Free-float portion	21.06%	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, 2014, the average number of white-collar workers employed by the Company is 134 (December 31, 2013 - 128) and the number of blue-collar workers is 306 (December 31, 2013 - 318).

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014 (continued) (Currency: Turkish lira (TL))

2. Basis of presentation of financial statements

2.1 Basis of presentation

The Group maintains its statutory books and prepares its statutory financial statements in accordance with the accounting principles set out in the Turkish Commercial Code ("TCC") and tax legislation.

The accompanying financial statements have been prepared in accordance with the Turkish Accounting Standards ("TAS"), which are put into force by the Public Oversight, Accounting and Auditing Standards Authority pursuant to the provisions of the Capital Markets Board's ("CMB") "Communiqué on Principles of Financial Reporting in Capital Market" (Serial: II, No: 14.1) ("Communiqué"), which was promulgated in the Official Gazette edition 28676 on June 13, 2013. TAS comprises the Turkish Accounting Standards, the Turkish Financial Reporting Standards and annexes and interpretations thereof.

Companies, which report according to CMB legislation, apply the Turkish Accounting Standards / Turkish Financial Reporting Standards and annexes and interpretations thereof, which are promulgated by the Public Oversight, Accounting and Auditing Standards Authority ("POA") pursuant to Article 5 of Communiqué.

Entities are free to prepare their interim financial statements as complete or condensed set according to the Turkish Accounting Standard 34 "Interim Financial Reporting". In this context, the Group has preferred to prepare condensed consolidated financial statements for interim periods since the nine-month interim period ended September 30, 2014. Therefore, these condensed consolidated interim financial statements should be read together with the Group's consolidated financial statements dated December 31, 2013.

Business combination under common control

In 2014, the Company purchased 10,000,000 shares amounting to 100% in the paid-in capital of TL 10,000,000 of Tümosan Foundry Inc., which is owned by the Company's main shareholder, at the rate of TL 20,000,000. Because; 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, iii) financial statements should be adjusted when applying the pooling of interest method as if the combination was realized at the beginning of the reporting period in which the common control occurred and they should be presented comparatively from the beginning of the reporting period in which common control occurred, the Company has readjusted its prior year's/period's financial statements in this context.

Functional and reporting currency

Turkish lira is the functional and presentation currency of the Company and its subsidiaries. **Going concern**

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

Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Management and authorized for publication on November 10, 2014. The General Meeting has the authority to modify the financial statements.

The consolidated financial statements as of September 30, 2014 have been prepared by consolidating the following subsidiary in accordance with the full consolidation method:

	September 30, 2014	December 31,
Company	Participation rate (%)	Participation rate

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

**Notes to the financial statements for the
period ended September 30, 2014
(continued) (Currency: Turkish lira (TL))**

Tümosan Foundry Inc.	100%	0%
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Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014
(continued) (Currency: Turkish lira (TL))

2. Basis of presentation of financial statements (continued)

2.2 Amendments in TFRS

New and amended standards and interpretations

The accounting policies adopted in preparation of the condensed consolidated financial statements for the interim period ended September 30, 2014 are consistent with those of the previous year, except for the new and amended TFRS standards and TFRIC interpretations effective as of January 1, 2014. The effects of these standards and interpretations on the Company's / Group's financial position and performance are disclosed in the related paragraphs.

i) The new standards, amendments and interpretations effective from 1 January 2014

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. This standard did not have any significant effect on the Company's / Group's financial position or performance.

TFRS Interpretation 21 Levies

This interpretation clarifies that an entity should recognize a liability for a levy at the time the action that triggers the payment of the levy takes place in accordance with the relevant legislation. Furthermore, this interpretation clarifies that the levy liability can only be recognized 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 levy liability is not recognized as liability unless that minimum threshold is reached. This interpretation does not apply to the Company / Group and has not affected the Company's / Group's financial position or performance.

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

Certain disclosures about the recoverable amounts of impaired assets under TAS 36 "Impairment of assets" have been amended after the amendment to TFRS 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 standard did not have any significant effect on the Company's / Group's financial position or performance.

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

The amendment to this standard 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 according to law or due to arrangements. This standard did not have any effect on the Company's / Group's financial position or performance.

TFRS 10 Consolidated Financial Statements (Amendment)

TFRS 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, investment companies are required to account for their subsidiaries at fair value in accordance with the provisions of TFRS 9 Financial Instruments. This amendment has not affected the Company's / Group's financial position or performance.

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014
(continued) (Currency: Turkish lira (TL))

2. Basis of presentation of financial statements (continued)

ii) 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 consolidated interim financial statements but not yet effective for the current reporting period and not applied early by the Company / Group are as follows. Unless otherwise stated, the Company / Group will make the necessary changes that will affect its consolidated financial statements and notes after the entry into force of the new standards and interpretations.

TFRS 9 Financial Instruments - Classification and Disclosure

With the amendment made in December 2012, the new standard will be effective for annual periods beginning on or after January 1, 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.

The Group will assess the impact of the standard on its financial position and performance after the other phases of the standard are adopted by POA.

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 Group will make the necessary changes in its financial statements and notes after these standards and interpretations become effective as TFRS standards.

Improvements to IFRS

In September 2014, IASB issued the following amendments to the standards related to "Annual Improvements to 2010 -2012 Cycle" and "Annual Improvements to 2011-2013 Cycle". The amendments are effective for annual periods beginning from July 1, 2014.

Annual Improvements - 2010–2012

Cycle IFRS 2 Share-based Payment:

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

IFRS 3 Business Combinations

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

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014
(continued) (Currency: Turkish lira (TL))

2. Basis of presentation of financial statements

(continued) IFRS 8 Operating Segments

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

IFRS 13 Fair Value Measurement

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

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

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

IAS 24 Related Party Disclosures

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

Annual Improvements - 2011–2013 Period

IFRS 1 First-time Adoption of International Financial Reporting Standards

An entity may choose to apply either the current standard or the new standard, if the new standard is not yet mandatory, but permits early application. After the standard is selected, it will need to be applied consistently throughout the periods presented in the entity's first IFRS financial statements. The amendment will be implemented immediately

IFRS 3 Business Combinations

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

Basis for Conclusions of IFRS 13 Fair Value Measurement

It is clarified that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The amendment will be applied prospectively.

IAS 40 Investment Property

The amendment clarifies the interrelationship between IFRS 3 and IAS 40 in classification of a property as investment property or owner-occupied property. The amendment will be applied prospectively. It is not expected that these amendments will have a significant effect on the Group's financial position or performance.

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014
(continued) (Currency: Turkish lira (TL))

2. Basis of presentation of financial statements

(continued) IFRS 14 – Regulatory Deferral Accounts

IASB issued this standard in January 2014. IFRS 14 permits a rate-regulated entity which is a first-time adopter of IFRS to continue to carry the amounts recognized in accordance with the previous legislation on rate regulation in its financial statements prepared according to IFRS. It is currently prohibited for companies that prepare financial statements according to IFRS to apply this standard. This standard will be applied retrospectively for annual periods beginning on or after 1 January 2016, whereby an earlier application is permitted. The standard does not apply to the Group and will not affect the Group's financial position or performance.

[IAS] 19 - Defined Benefit Plans: Employee Contributions (Amendment)

When accounting for defined benefit plans in accordance with IAS 19, contributions from employees or third parties should be taken into account. The amendment clarifies that if the amount of contribution is independent of the number of years of service, the entity should recognize this contribution in the year in which the service is given by deducting it from the cost of the service, rather than when it is paid or payable. The amendment will be applied retrospectively for annual periods beginning on or after 1 July 2014. This amendment will not affect the Group's financial position or performance.

IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (Amendments)

In May 2014, IASB amended IFRS 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in this IFRS. Accordingly, the acquirer has to disclose information required by IFRS 3 and other IFRSs relevant for business combinations. The amendments will be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted. This amendment will not affect the Group's financial position or performance.

[IAS] 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

In May 2014, IASB issued the amendments to IAS 16 and IAS 38 and has prohibited the use of revenue-based depreciation calculation for tangible fixed assets and significantly limited the use of revenue-based depreciation calculation for intangible assets. The amendments will be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted. This amendment will not affect the Group's financial position or performance.

IFRS 15- Revenue from Contracts with Customers

In May 2014, IASB published the standard IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard specifies the requirements for the recognition and measurement of revenue. The standard is to be applied to the revenue from contracts with customers and is a model for the recognition and measurement of the sale of some non-financial assets (such as tangible fixed asset outflows) that are not relevant for an entity's ordinary activities. IFRS 15 applies for annual reporting periods starting from 1 January 2017 onward. Two alternative applications are presented for transition to IFRS 15; full retroactive application or modified retroactive application. If modified retroactive application is preferred, prior periods will not be restated but comparative quantitative information will be provided in the notes to financial statements. The effect of this amendment on the Group's financial position and performance is being assessed.

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014 (continued) (Currency: Turkish lira (TL))

2. Basis of presentation of financial statements (continued)

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Bearer Plants (Amendments)

In June 2014, IASB published an amendment that requires the recognition of "bearer plants" within the scope of the standard "IAS 16 - Property, plant and equipment". The published amendment states that bearer plants from biological assets, such as grape vines, rubber trees or date palms, bear produce more than one period after maturation and are held by entities during productive life. However, once bearer plants reach their maturity, they no longer undergo significant biological transformation and their functions are similar to production, the amendment reveals that bearer plants need to be accounted for within the scope of IAS 16 rather than IAS 41 and allows them to be valued either using the "cost model" or "revaluation model". The produce on the bearer plants will be accounted for using the fair value model less costs to sell in IAS 41. The amendments will be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted. The amendment does not apply to the Group and will not affect the Group's financial position or performance.

On [24] July 2014, IASB issued the final version of its project IFRS 9 Financial Instruments, which is a replacement of IAS 39 Financial Instruments: Recognition and Measurement, consisting of classification and measurement, impairment and hedge accounting phases. IFRS 9 relies on a rational, single classification and measurement approach that reflects the business model and cash flow characteristics that are managed within financial assets. A single model has been established that can be applied to all financial instruments subject to impairment accounting with a forward "expected credit loss" model that will enable credit losses to be accounted for more timely. In addition, if banks and other entities choose an option to measure their financial payables at fair value, IFRS 9 addresses the so-called "own credit risk", which results in the recording of income in the income statement due to a decrease in the fair value of the financial liability due to the decrease in its creditworthiness. The standard also includes a hedging model developed to better correlate risk management economics with accounting practices. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Furthermore, amendments to 'own credit risk' are allowed to be applied early, alone, without changing the accounting for financial instruments. The Group is assessing the impact of the standard on its financial position and performance.

2.3 Summary of significant accounting policies

There were no significant changes in accounting policies from those disclosed in the financial statements for the period ended September 30, 2014.

3 Business combinations

In 2014, the Company purchased 10,000,000 shares amounting to 100% in the paid-in capital of TL 10,000,000 of Tümosan Foundry Inc., which is owned by the Company's main shareholder, at the rate of TL 20,000,000. Since 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, iii) financial statements should be adjusted when applying the pooling of interest method as if the combination was realized at the beginning of the reporting period in which the common control occurred and they should be presented comparatively from the beginning of the reporting period in which common control occurred, the Group has readjusted its prior year's financial statements.

4 Reporting by segments

The Group's management does not report financial information by segments because there are no different types of products and different geographical areas that require reporting by segments. The distribution of the Group's sales according to geographical markets (domestic-foreign) and product groups are disclosed in Note 15.

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014 (continued) (Currency: Turkish lira (TL))

5 Cash and cash equivalents

As of September 30, 2014 and December 31, 2013, the amounts of the Group's time deposits, their average rates of return and their average maturities are as follows:

	September 30, 2014	December 31,
Cash	11,502	16,982
Demand deposits in banks	2,392,139	5,309,173
Time deposits in banks	-	49,904
	2,403,641	5,376,059

There are no time deposits as of September 30, 2014. (On 31 December 2013, the TL-denominated time deposit amounting to TL 40,000 is a guarantee for an oil company with which the Company has an agreement and is maintained as time deposit in the bank. This time deposit's interest rate is 6.5% per annum.

The details of cash and cash equivalents in the cash-flow statements as of September 30, 2014 and December 31, 2013 are as follows:

	September 30,	December 31,
Cash	11,502	16,982
Banks	2,392,139	5,359,077
Cash and cash equivalents in the cash-flow statement	2,403,641	5,376,059

6. Financial payables

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

	September 30, 2014		December 31, 2013	
	Effective interest rate %	TL Amount	Effective interest rate %	TL Amount
<u>Short term:</u>				
- US dollar	11.50%-15.50%	41,314,377	0%	439,965
- TL			11.47% - 19.64%	199,503
<u>Short-term portion of long-term loans:</u>				
- TL	-	-	11.47% - 19.64%	2,906,810
<u>Long term:</u>				
- US dollar	-	-	0%	41,512
		41,314,377		3,587,790

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014 (continued) (Currency: Turkish lira (TL))

6 Financial payables (continued)

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

	September 30, 2014	December 31, 2013
2014	-	-
2015	-	41,512
	<u>-</u>	<u>41,512</u>

7 Financial investments

- **Short term**

	September 30, 2014	December 31, 2013
Cosmos Investment Trust Inc.	70,754	242,251
	<u>70,754</u>	<u>242,251</u>

8 Trade receivables and payables

a) Trade receivables

	September 30, 2014	December 31, 2013
Trade receivables	25,538,228	26,168,346
Postdated cheques and notes receivable	71,206,300	30,606,117
	<u>96,744,528</u>	<u>56,774,463</u>
Less: Provision for doubtful receivables	(47,358)	(2,016,194)
	<u>96,697,170</u>	<u>54,758,269</u>
Trade receivables from related parties	-	152,625
	<u>96,697,170</u>	<u>54,910,894</u>

The movement of the provision for doubtful receivables as of September 30, 2014 and September 30, 2013 is as follows:

	2014	2013
Balance on January 1	(2,016,194)	(2,504,861)
Provisions allocated during the period	-	(312,282)
Provisions no longer required	1,968,836	-
Balance on September 30	(47,358)	(2,817,143)

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014 (continued) (Currency: Turkish lira (TL))

8. Trade receivables and payables (continued)

The aging schedule relating to trade receivables for which a provision for doubtful receivables is not allocated as of September 30, 2014 and December 31, 2013 is as follows:

	Total	Amounts that are not past due and for which a	Provision not allocated			depite
			Up to 1 month	1 to 3 months	3 to 4 months	4 mont
September 30,	25,538,228	23,577,369	785,512	629,269	308,184	237,894
December 31, 2013	24,304,777	23,087,583	518,931	69,680	27,406	601,177

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

b) Trade payables

	September 30, 2014	December 31, 2013
Trade payables	32,088,630	33,042,359
Notes payable	11,274,700	2,113,064
Other trade payables	19,829,431	714,729
	63,192,761	35,870,152
Trade payables to related parties	-	139,962
	63,192,761	36,010,114

9. Inventories

	September 30, 2014	December 31,
Materials and spare parts	67,696,045	64,605,115
Work in process inventories	7,664,120	5,596,405
Finished goods inventories	29,838,516	6,268,288
Trade goods	15,169	4,309,758
Goods in transit	9,163,353	17,544,922
	114,377,203	98,324,488
Less: Provision for decline in value of inventories	-	(826,681)
	114,377,203	97,497,807

As of September 30, 2014 and December 31, 2013, there are no pledges or mortgages on inventories.

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014 (continued) (Currency: Turkish lira (TL))

10. Tangible fixed assets

	1 January - 30	1 January - 30
Net book value at the beginning of the period	90,827,394	81,748,414
Inflows	3,706,892	3,355,170
Depreciation for the current period (-)	(5,156,692)	(4,569,226)
Net book value at the end of the period	89,377,594	80,534,358
Period-end		
Cost value	128,104,649	112,615,600
Accumulated depreciation	(38,727,055)	(32,081,242)
Net book value	89,377,594	80,534,358

11. Intangible Fixed Assets

	1 January - 30 September 2014	1 January - 30 September
Net book value on January 1	7,801,456	418,512
Purchases	3,912,700	546,799
Amortisation charges	(1,783,336)	(560,329)
Net book value on September 30	9,930,820	404,982
Cost	13,959,310	2,196,218
Accumulated amortisation charges	(4,028,490)	(1,791,236)
Net book value on September 30	9,930,820	404,982

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

12. Provisions, contingent assets and

liabilities Debt Provisions

	September 30, 2014	December 31, 2013
Provision for warranties	4,423,979	5,847,546
	4,423,979	5,847,546

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014
(continued) (Currency: Turkish lira (TL))

13. Other assets and liabilities

a) Other current assets

	September 30, 2014	December 31,
Deferred VAT	20,543,781	30,901,884
Deposits and guarantees given	66,109	67,056
Other	155,650	193,418
	20,765,540	31,162,358

b) Other fixed assets

	September 30, 2014	December 31, 2013
Other fixed assets	159,366	13,721
	159,366	13,721

c) Other liabilities Other

short-term liabilities

	September 30, 2014	December 31,
Taxes and funds payable	370,820	338,971
Other	46,819	34,847
	417,639	373,818

14. Equity

a) Capital

The Group's shareholders and their shares in the capital as of September 30, 2014 and December 31, 2013 are as follows:

	September 30, 2014		December 31,	
	Rate %	TL	Rate %	TL
Ereğli Textile Tourism Industry and Trade Inc.	67.20	77,285,493	68.57	78,855,500
Other	11.74	13,500,000	12.18	14,007,000
Free-float portion	21.06	24,214,507	19.25	22,137,500
Capital	100	115,000,000	100	115,000,000
Paid-in capital		115,000,000		115,000,000

14. Equity (contd)

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014 (continued) (Currency: Turkish lira (TL))

As of September 30, 2014, the Group'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, 2013 - 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 Group 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.

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.

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014 (continued) (Currency: Turkish lira (TL))

14. Equity (continued)

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, 2014	December 31, 2013
Legal reserves on retained earnings	10,504,898	3,954,095
	10,504,898	3,954,095

c) Accumulated profits/(losses)

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

	September 30, 2014	December 31,
Legal reserves	10,504,898	3,954,095
Accumulated profits/(losses)	25,958,225	-
Net income for the period	20,257,539	62,063,333
	56,720,662	66,017,428

15. Sales and cost of sales

a) Statement of sales and cost of sales

Sales:	January 1 - September 30,	July 1 - September	January 1 -	July 1 -
			-	September
Domestic sales	302,128,954	91,125,165	299,682,783	94,828,312
Foreign sales	11,382,621	1,971,226	3,207,800	1,075,218
Sales returns and allowances	(3,179,686)	(2,882,742)	(481,080)	(153,204)
Total sales, net	310,331,889	90,213,649	302,409,503	95,750,326
Total cost of sales (-)	(260,715,757)	(76,525,964)	(235,965,426)	(76,242,017)
Gross profit	49,616,132	13,687,685	66,444,077	19,508,309

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

**Notes to the financial statements for the
period ended September 30, 2014
(continued) (Currency: Turkish lira (TL))**

15. Sales and cost of sales (continued)

b) Distribution of sales by product groups (net)

	January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
Tractor sales	296,837,917	84,099,681	292,270,483	92,540,061
Spare part sales	10,983,520	5,033,151	8,174,916	2,588,381
Engine sales	2,510,452	1,080,817	1,964,104	621,884
Total sales	310,331,889	90,213,649	302,409,503	95,750,326

16. Operating Expenses

	January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
Research and development expenses	1,969,290	635,743	1,625,149	525,718
Marketing, sales and distribution expenses	14,451,660	4,796,425	12,732,450	4,417,754
General administrative expenses	4,642,911	1,412,513	5,217,741	1,907,203
	21,063,861	6,844,681	19,575,340	6,850,675

16. Operating Expenses

a) Marketing, sales and distribution expenses

	January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
Advertising and announcement expenses	3,057,820	831,846	2,132,625	1,640,484
Provision for warranty expenses	3,056,841	1,071,652	3,013,608	(426,690)
Sales transportation expenses	2,548,261	1,044,595	2,427,008	822,165
Personnel expenses	2,198,859	753,741	2,106,590	792,845
Depreciation expenses	1,049,614	354,217	169,341	61,479
Expenses for fairs, exhibitions and promotions	576,950	153,004	766,889	24,359
Accommodation expenses	257,690	62,740	444,475	109,429
Representation and entertainment expenses	221,571	150,172	743,799	743,799
Fuel expenses	187,358	62,843	151,043	23,213
Other	1,296,696	311,615	777,072	626,671
	14,451,660	4,796,425	12,732,450	4,417,754

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014 (continued) (Currency: Turkish lira (TL))

16. Operating expenses

(contd) General

	January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
Personnel expenses	2,066,455	698,423	1,501,695	779,295
Financial and legal consulting expenses	784,488	166,087	182,864	552
Real estate rental expenses	323,046	110,397	348,194	37,535
Depreciation and amortization expenses	221,509	51,603	228,400	79,469
Letter of guarantee commissions	198,407	69,746	662,514	620,990
Data processing materials expenses	183,029	60,593	338,167	20,385
Litigation, enforcement and proceeding	95,241	9,521	953,317	-
Telephone expenses	84,345	84,345	6,925	394
Electricity expenses	73,302	27,221	69,836	31,518
Other	613,089	134,577	925,829	337,065
	4,642,911	1,412,513	5,217,741	1,907,203

17. 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.

	September 30,	September 30,
The weighted average number of shares outstanding during the year (each 1 TL)	115,000,000	115,000,000
Net income for the period	20,257,539	39,943,810
Earnings per share (TL)	0.1762	0.3473

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014 (continued) (Currency: Turkish lira (TL))

18. Related party disclosures

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

							September 30, 2014	
			Short term		Receivables Long term		Payables Short term	
Balances with related parties		Trade	non-trade	Trade	non-trade	Trade	non-trade	
Shareholders								
Ereğli Textile Tourism Industry Trade Inc. (1)		-	342,284	-	6,110,440	-	-	
Other companies managed by the main shareholder								
Albil Central Services and Trade Inc. (2)		148,574	-	-	-	1,323	-	
Birlikte Distribution Inc. (2)		-	-	-	-	-	-	
Reklam Piri Media Communication Inc. (2)		-	-	-	-	25,016	-	
		148,574	342,284	-	6,110,440	-	-	26,339 -
							December 31, 2013	
			Short term		Receivables Long term		Payables Short term	
Balances with related parties		Trade	non-trade	Trade	non-trade	Trade	non-trade	
Shareholders								
Ereğli Textile Tourism Industry Trade Inc. (1)		-	131,435	-	6,055,718	-	-	
Other companies managed by the main shareholder								
Albil Central Services and Trade Inc. (2)		-	-	-	-	75,823	-	
Albayrak Tourism Travel Construction Trade Inc. (2)		-	-	-	-	15,690	-	
Yeşil Adamlar Waste Management and Transport Inc. (2)		-	-	-	-	45,500	-	
Kademe Waste Technologies Industry Inc. (2)		152,625	-	-	-	2,949	-	
		152,625	131,435	-	6,055,718	139,962	-	

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

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014 (continued) (Currency: Turkish lira (TL))

18. Related party disclosures (continued)

As of September 30, 2014 and December 31, 2013, 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

	2014	2013
Albil Central Services and Trade Inc. (a)	1,060,480	467,911
Ağa Mining Industry Trade Ltd. (d)	97,364	-
Kademe Waste Technologies Industry Inc. (d)	239,187	30,600
Yeşil Adamlar Waste Management and Transport Inc. (d)	161,977	-
Reklam Piri Media Communication Inc. (b)	18,700	22,430
Ereğli Textile Tourism Industry and Trade Inc.	1,551	-
Birlikte Distribution Inc. (d)	1,323	1,055
Dolu Fuel Marketing Inc.	387	-
	1,580,969	521,996

(1) Albayrak Group controls the company.

(a) The Group receives data processing service from this company.

Sales and other income

	January 1 - September 30, 2014			January 1 - September 30, 2013		
	Interest	Rent	Other	Interest	Rent	Other
Albayrak Tourism Travel Construction Trade	2,781	-	-	4,908,388	-	-
Ereğli Textile Tourism Industry and Trade	737,271	50,515	24,219	550,193	49,389	-
Yeşil Adamlar Waste Management and	-	-	38,559	-	-	-
Kademe Waste Technologies Industry Inc.	-	114,973	68,936	-	114,693	33,676
Albayrak Foundation (1)	-	3,600	-	-	2,400	-
	740,052	169,088	131,714	5,458,581	166,482	33,676

(1) Albayrak Group controls the company.

(2) Main shareholder

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014 (continued) (Currency: Turkish lira (TL))

18. Parties Related party disclosures

(contd) Dividends paid to related parties

	January 1 - September 30,	January 1 -
Ereğli Textile Tourism Industry and Trade Inc.	11,592,824	20,087,105
Muzaffer Albayrak	300,000	465,200
Ahmet Albayrak	300,000	465,200
Bayram Albayrak	300,000	465,200
Nuri Albayrak	300,000	465,200
Kazım Albayrak	300,000	465,200
Mustafa Albayrak	300,000	465,200
Hedef Venture Capital Investment Trust Inc.	225,000	465,200
CSD	3,632,176	3,405,495
	17,250,000	26,749,000

Benefits provided to the top management

As of September 30, 2014, the total amount of benefits and advantages provided to the top management is TL 705,828 (September 30, 2013 - TL 641,138).

19. Investment property

As of September 30, 2014, the assets classified as investment property consist of buildings with a net book value of TL 1,654,210. In the current period, the Group earned a rental income of USD 129,600 from these investment properties. The Group determined the fair value of these investment properties as approx. TL 8,100,000 according to the valuation study dated April 25, 2014.

20. Financial risk management and policies

The Group'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 Group. The Group also has financial instruments such as trade receivables and payables which arise as a result of its activities. The main risks which the Group'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 Group also takes into account the market-value risk of all its financial instruments.

Capital management

The Group aims to increase its profitability in capital management by trying to maintain the continuity of its activities on the one hand and using the debt and equity balance in the most efficient way on the other hand. The Group'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 14. The Group's top management assesses the capital cost of the Group and the risk inherent in each capital class. Based on the assessments of the top management and of the Board of Management, the Group intends to keep the capital structure stable by acquiring new debt or repaying existing debt. The Group 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).

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014 (continued) (Currency: Turkish lira (TL))

20. Financial risk management and policies (continued)

	September 30, 2014	December 31,
Total debt	114,293,019	56,558,360
Less: Cash and cash equivalents	(2,403,641)	(5,376,059)
Net debt	111,889,378	51,182,301
Total equity	224,753,206	242,037,213
Debt equity balance	112,863,828	190,854,912
Net financial liability/equity ratio	50%	21%

Interest rate risk

As of September 30, 2014 and December 31, 2013, the Group does not bear any interest rate risk since it has no variable interest rate loans.

Foreign currency risk

The Group 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 minimise this risk, the Group monitors its financial position, cash inflows/outflows with detailed cash-flow statements.

As of September 30, 2014 and December 31, 2013, the Group's net foreign-exchange position is as follows:

On a total basis	September 30, 2014	December 31,
A. Assets in foreign currency	2,882,564	6,159,101
B. Liabilities in foreign currency	(6,378,334)	(15,105,032)
Net foreign-exchange position (A + B)	(3,495,770)	(8,945,931)

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

**Notes to the financial statements for the
period ended September 30, 2014
(continued) (Currency: Turkish lira (TL))**

20. Financial risk management and policies (continued)

As of September 30, 2014 and December 31, 2013, the details of the Group's foreign-currency position are as follows:

									September 30,
	US dollar	TL Equivalent	Euro	TL Equivalent	GBP	TL Equivalent	CHF	TL Equivalent	Total TL equivalent
Cash and cash equivalents	820	1,869	30,911	89,377	68	252	-	-	91,498
Trade receivables	297,902	678,889	625,747	1,809,284	53,962	199,295	15,000	35,843	2,723,311
Other current assets	1,108	2,525	22,560	65,230	-	-	-	-	67,755
Current assets	299,830	683,283	679,218	1,963,891	54,030	199,547	15,000	35,843	2,882,564
Total assets	299,830	683,283	679,218	1,963,891	54,030	199,547	15,000	35,843	2,882,564
Trade payables	(121,971)	(277,961)	(2,094,504)	(6,056,049)	-	-	-	-	(6,334,010)
Other trade payables	(19,450)	(44,324)	-	-	-	-	-	-	(44,324)
Short-term liabilities	(141,421)	(322,285)	(2,094,504)	(6,056,049)	-	-	-	-	(6,378,334)
Total liabilities	(141,421)	(322,285)	(2,094,504)	(6,056,049)	-	-	-	-	(6,378,334)
Net foreign-currency position	158,409	360,998	(1,415,286)	(4,092,158)	54,030	199,547	15,000	35,843	(3,495,770)

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

**Notes to the financial statements for the
period ended September 30, 2014
(continued) (Currency: Turkish lira (TL))**

**20. Financial risk management and policies
(continued)**

									December 31,
	US dollar	TL Equivalent	Euro	TL Equivalent	GBP	TL Equivalent	CHF	TL Equivalent	Total TL equivalent
Cash and cash equivalents	17,040	36,369	970,900	2,851,048	-	-	-	-	2,887,417
Trade receivables	228,484	487,654	259,520	762,080	-	-	-	-	1,249,734
Prepaid expenses	282,682	603,329	406,365	1,193,292	53,962	189,480	15,000	35,849	2,021,950
Current assets	528,206	1,127,352	1,636,785	4,806,420	53,962	189,480	15,000	35,849	6,159,101
Total assets	528,206	1,127,352	1,636,785	4,806,420	53,962	189,480	15,000	35,849	6,159,101
Short-term financial payables and factoring payables	(206,140)	(439,965)	-	-	-	-	-	-	(439,965)
Trade payables	(68,667)	(146,554)	(4,928,326)	(14,472,029)	-	-	-	-	(14,618,583)
Short-term liabilities	(274,807)	(586,519)	(4,928,326)	(14,472,029)	-	-	-	-	(15,058,548)
Long-term financial payables	(19,450)	(46,484)	-	-	-	-	-	-	(46,484)
Long-term liabilities	(19,450)	(46,484)	-	-	-	-	-	-	(46,484)
Total liabilities	(294,257)	(633,003)	(4,928,326)	(14,472,029)	-	-	-	-	(15,105,032)
Net foreign-currency position	233,949	494,349	(3,291,541)	(9,665,609)	53,962	189,480	15,000	35,849	(8,945,931)

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014 (continued) (Currency: Turkish lira (TL))

20. 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, 2014 and December 31, 2013. When analyzing, it is assumed that all other variables, especially the interest rates, remain constant.

The Group's exchange rate sensitivity analysis statement as of September 30, 2014 and December 31, 2013 is as follows:

	September 30, 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)	36,100	(36,100)
2- Hedged amount from US dollar risk (-)	-	-
Net effect of the US dollar	36,100	(36,100)
<i>If the euro appreciates/depreciates 10% against the Turkish lira</i>		
3- Income/(loss) arising from euro net asset/(liability)	(409,216)	409,216
4- Hedged amount from euro risk (-)	-	-
Net effect of the euro	(409,216)	409,216
Total net effect	(373,116)	373,116

	December 31, 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)	49,435	(49,435)
2- Hedged amount from US dollar risk (-)	-	-
Net effect of the US dollar	49,435	(49,435)
<i>If the euro appreciates/depreciates 10% against the Turkish lira</i>		
3- Income/(loss) arising from euro net asset/(liability)	(966,561)	966,561
4- Hedged amount from euro risk (-)	-	-
Net effect of the euro	(966,561)	966,561
Total net effect	(917,126)	917,126

20. Financial risk management and policies (continued)

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014 (continued) (Currency: Turkish lira (TL))

Credit risk

Credit risk is defined as the risk that the Group could incur a loss as a result of one of the parties of the financial instrument not fulfilling its contractual obligation. The Group 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 Group is exposed and the credit ratings of its customers are monitored continuously. The credit risk is controlled through the limits set for the customers and reviewed and approved by the Group'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, 2014	Receivables					
	Trade receivables			Other receivables		
	Related party	Other party	Related party	Other party	Other current assets	Deposits in banks
The maximum exposure to credit risk at the reporting date (A+B+C+D+E) (1)	148,574	96,744,528	6,452,724	6,149,341	-	2,392,139
- The portion of maximum risk secured by guarantee, etc. (2)	-	79,527,000	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	148,574	94,783,668	6,452,724	6,149,341	-	2,392,139
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	-	-	-	-	-	-
- The portion secured by guarantee, etc.	-	1,960,860	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The portion of net value secured by guarantee, etc.	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The portion of net value secured by guarantee, etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(1) In determining the amount, the guarantees received, factors that increase the credit reliability are not considered.

(2) Guarantees consist of collateral bonds, guarantee cheques and mortgages received from the customers.

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014 (continued) (Currency: Turkish lira (TL))

20. Financial risk management and policies (continued)

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

(1) In determining the amount, the guarantees received, factors that increase the credit reliability are not considered.

(2) Guarantees consist of collateral bonds, guarantee cheques and mortgages received from the customers.

Liquidity risk

Liquidity risk is the risk that the Group is not able to meet 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.

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Notes to the financial statements for the period ended September 30, 2014 (continued) (Currency: Turkish lira (TL))

20. Financial risk management and policies (continued)

The following statement presents the position of the Group's financial liabilities as of September 30, 2014 and December 31, 2013 according to the maturities of undiscounted contractual payments.

September 30, 2014	Book value	Less than 3	3 to 12	1 to 5	Having	Total
Bank loans	41,314,377	41,314,377	-	-	-	41,314,377
Trade payables	63,192,759	63,192,759	-	-	-	63,192,759
Other payables	-	-	-	-	-	-
Other short-term liabilities	417,639	417,639	-	-	-	417,639
Total	104,924,775	104,924,775	-	-	-	104,924,775

December 31, 2013	Book value	Less than 3	3 to 12	1 to 5 years	Having no	Total
Bank loans	3,587,790	2,211,498	1,494,046	41,512	-	3,747,056
Trade payables	36,010,114	33,335,361	-	-	-	33,335,361
Other short-term liabilities	373,818	332,586	-	-	-	332,586
Total	39,971,722	35,879,445	1,494,046	41,512	-	37,415,003

20. 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 Group 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 Group could realise 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.

21. Events after the balance sheet

date None.