# Tümosan Motor ve Traktör Sanayi A.Ş.

# and its Subsidiaries

Convenience translation into English of condensed consolidated interim financial statements for the nine-month period ended 30 September 2017

(originally issued in Turkish)

# Tümosan Motor ve Traktör Sanayi A.Ş.

# and its Subsidiaries

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| | *Notes* | Unaudited | Audited |
|---|---|---|---|
| **ASSETS** | | **30 September 2017** | **31 December 2016** |
| **Current Assets** | | | |
| Cash and cash equivalents | *4* | 7.654.332 | 2.099.046 |
| Financial investments | | 5.264.917 | 9.105.569 |
| Trade receivables | | | |
| *-Trade receivables from related parties* | *3* | *10.632.751* | *1.029.841* |
| *-Trade receivables from non-related parties* | *6* | *147.942.500* | *123.494.328* |
| Other receivables | | | |
| *- Other receivables from related parties* | *3* | *9.389.771* | *18.525.449* |
| *- Other receivables from non-related parties* | | *2.736.102* | *1.942.381* |
| Inventories | *7* | 104.893.818 | 104.811.395 |
| Prepaid expenses | *8* | 7.581.553 | 7.971.709 |
| Current tax assets | | 1.527 | -- |
| Other current assets | *14* | 16.830.956 | 21.180.655 |
| **Total Current Assets** | | **312.928.227** | **290.160.373** |
| | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | *10* | 107.653.059 | 106.477.847 |
| Intangible assets | | | |
| *- Other intangible assets* | *11* | *20.994.043* | *38.201.634* |
| Investment property | *9* | 1.932.087 | 1.967.695 |
| Prepaid expenses | | 14.699 | -- |
| Deferred tax assets | *18* | 1.535.133 | 81.659 |
| **Total Non-Current Assets** | | **132.129.021** | **146.728.835** |
| **Total Assets** | | **445.057.248** | **436.889.208** |

The accompanying notes form an integral part of these condensed consolidated interim financial statements

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| | ***Notes*** | **Unaudited** | **Audited** |
|---|---|---|---|
| **LIABILITIES** | | **30 September 2017** | **31 December 2016** |
| **Short Term Liabilities** | | | |
| Short term borrowings | *5* | 48.240.215 | 68.391.672 |
| Short term portion of long term borrowings | *5* | 698.423 | 2.099.649 |
| Trade payables | | | |
| *- Trade payables from related parties* | *3* | *772.894* | *665.022* |
| *- Trade payables from non-related parties* | *6* | *73.174.645* | *40.211.502* |
| Payables related to employee benefits | *13* | 6.549.573 | 2.676.524 |
| Other payables | | | |
| *- Other payables from non-related parties* | | *922.862* | *833.534* |
| Deferred income | *8* | 3.621.802 | 4.340.809 |
| Current tax liabilities | | *28.246* | 120.239 |
| Short term provisions | | | |
| *- Provisions for employee benefits* | *13* | *1.374.896* | *1.068.207* |
| *- Other provisions* | *12* | *10.085.236* | *8.511.545* |
| **Total short-term liabilities** | | **145.468.792** | **128.918.703** |
| | | | |
| Long term barrowings | *5* | -- | 1.727.279 |
| Long term provisions | | | |
| *- Provisions for employee benefits* | *13* | *3.418.355* | *3.036.169* |
| Deferred tax liability | *18* | -- | 159.578 |
| **Total long-term liabilities** | | **3.418.355** | **4.923.026** |
| **Total liabilities** | | **148.887.147** | **133.841.729** |
| | | | |
| **EQUITY** | ***15*** | | |
| **Equity attributable to the owners of the Company** | | | |
| Paid-in share capital | | 115.000.000 | 115.000.000 |
| Share premium | | 13.074.563 | 13.074.563 |
| Capital reserves | | 729.443 | 729.443 |
| Other comprehensive income/expense not to be reclassified to profit or loss | | | |
| *- Revaluation reserves* | | 39.371.136 | 39.371.136 |
| *- Actuarial gain* | | 902.647 | 672.736 |
| Restricted reserves | | 14.025.680 | 13.843.979 |
| Retained earnings | | 120.173.921 | 80.325.194 |
| Net profit for the year | | (7.107.289) | 40.030.428 |
| **Non- controlling interest** | | -- | -- |
| **Total equity** | | **296.170.101** | **303.047.479** |
| **Total equity and liabilities** | | **445.057.248** | **436.889.208** |

The accompanying notes form an integral part of these condensed consolidated interim financial statements

.

| | *Notes* | Unaudited | Unaudited | Unaudited | Unaudited |
|---|---|---|---|---|---|
| | | **1 January- 30 September 2017** | **1 July- 30 September 2017** | **1 January- 30 September 2016** | **1 July- 30 September 2016** |
| Revenue | *16* | 419.715.577 | 135.934.659 | 360.858.567 | 122.054.675 |
| Cost of sales (-) | *16* | (355.582.376) | (115.093.176) | (269.078.059) | (92.984.862) |
| **Gross Profit** | | **64.133.201** | **20.841.483** | **91.780.508** | **29.069.813** |
| General administrative expenses (-) | *17* | (14.065.157) | (4.760.764) | (14.750.498) | (6.723.360) |
| Marketing expenses (-) | *17* | (40.054.288) | (12.783.215) | (35.998.126) | (9.415.424) |
| Research and development expenses (-) | *17* | (22.201.594) | (2.253.154) | (1.626.766) | (565.074) |
| Other income | | 10.919.719 | 2.171.158 | 11.498.731 | (364.708) |
| Other expenses (-) | | (3.549.053) | 1.953.188 | (3.270.591) | 2.578.227 |
| **Operating Profit/ (Loss)** | | **(4.817.172)** | **5.168.696** | **47.633.258** | **14.579.474** |
| Gain from investment activities | | 442.440 | 344.208 | 487.954 | 75.413 |
| Loss from investment activities (-) | | (8.069) | (1.069) | -- | -- |
| **Operating Profit Before Financial Income/(Expenses)** | | **(4.382.801)** | **5.511.835** | **48.121.212** | **14.654.887** |
| Financial income | | 2.232.363 | 1.242.105 | 2.194.615 | 129.817 |
| Financial expenses (-) | | (6.453.145) | (573.172) | (6.199.147) | (1.929.246) |
| **Financial income / (expenses), net** | | **(4.220.782)** | **668.933** | **(4.004.532)** | **(1.799.429)** |
| **Profit/ (Loss) Before Tax** | | **(8.603.583)** | **6.180.768** | **44.116.680** | **12.855.458** |
| **Tax income / (expense)** | ***18*** | **1.496.294** | **(1.418.329)** | **(8.205.673)** | **(3.523.442)** |
| - Current tax expense for the period | | (174.235) | (28.246) | (9.238.651) | (3.501.601) |
| - Deferred tax income/(expense) | | 1.670.529 | (1.390.083) | 1.032.978 | (21.841) |
| **Net Profit/ (Loss) for the Period** | | **(7.107.289)** | **4.762.439** | **35.911.007** | **9.332.016** |
| **Number of shares** | ***19*** | **115.000.000** | **115.000.000** | **115.000.000** | **115.000.000** |
| **Earnings per share** | ***19*** | **(0,0618)** | **(0,0414)** | **0,3123** | **0,0811** |

The accompanying notes form an integral part of these condensed consolidated interim financial statements

| | *Notes* | **Unaudited** | **Unaudited** | **Unaudited** | **Unaudited** |
|---|---|---|---|---|---|
| | | **1 January- 30 September 2017** | **1 July- 30 September 2017** | **1 January- 30 September 2016** | **1 July- 30 September 2016** |
| **Net Profit/ (Loss) for The Period** | | **(7.107.289)** | **4.762.439** | **35.911.007** | **9.332.016** |
| **Total other comprehensive income** | | | | | |
| **Not to be reclassified to profit or loss** | | | | | |
| - Actuarial gains / loss | *13* | 287.389 | (119.875) | (153.603) | 203.398 |
| - Tax effect | *18* | (57.478) | 23.975 | 30.721 | (40.680) |
| **Total other comprehensive income** | | **229.911** | **(95.900)** | **(122.882)** | **162.718** |
| **Total comprehensive income** | | **(6.877.378)** | **4.666.539** | **35.788.125** | **9.494.734** |
| **Distribution of total comprehensive income** | | | | | |
| Equity holders of the Company | | (6.877.378) | 4.666.539 | 35.788.125 | 9.494.734 |
| Non-controlling interest | | -- | -- | -- | -- |

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

**Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries**
Consolidated Interim Statement of Change in Equity
For the Nine-Month Period Ended 30 September 2017
*Monetary Unit: Turkish Lira ("TL")*

| | | | | *Other comprehensive income/expense not to be reclassified to profit or loss* | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | ***Paid-In Share Capital*** | ***Share Premium*** | ***Capital Reserves*** | ***Revaluation Reserves*** | ***Actuarial Gain/ (Loss) Arising from Employee Benefits*** | ***Restricted Reserves*** | ***Retained Earnings*** | ***Net Profit/Loss*** | ***Paid-In Share Capital*** |
| **1 January 2016** | **115.000.000** | **13.074.563** | **729.443** | **39.371.136** | **194.984** | **13.843.979** | **46.730.878** | **33.594.316** | **262.539.299** |
| Transfers | -- | -- | -- | -- | -- | -- | 33.594.316 | (33.594.316) | -- |
| R&D Incentives | -- | -- | 372.547 | -- | -- | -- | -- | -- | 372.547 |
| Net profit/ (loss) | -- | -- | -- | -- | -- | -- | -- | 35.911.007 | 35.911.007 |
| Other comprehensive income | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| *Actuarial differences* | -- | -- | -- | -- | (122.882) | -- | -- | -- | (122.882) |
| **30 September 2016** | **115.000.000** | **13.074.563** | **1.101.990** | **39.371.136** | **72.102** | **13.843.979** | **80.325.194** | **35.911.007** | **298.699.971** |
| | | | | | | | | | |
| **1 January 2017** | **115.000.000** | **13.074.563** | **729.443** | **39.371.136** | **672.736** | **13.843.979** | **80.325.194** | **40.030.428** | **303.047.479** |
| Transfers | -- | -- | -- | -- | -- | 181.701 | 39.848.727 | (40.030.428) | -- |
| Net profit/ (loss) | -- | -- | -- | -- | -- | -- | -- | (7.107.289) | (7.107.289) |
| Other comprehensive income | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| *Actuarial differences* | -- | -- | -- | -- | 229.911 | -- | -- | -- | 229.911 |
| **30 September 2017** | **115.000.000** | **13.074.563** | **729.443** | **39.371.136** | **902.647** | **14.025.680** | **120.173.921** | **(7.107.289)** | **296.170.101** |

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

| | *Notes* | **Unaudited** | **Unaudited** |
|---|---|---|---|
| | | **1 January- 30 September 2017** | **1 January- 30 September 2016** |
| Net profit/ (loss) for the period | | (7.107.289) | 35.911.007 |
| **Adjustments to reconcile cash flow generated from operating activities:** | | | |
| Depreciation and amortization | *9,10,11* | 16.057.907 | 14.097.412 |
| Provision for employee benefits | *13* | 703.721 | 990.940 |
| Provision for doubtful receivables | | (231.811) | (350.841) |
| Tax income/expense | | (1.496.294) | 8.205.673 |
| Impairment of intangible assets | *11* | 13.333.404 | -- |
| Interest income | | (2.232.363) | (2.194.615) |
| Guarantee and other provisions | | 1.573.691 | 440.079 |
| Vacation payment liability provisions | *13* | 306.689 | 141.453 |
| Provision for inventories readjustments | | -- | (1.623.017) |
| Interest expense | | 6.453.145 | 6.199.147 |
| **Operating cash flow before change in assets and liabilities** | | | |
| **Change in assets and liabilities** | | | |
| Change in trade receivables and other receivables | | (25.477.314) | (27.689.096) |
| Change in inventories | | (82.423) | (17.425.597) |
| Change in prepaid expenses and the other current asset | | 4.725.156 | (21.360.594) |
| Change in trade payables and other payables | | 33.160.343 | 13.112.195 |
| Change in payables related employee benefits | | 3.873.049 | 994.712 |
| Change in deferred income | | (719.007) | (1.840.689) |
| Employment termination benefits paid | | (34.146) | (490.863) |
| Taxes paid | *13* | (267.755) | (6.756.925) |
| **Net cash generated from operations**<br>**Operating cash flow before change in assets and liabilities** | | **42.538.703** | **360.381** |
| **Investing activities** | | | |
| Change in financial investments | | 3.840.652 | (9.000.000) |
| Purchase of property, plant and equipment and intangible assets | *10,11* | (13.720.840) | (25.301.317) |
| Sales of property, plant and equipment | | 397.515 | 2.347.625 |
| **Net used in investing activities** | | **(9.482.673)** | **(31.953.692)** |
| **Financing activities** | | | |
| Financial borrowings, net | | (23.279.962) | 36.006.714 |
| Interest received | | 2.232.363 | 2.194.615 |
| Interest paid | | (6.453.145) | (6.199.147) |
| **Net cash provided from financing activities** | | **(27.500.744)** | **32.002.182** |
| Net increase/(decrease) in cash and cash equivalents | | 5.555.286 | 408.871 |
| Cash and cash equivalents at the beginning of the period | *4* | 2.099.046 | 239.778 |
| **Cash and cash equivalents at the end of the period** | *4* | **7.654.332** | **648.649** |

The accompanying notes form an integral part of these condensed consolidated interim financial statements

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## 1 Organization and Nature of Operations

Tümosan Motor ve Traktör Sanayi A.Ş. (formerly known as Alçelik Çelik Yapı İnşaat Sanayi ve Ticaret Anonim Şirketi) ("Tümosan" or "the Company"), was established in 1975 to produce engine parts, transfer organs and similar equipment, but then concentrated its activities on diesel engine and tractor production. Tümosan, which is the first diesel engine producer of Turkey, along with providing diesel engines to tractors produced under the same brand, produced diesel engines for many years for other companies producing diesel vehicles.

The Company was taken into the scope and program of privatization on 18 August 1998 and the shares belonging to Mechanics and Chemistry İnstitution Corporation were transferred to Directorate of Privatization Administration and it was decided that privatization procedures shall be completed within a year.

Four companies participated in the privatization tender of the Company held on 24 April 2000 and at the end of the tender, Anadolu Joint Venture Group took the first place when Konya Selçuklu Joint Venture Group took the second place. At the end of the tender, since the sale contracts forwarded respectively to the ventures could not be signed within the specified time frame, their indemnities were recorded as revenue and the tender could not be concluded positively.

Tümosan, which continued its activities in a more limited frame after the tender, was adhered to Sümer Holding on 7 February 2003. For privatization purposes, the second tender was held in 2004 and Tümosan was acquired by Alçelik Çelik Yapı İnşaat Sanayi ve Ticaret A.Ş. through asset sale and the takeover was completed on 1 July 2004.

26% of the Company's shares were offered to public at Istanbul Stock Exchange on 5 December 2012

Since 5 December 2012, the shares of the Company are traded at Istanbul Stock Exchange.

The headquarters and factory of the Company is at the following addresses:

Headquarters:

Maltepe Mahallesi Londra Asfaltı Caddesi No:28/1 Topkapı, 34010, Zeytinburnu/İstanbul/Turkey

Factory:

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

Information regarding the Company's shareholding interests and their shares is as follows:

| Name/Title | 30 September 2017 Shareholding Rates % | 31 December 2016 Shareholding Rates % |
|---|---|---|
| Ereğli Tekstil Turizm Sanayi ve Ticaret A.Ş. | 64,59 | 64,59 |
| Muzaffer Albayrak | 1,74 | 1,74 |
| Ahmet Albayrak (Ahmet oğlu) | 1,74 | 1,74 |
| Bayram Albayrak | 1,74 | 1,74 |
| Nuri Albayrak | 1,74 | 1,74 |
| Kazım Albayrak | 1,74 | 1,74 |
| Mustafa Albayrak | 1,74 | 1,74 |
| Shares publicly traded in stock exchange | 24,97 | 24,97 |
| **Total** | **100,00** | **100,00** |

The main shareholder of the company is Ereğli Tekstil Turizm Sanayi ve Ticaret A.Ş. ("Ereğli Tekstil") which is controlled by Albayrak Family.

## 1 Company Organization and its Operations *(continued)*

As of 30 September 2017, number of employees of the Group is 539 (31 December 2016: 518).

**Subsidiaries Included in the Consolidation**

**Tümosan Döküm A.Ş.:** The company engages in all kinds of casting and machining operations and trading.

**Tümosan Savunma A.Ş.:** The company engages to develop new products in defense and weapons, have R&D activities, contribute the production of existing products, and operate arms and related industry product purchases and sales.

The consolidated financial statements as of 30 September 2017 have been prepared by fully consolidating the subsidiaries stated below to the Company.

| | Rate of Control | |
|---|---|---|
| **Company** | **30 September 2017** | **31 December 2016** |
| Tümosan Döküm A.Ş. | %100 | %100 |
| Tümosan Savunma A.Ş. | %100 | %100 |

# 2 Basis of Presentation of Financial Statements

## 2.1 Basis of Presentation

### (a) Basis of Preparation of Financial Statements

The condensed consolidated interim financial information has been prepared in accordance with the communique numbered II-14, 1 “Communique” on the Principles of Financial Reporting in Capital Markets” (the Communique) announced by the Capital Markets Board” (“CMB”) on 13 June 2014 which is published on official Gazette numbered 28676. In accordance with Communique, the listed companies should apply Turkish Accounting Standards / Turkish Financial Reporting Standards (“TAS/TFRS”) and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority (“POA”).

Additionally, financial statements and footnotes have prepared in accordance with formats issued by CMB on 7 June 2013.

***Additional paragraph for convenience translation into English***:

The differences between the accounting principles promulgated by POA, accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and IFRS have influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

### (b) Basis of Measurement

The consolidated financial statements are prepared in TL based on historical cost except for financial assets and liabilities measured at fair value.

### (c) Correction of financial statements of hyperinflation periods

With the decision of CMB taken on 17 March 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with Turkish accounting standards. Accordingly, TAS 29 is not applied starting from 1 January 2005.

### (d) Reporting and Functional Currency

The financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the functional and presentation currency of the Company is TL.

### (e) Comparative Information

The Group’s financial statements are prepared including comparative information in order to enable readers to understand the trends in the financial position and performance of the Group. The change in presentation or reclassification of the financial statement items is applied retrospectively and the reclassifications made in the prior year financial information are disclosed in the notes to the consolidated financial statements.

## 2 Basis of Presentation of Financial Statements *(continued)*

### 2.1 Basis of Presentation *(continued)*

#### (f) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the exchange rate ruling at the date. Foreign currency differences arising on translation of foreign currency transactions are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Nonmonetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange rates prevailing at the balance sheet date are as follows:

| | 30 September 2017 | 31 December 2016 |
|---|---|---|
| USD/TL | 3,5071 | 3,5192 |
| EURO /TL | 4,0030 | 3,7099 |
| GBP/TL | 4,5413 | 4,3189 |
| SEK/TL | 3,6524 | 3,4454 |

#### (g) Basis of Consolidation

As at 30 September 2017 and 31 December 2016, the consolidated financial statements include the financial statements of the subsidiaries and named of Tümosan Motor ve Traktör Sanayi A.Ş.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

***Subsidiaries***

Subsidiaries are those entities on which the Group has the power to control. The Group controls the companies when it is incurred changeable returns due to relations of any companies or has a right to own these returns and has a power to affect these returns. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group to the date on which control is transferred out from the Group. The Group has made adjustments on the financial statements of the subsidiaries to be inconsistent with the basis of applied accounting standards if it is necessary.

The table below demonstrates the rates of the effective ownership and the voting power held in terms of percentages (%) as of 30 September 2017 and 31 December 2016 for all subsidiaries directly controlled by the Group and included in the scope of consolidation:

| | Rate of Control | |
|---|---|---|
| **Company** | **30 September 2017** | **31 December 2016** |
| Tümosan Döküm A.Ş. | %100 | %100 |
| Tümosan Savunma A.Ş. | %100 | %100 |

## 2 Basis of Presentation of Financial Statements *(continued)*

### 2.1 Basis of Presentation *(continued)*

### (g) Basis of Consolidation *(continued)*

*(i) Non-controlling interest*

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Non-adjustments are made to goodwill and no gain or loss is recognized in profit or loss.

*(ii) Loss of Control*

If the Group loses control of its subsidiaries, the Group derecognizes the assets and liabilities of the subsidiaries, their non-controlling interests and other equity under the subsidiaries. Any gains or losses arising therefrom are recognized in profit or loss. Remaining shares of the previous subsidiaries are measured at their fair value as of the date the control is lost.

*(iii) Consolidation elimination transactions*

Unrealized gains and expenses arising from intra-group balances, transactions and intercompany transactions in the preparation of financial statements are reversed. Investments accounted for using the equity method and unrealized gains and losses arising from transactions are eliminated from the investment as a proportion of the Group's investment. If there is no impairment, unrealized losses are erased in the same way as in unrealized income

### 2.2 Statement of Compliance to TAS

The accompanying condensed interim financial information is prepared in accordance with Turkish Accounting Standards ("TAS") published by POA. TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and related appendix and comments including POA's Principle Decisions.

In the accompanying consolidated financial statements, the financial statements have been prepared in accordance with TAS in accordance with the classification and restatement of the Company and its subsidiaries, in line with the principle of reflecting the actual financial statements

The Company and its subsidiaries operating in Turkey maintain their books of account and prepare their statutory financial statements in TL in accordance with the accounting principles as promulgated by the Turkish Commercial Code and tax legislation.

The summary financial statements of the Group for the nine-month period ending on 30 September 2017 are prepared in accordance with TAS 34 "Interim Financial Reporting". In the interim consolidated financial statements, the financial statements do not include all the information and disclosures required to be included in the annual financial statements and should be read in conjunction with the annual financial statements prepared by the Company as of 31 December 2016.

The consolidated financial statements for the period ended on 30 September 2017 were authorized by management for issue to submit to the Board of Directors on 9 November 2017.

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## 2 Basis of Presentation of Financial Statements *(continued)*

### 2.3 Changes in Accounting Policies

The following new and revised standards and interpretations have not been applied by the Company in the current year and have not been affected the disclosures and amounts reported in these financial statements. Details of other standards and interpretations applied in these financial statements but which have no impact on reported amounts are also disclosed in the following sections of this section.

**(a) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company**

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

**TFRS 9 Financial Instruments – Classification and measurement**

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

**TFRS 15 Revenue from Contracts with Customers**

As issued in September 2016, the new standard replaces existing TFRS guidance and introduces a new controlbased revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under TFRS. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

**The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA**

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TAS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TAS.

## 2 Basis of Presentation of Financial Statements *(continued)*

### 2.3 Changes in Accounting Policies *(continued)*

**(a) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:** *(continued)*

**IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 - IFRS 9 (2013)**

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 (2014) issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

**IFRS 9 Financial Instruments (2014)**

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement.

IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company

New and amended standards and interpretations issued by the International Accounting Standards Board (IASB) but not published by the UPS (Continued)

**IFRS 16 Leases**

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

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## 2 Basis of Presentation of Financial Statements *(continued)*

### 2.3 Changes in Accounting Policies *(continued)*

**(a) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:** *(continued)*

**IFRIC 22 – Foreign Currency Transactions and Advance Consideration**

The amendments clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

**Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative**

IAS 7 Statement of Cash Flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

New and amended standards and interpretations issued by the International Accounting Standards Board (IASB) but not published by the UPS (Continued)

**Amendments to IAS 12 Income Taxes– Recognition of Deferred Tax Assets for Unrealized Losses**

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

# 2 Basis of Presentation of Financial Statements *(continued)*

## 2.3 Changes in Accounting Policies *(continued)*

**(a) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company** *(continued)*

**Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions**

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some longstanding ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

**IAS 40 – Transfers of Investment Property**

Amendments to IAS 40- Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

**Improvements to IFRSs**

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

***Annual Improvements to IFRSs 2014-2016 Cycle***

*IFRS 1 "First Time Adoption of International Financial Reporting Standards"*

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters related to disclosures for financial instruments, employee benefits and consolidated financial statements.

## 2 Basis of Presentation of Financial Statements *(continued)*

### 2.3 Changes in Accounting Policies *(continued)*

**(a) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:** *(continued)*

New and amended standards and interpretations issued by the International Accounting Standards Board (IASB) but not published by the UPS (Continued)

**Annual Improvements to IFRSs 2014-2016 Cycle** *(continued)*

*IFRS 12 "Disclosure of Interests in Other Entities"*

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

**IAS 28 "Investments in Associates and Joint Ventures**

If investments in associates or joint ventures are owned directly or indirectly by entities such as venture capital funds, investment funds, securities or insurance funds for investment purposes, the ability to apply the fair value method in accordance with IFRS 9 for investments in associates or joint ventures occurs.

### 2.4 Restatement and Errors in the Accounting Policies and Estimates

Significant changes in accounting policies and significant accounting errors identified are applied retrospectively and the prior period financial statements are restated. Changes in the accounting estimates are applied in the current year that changes made if the changes are regarding one term, if it relates to future periods, or it is applied prospectively both in the period in which the change is made and in the future period. There has been no significant change in the Company's accounting estimates

### 2.5 Summary of Significant Account Policies

The CMB has permitted publicly traded companies to apply the full set or condensed presentation of their interim financial statements in accordance with TAS 34 "Interim Financial Statements". Accordingly, the Company prepared the condensed presentation of the financial statements at the interim period ending 30 September 2017

In respect of the relevant notification the required disclosures and notes that should be included in the annual financial statements prepared in accordance with TAS / TFRS are summarized or not presented in accordance with TAS 34. The accompanying condensed consolidated financial statements should be read together with audited consolidated financial statements as at and for the year ended 31 December 2016.

The significant accounting policies have been applied consistently by the Group in the preparation of these condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2017 with those financial statements as of and for the year ended 31 December 2016.

## 3 Related Parties Disclosures

For the purpose of this financial information, the shareholders and key management personnel of the Company, the ultimate shareholders of the Company and the companies controlled by/associated with them are referred to as related parties.

The related parties shown in the related party disclosures and the nature of the relation of the Group with these parties are as follows. These companies are presented as related parties which are controlled by Albayrak Family:

Ereğli Tekstil Turizm San. Tic. A.Ş. ("Ereğli Tekstil")
Albayrak Holding A.Ş. ("Albayrak Holding")
Ağa Maden İşletmeciliği San. Tic. Ltd. Şti. ("Ağa Maden")
Albayrak Turizm Seyahat İnş. Tic. A.Ş. ("Albayrak İnşaat")
Albil Merkezi Hizmetler A.Ş. ("Albil")
Bayfa Geri Dönüşüm Turizm Taşımacılık San ve Tic. A.Ş ("Bayfa Geri Dönüşüm")
Birlikte Dağıtım A.Ş. ("Birlikte Dağıtım")
Kademe Atık Teknolojileri San. A.Ş. ("Kademe Atık")
Platform Tur. Taş. Gıda İnş.Tem.Hiz.San.ve Tic. A.Ş. ("Platform Turizm")
Reklam Piri Medya İletişim A.Ş. ("Reklam Piri")
Albayrak Somali Liman İşletmeciliği Şubesi ("Somali Liman")
Varaka Kağıt Sanayi A.Ş. ("Varaka Kağıt")
Kazzaz Kâğıt Ticaret A.Ş. ("Kazzaz")
Albayrak92 Private Ltd.
Sistemli Dağıtım Hizmetleri A.Ş. ("Sistemli Dağıtım")
Ödül Sigorta Aracılık Hizmetleri Ltd. Şti. ("Ödül Sigorta")
Yeşil Adamlar Atık Yönetimi ve Taşımacılık A.Ş. ("Yeşil Adamlar")

## 3 Related Parties Disclosures *(continued)*

During its activities, the Group conducts various operations with related parties. Details regarding the related parties and significant balances are as follows:

| | **Receivables** | | **Payables** | |
|---|---|---|---|---|
| **30 September 2017** | **Current** | | **Short Term** | |
| | **Trading** | **Non-Trading** | **Trading** | **Non-Trading** |
| Ereğli Tekstil | 898.214 | 100.000 | 2.360 | -- |
| Albil | -- | -- | 510.663 | -- |
| Albayrak İnşaat (*) | 1.149.471 | 9.213.612 | -- | -- |
| Somali Liman | 1.902.986 | -- | -- | -- |
| Kademe Atık | 6.400.591 | -- | 8.470 | -- |
| Albayrak92 Private Ltd. | 272.054 | -- | -- | -- |
| Birlikte Dağıtım A.Ş. | -- | -- | 48.125 | -- |
| Birun Otelcilik | -- | -- | 1.250 | -- |
| Reklam Piri | -- | -- | 140.965 | -- |
| Sistemli Dağıtım | 9.435 | -- | -- | -- |
| Platform | -- | -- | 50.123 | -- |
| Yeşil Adamlar | -- | 75.000 | -- | -- |
| Ödül Sigorta | -- | -- | 10.938 | -- |
| Other | -- | 1.159 | -- | -- |
| **Total** | **10.632.751** | **9.389.771** | **772.894** | **--** |

As of 31 December 2016 receivables and payables from the related parties are as follows:

| | **Receivables** | | **Payables** | |
|---|---|---|---|---|
| **31 December 2016** | **Current** | | **Short Term** | |
| | **Trading** | **Non-Trading** | **Trading** | **Non-Trading** |
| Somali Limanı | 819.979 | -- | -- | -- |
| Varaka Kağıt | 102.148 | -- | -- | -- |
| Albayrak İnşaat (*) | 60.203 | 2.365.623 | -- | -- |
| Kademe Atık | 47.511 | -- | -- | -- |
| Ereğli Tekstil (*) | -- | 16.159.826 | -- | -- |
| Albil | -- | -- | 331.066 | -- |
| Ağa Maden | -- | -- | 248.000 | -- |
| Birlikte Dağıtım | -- | -- | 38.572 | -- |
| Platform Turizm | -- | -- | 11.334 | -- |
| Reklam Piri | -- | -- | 36.050 | -- |
| **Total** | **1.029.841** | **18.525.449** | **665.022** | **--** |

(*) The balances comprise the customer cheques to be used in the intra-group financing.

## 3 Related Parties Disclosures *(continued)*

For the periods 1 January – 30 September 2017 and 1 January – 30 September 2016, purchases from related parties are as follows:

| | **1 January -30 September 2017** | | **1 January- 30 September 2016** | |
|---|---|---|---|---|
| | **Purchasing of goods and service** | **Other** | **Purchasing of goods and service** | **Other** |
| Kademe Atık | 1.458.429 | 153.842 | 886.706 | 58.800 |
| Albil | 1.121.993 | 92.413 | 1.087.730 | 1.850.541 |
| Ödül Sigorta | 221.575 | -- | -- | -- |
| Reklam Piri | 101.680 | -- | -- | -- |
| Reklam Piri | 88.917 | -- | 10.000 | -- |
| Platform Turizm | 33.300 | -- | 33.300 | -- |
| Ereğli Tekstil | -- | 2.000 | -- | -- |
| Albayrak İnşaat | -- | -- | -- | 1.548.339 |
| Birlikte Dağıtım | -- | -- | 2.968 | -- |
| Albayrak Holding | -- | 852.180 | -- | -- |
| **Total** | **3.025.894** | **1.100.435** | **2.020.704** | **3.457.680** |

For the periods 1 January – 30 September 2017 and 1 January – 30 September 2016, sales to the related parties are as follows:

| | **1 January - 30 September 2017** | | | **1 January - 30 September 2016** | | |
|---|---|---|---|---|---|---|
| | **Sales of goods and services** | **Interest** | **Other** | **Sales of goods and services** | **Interest** | **Other** |
| Kademe Atık | 3.927.767 | 115.645 | 967.811 | -- | -- | -- |
| Somali Limanı | 362.285 | -- | -- | -- | -- | -- |
| Bayfa Geri Dönüşüm | 170.861 | -- | -- | 1.184.393 | 195 | 249.561 |
| Albayrak92 Private Ltd. | 158.519 | -- | 6.190 | -- | -- | -- |
| Varaka Kağıt | 70.781 | -- | -- | 150.646 | -- | -- |
| Ereğli Tekstil | -- | 973.332 | 29.607 | -- | 1.485.142 | 12.539 |
| Albil | -- | -- | -- | -- | -- | 501.997 |
| Kazzaz | -- | -- | -- | 52.793 | -- | -- |
| Albayrak İnşaat | -- | 539.248 | -- | -- | -- | -- |
| Sistemli Dağıtım | -- | -- | 24.000 | -- | -- | -- |
| Diğer | -- | -- | -- | 1.112 | -- | -- |
| **Total** | **4.690.213** | **1.628.225** | **1.027.608** | **1.388.944** | **1.485.337** | **764.097** |

### *Benefits for Top Management*

For the nine-month period ended 30 September 2017 Benefits provided to top management amounts to TL 745.010 (30 September 2016: –TL 718.328).

## 4 Cash and Cash Equivalents

As of 30 September 2017, and 31 December 2016, cash and cash equivalents are as follows:

| | 30 September 2017 | 31 December 2016 |
|---|---|---|
| Cash on Hands | 11.158 | 6.472 |
| Banks | | |
| *- Demand Deposit* | *7.643.174* | *2.092.574* |
| **Total** | **7.654.332** | **2.099.046** |

As at 30 September 2017 and 31 December 2016, there is no account under any blockage or pledge (31 December 2016: None).

## 5 Financial Borrowings

As of 30 September 2017, and 31 December 2016, financial borrowings are as follows:

| | 30 September 2017 | 31 December 2016 |
|---|---|---|
| ***Short-Term Borrowings*** | | |
| Short-Term Borrowings | 48.240.215 | 68.391.672 |
| Short-Term Portion of Long Term Borrowings | 698.423 | 2.099.649 |
| **Total** | **48.938.638** | **70.491.321** |
| | | |
| **Long-Term Borrowings** | | |
| Bank Loans | -- | 1.727.279 |
| **Total** | **--** | **1.727.279** |

## 5 Financial Borrowings *(continued)*

**Bank Loans**

| | 30 September 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | **Effective Int. Rate %** | **TL Amount** | **Effective Int. Rate %** | **TL Amount** |
| **Short-Term Borrowings** | | | | |
| - TL | 14,75-16,75% | 48.240.215 | 13,00-15,00% | 68.391.672 |
| **Short-Term Portion of Long-Term Borrowings** | | | | |
| - TL | 14,75% | 698.423 | 13,00-15,00% | 2.099.649 |
| **Long-Term Borrowings** | | | | |
| - TL | -- | -- | 13,00-15,00% | 1.727.279 |
| **Total Borrowings** | | **48.938.638** | | **72.218.600** |

As of 30 September 2017, The Group has provided TL 12 million real estate mortgages and TL 41.854.702 customer cheques for the borrowings to the relevant banks (31 December 2016: TL 12 million real estate mortgages and TL 61.036.633 worth of customer cheques).

## 6 Trade Receivables and Payables

***Current Trade Receivables***

As of 30 September 2017, and 31 December 2016, current trade receivables from non-related parties are as follows:

| | 30 September 2017 | 31 December 2016 |
|---|---|---|
| Customer Current Account | 51.838.648 | 50.746.500 |
| Notes Receivables and Cheques | 50.704.158 | 75.554.862 |
| DDS Receivables (*) | 47.974.917 | -- |
| Allowance for Doubtful Receivables (-) | (2.575.223) | (2.807.034) |
| **Total** | **147.942.500** | **123.494.328** |

(*) Direct debiting system guarantees purchase and sell payments between the Company and Dealers. Dealers purchase transaction according to DBS limit that is identified by the Banks. At the end of maturity, Dealer pays to Bank as a third party and the Bank pays to the Company.

## 6 Trade Receivables and Payables *(continued)*

***Short-Term Trade Payables***

As of 30 September 2017, and 31 December 2016, short-term trade payables from non-related parties are as follows:

| | **30 September 2017** | **31 December 2016** |
|---|---|---|
| Supplier Current Accounts | 47.067.478 | 38.321.453 |
| Notes Payables | 26.074.642 | 1.890.049 |
| Other Payables | 32.525 | -- |
| **Total** | **73.174.645** | **40.211.502** |

## 7 Inventories

As of 30 September 2017, and 31 December 2016; details of Inventories are as follows:

| | **30 September 2017** | **31 December 2016** |
|---|---|---|
| Materials and Spare Parts | 68.236.475 | 67.030.360 |
| Finished Goods | 20.572.444 | 6.782.439 |
| Goods in Transit | 7.600.368 | 20.083.958 |
| Work in Progress | 7.008.718 | 9.007.328 |
| Other Inventories | 1.154.286 | 635.232 |
| Trading Goods | 733.046 | 1.683.597 |
| Provision for Impairment (-) | (411.519) | (411.519) |
| **Total** | **104.893.818** | **104.811.395** |

As of 30 September 2017, and 31 December 2016, there is no security or mortgage on inventories.

## 8 Prepaid Expenses and Deferred Income

### Prepaid Expenses

***Short-Term Prepaid Expenses***

As of 30 September 2017 and 31 December 2016, prepaid expenses from non-related parties in current assets are as follows:

| | 30 September 2017 | 31 December 2016 |
|---|---|---|
| Advances Given | 6.472.106 | 7.689.314 |
| Expenses of Future Months | 872.738 | 147.308 |
| Job Advances | 236.709 | 135.087 |
| **Total** | **7.581.553** | **7.971.709** |

### Deferred Income

***Short-Term Deferred Income***

As of 30 September 2017, and 31 December 2016, deferred income from non-related parties are as follows:

| | 30 September 2017 | 31 December 2016 |
|---|---|---|
| Advances Received | 3.621.802 | 3.854.162 |
| Deferred Income | -- | 486.647 |
| **Total** | **3.621.802** | **4.340.809** |

## 9 Investment Property

For the year ended 30 September 2017 and 2016, investment properties are as follows:

| | 1 January-<br>30 September 2017 | 1 January-<br>30 September 2016 |
|---|---|---|
| **Carrying Value** | | |
| 1 January | 1.967.695 | 2.015.172 |
| Current Period Depreciation Charge | (35.608) | (35.607) |
| **End of the Period** | **1.932.087** | **1.979.565** |
| | | |
| **Cost and Accumulated Depreciation** | | |
| Cost | 2.373.804 | 2.373.804 |
| Accumulated Depreciation | (441.717) | (394.239) |
| **End of the Period** | **1.932.087** | **1.979.565** |

## 10 Property, Plant and Equipment

For the period ended 30 September 2017 and 2016, property, plant and equipment are as follows:

| | 1 January-<br>30 September 2017 | 1 January-<br>30 September 2016 |
|---|---|---|
| **Carrying Value** | | |
| 1 January | 106.477.847 | 93.484.854 |
| Additions | 10.936.542 | 13.985.898 |
| Disposals | (397.515) | (2.347.625) |
| Current Period Depreciation Charge | (9.363.815) | (7.861.149) |
| **End of the Period** | **107.653.059** | **97.261.978** |
| | | |
| Cost | 176.329.468 | 153.871.152 |
| Accumulated Depreciation | (68.676.409) | (56.609.174) |
| **End of the Period** | **107.653.059** | **97.261.978** |

There is a TL 12.000.000 mortgage on the buildings of the Group (31 December 2016: TL 12.000.000 mortgage).

## 11 Intangible Assets

Intangible assets consist of research and developments, rights and licenses, and accumulated depreciation. For the period ended 30 September 2017 and 2016, movement of intangible assets are as follows:

| | **1 January-30 September 2017** | **1 January-30 September 2016** |
|---|---|---|
| **Carrying Value** | | |
| 1 January | 38.201.634 | 25.789.580 |
| Additions | 2.784.298 | 11.315.419 |
| Disposals (*) | (13.333.404) | -- |
| Current Period Amortization Charge | (6.658.485) | (6.200.656) |
| **End of the Period Balance** | **20.994.043** | **30.904.343** |
| | | |
| **Cost and Accumulated Amortization** | | |
| Cost | 42.818.306 | 46.033.548 |
| Accumulated Amortization | (21.824.263) | (15.129.205) |
| **End of the Period Balance** | **20.994.043** | **30.904.343** |

There is no security or mortgage on the intangible assets of the Group.

(*) On 7 October 2015, the Company signed the Agreement of Technical Support Provider ("TSP") with AVL List GmbH ("AVL") within the scope of Development Project on Power Group of Altay Tank Project in accordance agreement between Under-Secretariat for Defense Industries ("UDI" or "Savunma Sanayi Müsteşerlığı").

Until 24 February 2017, request by the Company regarding the amendments, because of force majors, has been negotiated with UDI. However, since UDI has declared that changing in the conditions of the agreement is not possible in accordance with legal requirements, Agreement of Design and Development Part (First Part) on Development Project on Power Group, which has been signed on 17 March 2015, has been mutually canceled by the Company and UDI. This cancellation has not resulted in any fine or penalty and letters of guarantee provided has been returned to the Company.

As at 30 September 2017, the Company evaluated the recognized intangible assets (developing expenses) amounting to TL 13.334.404 within the scope of TAS 38 "Intangible Assets" and TAS 36 "Impairment on Assets and decided to recognize impairment on these assets

## 12 Provisions, Contingent Assets and Liabilities

### a) Provisions

For the period ended 30 September 2017 and 2016, Provisions, Contingent Assets and Liabilities are as follows:

| | **30 September 2017** | **31 December 2016** |
|---|---|---|
| Warranty Provisions (*) | 9.262.610 | 8.027.839 |
| Provision for Litigation | 822.626 | 483.706 |
| **Total** | **10.085.236** | **8.511.545** |

(*) Movement of warranty provisions are as follows:

| | **1 January- 30 September 2017** | **1 January- 30 September 2016** |
|---|---|---|
| Balance at 1 January | 8.027.839 | 6.043.373 |
| Current Period Charge | 1.234.771 | 440.079 |
| **Total** | **9.262.610** | **6.483.452** |

## 12 Provisions, Contingent Assets and Liabilities *(continued)*

**b) Guarantee – Pledge – Mortgage- Warranty ("Collaterals"):**

As of 30 September 2017, and 31 December 2016 the Group's guarantee/pledge/mortgage positions are as follows:

| Collaterals given by Group (TL Equivalents) | 30 September 2017 | 31 December 2016 |
|---|---|---|
| A. The total amount of collaterals given on behalf of its own legal entity | 13.365.671 | 90.341.303 |
| B. The total amount of collaterals given favor of the companies in the scope of full consolidation | -- | -- |
| C. The total amount of collaterals given for the purpose of providing debt to third parties in the course of ordinary business activities. (*) | 806.373.878 | 750.368.549 |
| D. The total amount of other collaterals given | | -- |
| i. The total amount of collaterals given in favor of the parent companies. | -- | -- |
| ii. The total amount of collaterals given in favor of other group companies which are not in the scope of B and C | -- | -- |
| iii. The total amount of collaterals given in favor of third parties other than the parties stated in item C | -- | -- |
| **Total** | **819.739.549** | **840.709.852** |

As of 30 September 2017, details regarding the letters of guarantee, pledges and mortgages in foreign currency are as follows (TL equivalents):

| | 30 September 2017 | 31 December 2016 |
|---|---|---|
| Turkish Lira | 819.642.491 | 765.714.672 |
| USD | 97.058 | 3.097.318 |
| EURO | -- | 71.897.862 |
| **Total** | **819.739.549** | **840.709.852** |

(*) An agreement was signed between the Company and Ziraat Bankası ("the Bank") in December 2010. Within the scope of this agreement, the event that a customer who took a loan from the Bank to buy tractors sold by the Company through Tümosan tractor dealers (Customers), is not able to pay back this borrowing, the Bank holds the right to demand from the Company 75% of the difference between the income to be generated from the judicial sale of the tractors and the insurance fee set by the Turkish Association of Insurance and Reinsurance Companies. However, the Company reflects the difference which the Bank demands from the Company to the Dealer realizing the sale. Therefore, although the aforementioned letter of guarantee is a guarantee given to the Bank by the Company, it is eventually transferred to the Customers.

## 13 Employee Benefits

### Payables Related to the Employee Benefits

As of 30 September 2017, and 31 December 2016, Payables Related to the Employee Benefits are as follows:

| | 30 September 2017 | 31 December 2016 |
|---|---|---|
| Wages and Salaries | 4.238.934 | 898.663 |
| Social Security Withholdings | 1.803.462 | 1.187.857 |
| Staff Payroll Taxes | 507.177 | 590.004 |
| **Total** | **6.549.573** | **2.676.524** |

### Short-Term Provisions for Employee Benefits

As of 30 September 2017, and 31 December 2016, Short-Term Provisions for Employee Benefits are as follows:

| | 30 September 2017 | 31 December 2016 |
|---|---|---|
| Provision for Unused Vacation | 1.374.896 | 1.068.207 |
| **Total** | **1.374.896** | **1.068.207** |

If labor contract has been terminated for any reason, The Group will obligate to pay unused vacation payment to employee or beneficiaries based on the salary at the expire date. Provision for unused vacation is equal to which all employees have deserved and haven't used them yet as of reporting date and haven't been discounted, amount of total liability.

## 13 Employee Benefits *(continued)*

**Long-Term Provisions for Employee Benefits**

| | 30 September 2017 | 31 December 2016 |
|---|---|---|
| Provision for Employment Termination Benefits | 3.418.355 | 3.036.169 |
| **Total** | **3.418.355** | **3.036.169** |

In accordance with the current Turkish Labor Law, the Company is obliged to pay a certain amount of termination indemnity to the personnel whose employment has been terminated due to reasons except retired, resignment or bad behavior; who has to terminate employment for military service and who had served at least one year at the Company. Provision for severance pay for each year is calculated based on total gross salary and other benefits and this amount is 4.732 TL for 30 September 2017 and 4.297 TL for 31 December 2016.

Employment termination benefit liabilities are not subject to any funding and there are no legal requirements for funding of these liabilities. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans:

| | 30 September 2017 | 31 December 2016 |
|---|---|---|
| Discount rate | 10,75% | 10,75% |
| The estimated wage increase rate | 6,00% | 6,00% |
| Net discount rate | 4,48% | 4,48% |

The principal assumption is that the maximum liability for each year of service will increase parallel with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 30 September 2017, the provision is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

For the period ended 30 September 2017 and 2016, Employment Termination Benefits Provisions are as follows:

| | 1 January-30 September 2017 | 1 January-30 September 2016 |
|---|---|---|
| Balance at 1 January | **3.036.169** | **3.343.451** |
| Cost of Services | 431.121 | 629.660 |
| Interest Expense | 272.600 | 361.280 |
| Actuarial Gain/Loss | (287.389) | 153.603 |
| Paid | (34.146) | (490.863) |
| **End of the Period Balance** | **3.418.355** | **3.997.131** |

## 14 Other Asset and Liabilities

As of 30 September 2017, and 31 December 2016, Other Assets are as follows:

| | 30 September 2017 | 31 December 2016 |
|---|---|---|
| VAT | 16.819.522 | 21.177.682 |
| Other | 11.434 | 2.973 |
| **Total** | **16.830.956** | **21.180.655** |

## 15 Shareholders' Equity

### Paid-in Share Capital

As of 30 September 2017 and 31 December 2016, the shareholders and paid-in capital are as follows:

| | 30 September 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | Share Rate % | Share Amount (TL) | Share Rate % | Share Amount (TL) |
| Ereğli Tekstil | 64,59% | 74.285.492 | 64,59% | 74.285.492 |
| Shares publicly traded in stock exchange | 24,97% | 28.714.508 | 24,97% | 28.714.508 |
| Others | 10,44% | 12.000.000 | 10,44% | 12.000.000 |
| **Paid-in Capital** | **100,00%** | **115.000.000** | **100,00%** | **115.000.000** |

All of the Group's capital has been paid in as of 30 September 2017 and comprises of 115.000.000 shares with a nominal value of TL 115.000.000 and each one worth TL 1 (31 December 2016: Capital: TL 115.000.000, each one with a value of TL 1, a total of 115.000.000 shares).

### Restricted reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code, are not distributable to shareholders. According to Article 519 of the Turkish Commercial Code ("TTK") numbered 6102, the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions

### Other Comprehensive Income/Expense Not to Be Reclassified to Profit or Loss

As of 30 September 2017, and 31 December 2016, other comprehensive income not to ve reclassified to profit or loss are as follows:

| | 30 September 2017 | 31 December 2016 |
|---|---|---|
| Actuarial Gain/ Losses | 902.647 | 672.736 |
| **Total** | **902.647** | **672.736** |

## 16 Sales and Cost of Sales

Sales and Cost of Sales for the period ended 30 September 2017 and 2016 are as follows:

| | **1 January-30 September 2017** | **1 July-30 September 2017** | **1 January-30 September 2016** | **1 July-30 September 2016** |
|---|---|---|---|---|
| Domestic Sales | 411.773.134 | 134.050.090 | 354.761.939 | 120.723.389 |
| Foreign Sales | 8.818.513 | 2.507.860 | 7.361.004 | 1.825.753 |
| Other Income | 641.321 | 55.670 | 1.226.782 | 332.971 |
| **Gross Sales** | **421.232.968** | **136.613.620** | **363.349.725** | **122.882.113** |
| Discount and Returns | (1.517.391) | (678.961) | (2.491.158) | (827.438) |
| **Net Sales** | **419.715.577** | **135.934.659** | **360.858.567** | **122.054.675** |
| | | | | |
| Cost of Sales | (355.582.376) | (115.093.176) | (269.078.059) | (92.984.862) |
| **Gross Profit** | **64.133.201** | **20.841.483** | **91.780.508** | **29.069.813** |

The Distribution of sales by products groups are as follows:

| | **1 January-30 September 2017** | **1 July-30 September 2017** | **1 January-30 September 2016** | **1 July-30 September 2016** |
|---|---|---|---|---|
| Tractor Sales | 386.151.041 | 123.737.430 | 337.338.098 | 115.580.088 |
| Spare Part Sales | 22.619.060 | 9.133.072 | 12.430.432 | 3.879.191 |
| Other | 12.462.867 | 3.743.118 | 11.090.037 | 2.595.396 |
| **Total** | **421.232.968** | **136.613.620** | **360.858.567** | **122.054.675** |

## 17 Operating Expenses

Operating expenses for the period ended 30 September 2017 and 2016 are as follows:

| | 1 January-30 September 2017 | 1 July-30 September 2017 | 1 January-30 September 2016 | 1 July-30 September 2016 |
|---|---|---|---|---|
| General and Administrative Expenses | 14.065.157 | 4.760.764 | 14.750.498 | 6.723.360 |
| Marketing Expenses | 40.054.288 | 12.783.215 | 35.998.126 | 9.415.424 |
| Research and Development Expenses | 22.201.594 | 2.253.154 | 1.626.766 | 565.074 |
| **Total** | **76.321.039** | **19.797.133** | **52.375.390** | **16.703.858** |

## 18 Taxation

**Tax expenses**

Tax expenses for the period ended 30 September 2017 and 2016 are as follows:

| | 1 January-30 September 2017 | 1 January-30 September 2016 |
|---|---|---|
| **Income tax expense recognized in profit or loss** | | |
| Current tax expense | (174.235) | (9.238.651) |
| **Deferred tax income/(expense)** | | |
| Arising from tax losses carried forward | 1.371.725 | -- |
| Arising from Temporary Differences | 298.804 | 1.032.978 |
| | **1.496.294** | **(8.205.673)** |
| **Recognized in Other Comprehensive Income** | | |
| **Deferred tax income/(expense):** | | |
| Tax effects of actuarial differences | (57.478) | 30.721 |
| **Total** | **(57.478)** | **30.721** |
| **Total tax effect income/ (expense)** | **1.438.816** | **(8.174.952)** |

## 18 Taxation *(Continued)*

### The Reconciliation of the Effective Tax Rate

The tax provision is different from calculated value by using statutory tax rate via profit before tax for the period ended 30 September 2017 and 2016. Related reconciliation details are as follows:

| | | **1 January-30 September 2017** | | **1 January-30 September 2017** |
|---|---|---|---|---|
| Profit/(Loss) for the Period | | (7.107.289) | | 35.911.007 |
| Less: Current Period Tax Income/(Expense) | | 1.496.294 | | (8.205.673) |
| **Profit Before Tax** | **%** | **(8.603.583)** | **%** | **44.116.680** |
| Calculated Corporate Tax Via Statutory Rate | 20,0% | 1.720.717 | 20% | (8.823.336) |
| Disallowance Income | 0,30% | 27.507 | 0,00% | -- |
| Non-Deductible Expenses | (2,93)% | (251.930) | 0,20% | (89.183) |
| Other | -- | -- | (1,60)% | 706.846 |
| **Total tax income/(expense) recognized in profit or loss** | **19,7%** | **1.496.294** | **18,6%** | **(8.205.673)** |

### Deferred Tax

***Deferred Tax Asset/Liabilities***

As of 30 September 2017, and 31 December 2016, deferred tax assets and liabilities are as follows:

| | **30 September 2017** | **31 December 2016** |
|---|---|---|
| Deferred Tax Asset | 1.535.133 | 81.659 |
| Deferred Tax Liabilities | -- | (159.578) |
| **Total** | **1.535.133** | **(77.919)** |

## 19 Earnings Per Share

Earnings per share stated in the income statement is calculated by dividing the net income to the weighted average number of ordinary shares outstanding during the year. Companies can increase their share capital by making a pro-rata distribution of shares (“Bonus Shares”) to existing shareholders from statutory retained earnings and statutory revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares in existence during the year has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

| | **1 January-<br>30 September 2017** | **1 January-<br>30 September 2016** |
|---|---|---|
| The weighted average number of shares in existence during the year (Each 1 TL) | 115.000.000 | 115.000.000 |
| Net profit/ (loss) for the year | (7.107.289) | 35.911.007 |
| **Earnings per share (TL)** | **(0,0618)** | **0,3123** |

## 20 Financial Instruments– Risk Management and Fair Value

### Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

### Risk Management Policies

Risk management is implemented by finance department according to the policies approved by Board of Directors. The Company's finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyses exposures by degree and magnitude of risks. The written procedures are formed by Board of Directors to manage the foreign currency risk, interest risk, credit risk, use of derivative and non-derivative financial instruments and the assessment of excess liquidity. There are not any changes in financial risk factors and credit risk management of the Company as compared to previous year.

### Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other investments.

*Exposure to credit risk:*

The carrying amount of financial assets represents the maximum credit exposure. The details of maximum exposure to credit risk at the reporting date was:

### Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation

### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of company's financial assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

## 20 Financial Instruments- Risk Management and Fair Value *(continued)*

**Market Risk** *(continued)*

**(i) Currency risk**

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of Company, Turkish Lira ("TL"). Exchange risk is managed with forward foreign exchange purchase/sale contracts based on authorized policies.

As of 30 September 2017, the foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

| | **30 September 2017** | | | |
|---|---|---|---|---|
| | **TL Equivalent** | **USD** | **EURO** | **GBP** |
| 1. Trade receivables | 4.409.143 | 201.313 | 881.132 | -- |
| 2a. Monetary assets (Including cash on hands and banks) | 985.882 | 12 | 235.149 | -- |
| 2b. Non-monetary financial assets | -- | -- | -- | -- |
| 3. Other | 301.449 | 15.411 | 219 | 51.769 |
| **4. Current Assets (1+2+3)** | **5.696.474** | **216.737** | **1.116.500** | **51.769** |
| 5. Trade receivables | -- | -- | -- | -- |
| 6a. Monetary assets | -- | -- | -- | -- |
| 6b. Non-monetary financial assets | -- | -- | -- | -- |
| 7. Other | -- | -- | -- | -- |
| **8. Non-Current Assets (5+6+7)** | **--** | **--** | **--** | **--** |
| **9. Total Assets (4+8)** | **5.696.474** | **216.737** | **1.116.500** | **51.769** |
| 10. Trade payables | 9.394.149 | 695.735 | 1.651.281 | -- |
| 11. Financial liabilities | -- | -- | -- | -- |
| 12a. Other monetary financial liabilities | 401.737 | -- | 95.825 | -- |
| 12b. Other non-monetary financial liabilities | -- | -- | -- | -- |
| **13. Short-Term Liabilities (10+11+12)** | **9.795.885** | **695.735** | **1.747.106** | **--** |
| 14. Trade Payables | -- | -- | -- | -- |
| 15. Financial Liabilities | -- | -- | -- | -- |
| 16a. Other monetary financial liabilities | -- | -- | -- | -- |
| 16b. Other non-monetary financial liabilities | -- | -- | -- | -- |
| **17. Long-Term Liabilities (14+15+16)** | **--** | **--** | **--** | **--** |
| **18. Total Liabilities (13+17)** | **9.795.885** | **695.735** | **1.747.106** | **--** |
| **19. Net asset /liability position of off-balance sheet derivatives (19a-19b)** | -- | -- | -- | -- |
| **19a. Off-balance sheet foreign currency derivative assets** | -- | -- | -- | -- |
| **19b. Off balance sheet foreign currency derivative liabilities** | -- | -- | -- | -- |
| **20. Net foreign currency asset/liability position (9-18+19)** | **(4.099.412)** | **(478.998)** | **(630.606)** | **51.769** |
| **21. Net foreign currency asset/ liability position of non-monetary items (TFRS 7. B23) (=1+2a+5+6a-10-11-12a-14-15-16a)** | **(4.400.861)** | **(494.409)** | **(630.825)** | **--** |
| **22. Fair value of foreign currency hedged financial assets** | -- | | -- | -- |
| **23. Hedged foreign currency assets** | -- | -- | -- | -- |
| **24. Hedged foreign currency liabilities** | -- | -- | -- | -- |

## 20 Financial Instruments- Risk Management and Fair Value *(continued)*

**Market Risk** *(continued)*

**(i) Currency risk** *(continued)*

As of 31 December 2016, the foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

| | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| | **TL Equivalent** | **USD** | **EURO** | **GBP** | **CHF** |
| 1. Trade receivables | 3.585.491 | 306.442 | 539.300 | 117.202 | 37 |
| 2a. Monetary assets (Including cash on hands and banks) | 1.156.006 | 127.012 | 191.117 | -- | -- |
| 2b. Non-monetary financial assets | -- | -- | -- | -- | -- |
| 3. Other | 56.437 | 15.609 | 406 | | |
| **4. Current Assets (1+2+3)** | **4.797.934** | **449.063** | **730.823** | **117.202** | **37** |
| 5. Trade receivables | -- | -- | -- | -- | -- |
| 6a. Monetary assets | -- | -- | -- | -- | -- |
| 6b. Non-monetary financial assets | -- | -- | -- | -- | -- |
| 7. Other | -- | -- | -- | -- | -- |
| **8. Non-Current Assets (5+6+7)** | -- | -- | -- | -- | -- |
| **9. Total Assets (4+8)** | **4.797.934** | **449.063** | **730.823** | **117.202** | **37** |
| 10. Trade payables | 15.832.781 | 818.708 | 3.491.087 | -- | -- |
| 11. Financial liabilities | -- | -- | -- | -- | -- |
| 12a. Other monetary financial liabilities | 464.108 | -- | 125.100 | | |
| 12b. Other non-monetary financial liabilities | -- | -- | -- | -- | -- |
| **13. Short-Term Liabilities (10+11+12)** | **16.296.889** | **818.708** | **3.616.187** | **-** | **-** |
| 14. Trade payables | -- | -- | -- | -- | -- |
| 15. Financial Liabilities | -- | -- | -- | -- | -- |
| 16a. Other monetary financial liabilities | -- | -- | -- | -- | -- |
| 16b. Other non-monetary financial liabilities | -- | -- | -- | -- | -- |
| **17. Long-Term Liabilities (14+15+16)** | -- | -- | -- | -- | -- |
| **18. Total Liabilities (13+17)** | **16.296.889** | **818.708** | **3.616.187** | **-** | **-** |
| **19. Net asset /liability position of off-balance sheet derivatives (19a-19b)** | -- | -- | -- | -- | -- |
| **19a. Off-balance sheet foreign currency derivative assets** | -- | -- | -- | -- | -- |
| **19b. Off balance sheet foreign currency derivative liabilities** | -- | -- | -- | -- | -- |
| **20. Net foreign currency asset/liability position (9-18+19)** | **(11.498.955)** | **(369.645)** | **(2.885.364)** | **117.202** | **37** |
| **21. Net foreign currency asset/ liability position of non-monetary items (TFRS 7. B23) (=1+2a+5+6a-10-11-12a-14-15-16a)** | **(11.555.393)** | **(385.254)** | **(2.885.770)** | **117.202** | **37** |
| **22. Fair value of foreign currency hedged financial assets** | -- | | -- | -- | -- |
| **23. Hedged foreign currency assets** | -- | -- | -- | -- | -- |
| **24. Hedged foreign currency liabilities** | -- | -- | -- | -- | -- |

## 20 Financial Instruments- Risk Management and Fair Value *(continued)*

**Market Risk** *(continued)*

**(i) Currency risk** *(continued)*

*Currency Sensitivity*

A 10 percent strengthening of the TL against the following currencies at 30 September 2017 and 31 December 2016 would have increased / (decreased) equity and profit or loss, excluding tax effects, by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| **30 September 2017** | | |
|---|---|---|
| | **Profit/(Loss)** | |
| | Appreciation of foreign currency | Depreciation of foreign currency |
| In the case of appreciation of USD at 10% ratio compared to TL; | | |
| 1- USD net asset / liability | (170.145) | 170.145 |
| 2- Part of hedged from USD risk (-) | -- | -- |
| **3- USD net effect (1+2)** | **(170.145)** | **170.145** |
| In the case of appreciation of EUR at 10% ratio compared to TL | | |
| 4- EUR net asset / liability | (264.375) | 264.375 |
| 5- Part of hedged from EUR risk (-) | -- | -- |
| **6- EUR net effect (4+5)** | **(264.375)** | **264.375** |
| In the case of appreciation of GBP at 10% ratio compared to TL | | |
| 7- GBP net asset / liability | 24.579 | (24.579) |
| 8- Part of hedged from GBP risk (-) | -- | -- |
| **9- GBP net effect (7+8)** | **24.579** | **(24.579)** |
| **Total (3+6+9)** | **(409.941)** | **409.941** |

## 20 Financial Instruments- Risk Management and Fair Value *(continued)*

**Market Risk** *(continued)*

**(i) Currency risk** *(continued)*

*Currency Sensitivity (continued)*

| 31 December 2016 | | |
|---|---|---|
| | **Profit/(Loss)** | |
| | Appreciation of foreign currency | Depreciation of foreign currency |
| In the case of appreciation of USD at 10% ratio compared to TL; | | |
| 1- USD net asset / liability | (130.085) | 130.085 |
| 2- Part of hedged from USD risk (-) | -- | -- |
| **3- USD net effect (1+2)** | **(130.085)** | **130.085** |
| In the case of appreciation of EUR at 10% ratio compared to TL | | |
| 4- EUR net asset / liability | (1.070.441) | 1.070.441 |
| 5- Part of hedged from EUR risk (-) | -- | -- |
| **6- EUR net effect (4+5)** | **(1.070.441)** | **1.070.441** |
| In the case of appreciation of GBP at 10% ratio compared to TL | | |
| 7- GBP net asset / liability | 50.618 | (50.618) |
| 8- Part of hedged from GBP risk (-) | -- | -- |
| **9- GBP net effect (7+8)** | **50.618** | **(50.618)** |
| In the case of appreciation of CHF at 10% ratio compared to TL | | |
| 10- CHF net asset / liability | 13 | (13) |
| 11- Part of hedged from CHF risk (-) | -- | -- |
| **12- CHF net effect (4+5)** | **13** | **(13)** |
| **TOTAL (3+6+9+12)** | **(1.149.895)** | **1.149.895** |

## 21 Subsequent Events

The Company received the request proposal document for "DEVELOPMENT PROJECT ON POWER GROUP" which is published with tender notice by the Under-Secretariat for Defense Industries ("UDI"or "Savunma Sanayi Müsteşerlığı") at 10 October 2017 and the Company will propose its offer on 22 October 2017.