

Türk Traktör ve Ziraat Makineleri A.Ş.

**Convenience translation into English of
condensed financial statements and independent
review report for the interim period between
1 January – 30 June 2013 (originally issued in
Turkish)**

(Convenience translation of a review report originally issued in Turkish – see additional paragraph below for convenience translation)

Report on review of condensed interim financial statements between 1 January – 30 June 2013

To the Board of Directors of
Türk Traktör ve Ziraat Makineleri A.Ş.

Introduction

We have reviewed the accompanying condensed balance sheet of Türk Traktör ve Ziraat Makineleri A.Ş. (the “Company”) as of June 30 2013, and the related condensed statement of comprehensive income, changes in shareholders’ equity and cash flows for the six-month period then ended. The Company management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with Turkish accounting standards as accepted by the Public Oversight Accounting and Auditing Standards Authority (the “POA”). Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the principles and standards on the review of interim financial statements as stated in the auditing standards issued by the Capital Markets Board. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with independent auditing standards issued by the Capital Markets Board and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an independent audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with Turkish Accounting Standards issued by the Public Oversight Accounting and Auditing Standards Authority.

Additional paragraph for convenience translation to English:

As at 30 June 2013, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying interim condensed financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Ferzan Ülgen, SMMM
Engagement Partner

July 26, 2013
Istanbul, Turkey

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TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**INTERIM STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2013**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Current period Reviewed	<i>Restated</i> Prior period Audited
	Notes	30 June 2013	31 December 2012
ASSETS			
CURRENT ASSETS			
		1.122.434.792	1.104.322.893
Cash and cash equivalents	3	285.510.017	378.971.315
Trade receivables			
- Trade receivables, other parties	5	309.917.230	245.730.198
- Due from related parties	20	126.232.850	84.904.276
Inventories	6	311.596.441	292.621.523
Prepaid expenses		909.244	693.459
Other current assets	9	88.269.010	101.402.122
NON-CURRENT ASSETS			
		271.174.038	215.418.228
Trade receivables			
- Trade receivables, other parties	5	221.823	1.643.344
Other receivables			
- Other receivables, other parties		349.879	338.238
Property, plant and equipment	7	190.878.734	156.993.145
Intangible assets	8	36.318.745	34.892.008
Prepaid expenses	10	11.024.922	-
Deferred tax assets	18	32.379.935	21.551.493
TOTAL ASSETS			
		1.393.608.830	1.319.741.121

The financial statements prepared as at and for the period ended 30 June 2013 have been approved by the Board of Directors on 26 July 2013 and was signed by the General Manager Marco Votta and Vice President of Financial Affairs Memet İlkan Kamber on behalf of the Board of Directors.

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**INTERIM STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2013**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		<i>Restated</i>
	Current period	Prior period
	Reviewed	Audited
	Notes	31 December 2012
LIABILITIES		
CURRENT LIABILITIES	581.595.578	437.504.381
Financial liabilities	4 87.866.958	95.217.929
Short term portion of long term financial liabilities	4 94.733.987	65.720.216
Trade payables		
- Trade payables, other parties	5 310.280.831	203.283.783
- Due to related parties	20 14.746.270	17.006.021
Employee benefit obligations	12 13.302.401	11.977.012
Other payables		
- Other payables, other parties	3.265.897	4.884.785
Government incentives and aids	1.593.444	1.689.770
Deferred income	9 3.579.529	14.605.988
Provision for taxation on income	18 23.545.870	4.493.915
Provisions		
- Provision for employee benefits	11 2.222.461	715.856
- Other provisions	11 26.457.930	17.909.106
NON-CURRENT LIABILITIES	211.339.899	218.446.643
Financial liabilities	4 187.166.487	194.829.967
Provisions		
- Provision for employee benefits	11 10.090.539	9.004.102
- Other provisions	11 14.082.873	14.612.574
SHAREHOLDERS' EQUITY	600.673.353	663.790.097
Share capital	13 53.369.000	53.369.000
Adjustments to share capital	13 39.014.356	39.014.356
Merger reserve	(5.569.000)	(5.569.000)
Restricted profit reserves	114.169.112	94.435.957
Actuarial gain/(loss) arising from employee benefits	85.870	127.788
Retained earnings	262.678.841	214.273.792
Net profit for the period	136.925.174	268.138.204
TOTAL LIABILITIES	1.393.608.830	1.319.741.121

Provisions, contingent assets and
contingent liabilities

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR
THE INTERIM PERIOD BETWEEN 1 JANUARY – 30 JUNE 2013**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		Reviewed		<i>Restated</i> Reviewed	
	Notes	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Sales (net)	14	1.102.841.999	597.132.210	1.181.458.630	646.025.204
Cost of sales (-)	14	(867.150.664)	(465.290.365)	(927.786.672)	(502.831.194)
GROSS PROFIT		235.691.335	131.841.845	253.671.958	143.194.010
Marketing, selling and distribution expenses (-)		(46.152.022)	(24.623.750)	(47.354.159)	(24.675.721)
General administrative expenses (-)		(18.826.056)	(9.703.673)	(18.216.265)	(10.623.493)
Research and development expenses (-)		(4.707.629)	(2.233.681)	(3.742.574)	(1.948.478)
Other operating income	15	123.562.603	88.779.789	100.614.697	43.533.604
Other operating expenses (-)	15	(116.553.182)	(81.003.375)	(102.027.498)	(37.741.005)
OPERATING PROFIT		173.015.049	103.057.155	182.946.159	111.738.917
Investment income		190.254	51.103	5.113.161	4.905.815
Investment expenses (-)		(1.161)	-	(14.493)	-
Financial income	16	37.452.718	19.575.208	40.318.564	18.853.409
Financial expenses (-)	17	(48.830.059)	(33.047.808)	(28.934.200)	(12.642.424)
PROFIT BEFORE TAXATION ON INCOME		161.826.801	89.635.658	199.429.191	122.855.717
Taxes on income (-)	18	(35.719.589)	(22.573.038)	(47.232.727)	(24.592.484)
Deferred tax income	18	10.817.962	9.577.369	13.876.882	3.748.242
PROFIT FOR THE PERIOD		136.925.174	76.639.989	166.073.346	102.011.475
Other comprehensive income/ expense					
Actuarial loss arising from employee benefits		(52.398)	(52.398)	(28.945)	(28.945)
Deferred tax effect		10.480	10.480	5.789	5.789
Other comprehensive expense after tax		(41.918)	(41.918)	(23.156)	(23.156)
TOTAL COMPREHENSIVE INCOME		136.883.256	76.598.071	166.050.190	101.988.319
Earnings per share (TL)	19	0,0257	0,0144	0,0311	0,0191

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.5))

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED CHANGES IN SHAREHOLDERS' EQUITY
FOR THE INTERIM PERIOD BETWEEN 1 JANUARY – 30 JUNE 2013**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Share capital	Adjustment to share capital	Merger reserve	Restricted profit reserves	Actuarial gain/ (loss) arising from employee benefits	Retained earnings	Net profit for the period	Total shareholders' equity
1 January 2013	53.369.000	39.014.356	(5.569.000)	94.435.957	-	214.342.169	268.197.615	663.790.097
Change in accounting policy (2.2)	-	-	-	-	127.788	(68.377)	(59.411)	-
Transfers	-	-	-	19.733.155	-	248.405.049	(268.138.204)	-
Dividends paid	-	-	-	-	-	(200.000.000)	-	(200.000.000)
Net profit for the period	-	-	-	-	-	-	136.925.174	136.925.174
Other comprehensive income/(expense)	-	-	-	-	(41.918)	-	-	(41.918)
30 June 2013	53.369.000	39.014.356	(5.569.000)	114.169.112	85.870	262.678.841	136.925.174	600.673.353

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED CHANGES IN SHAREHOLDERS' EQUITY
FOR THE INTERIM PERIOD BETWEEN 1 JANUARY – 30 JUNE 2013**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Share capital	Adjustment to share capital	Merger reserve	Restricted profit reserves	Actuarial gain/ (loss) arising from employee benefits	Retained earnings	Net profit for the period	Total shareholders' equity
1 January 2012	53.369.000	39.014.356	(5.569.000)	74.702.802	-	156.653.755	277.421.569	595.592.482
Change in accounting Policy (2.2)	-	-	-	-	68.377	-	(68.377)	-
Transfers	-	-	-	19.733.155	-	257.620.037	(277.353.192)	-
Dividends paid	-	-	-	-	-	(200.000.000)	-	(200.000.000)
Net profit for the period	-	-	-	-	-	-	166.073.346	166.073.346
Other comprehensive income/(expense)	-	-	-	-	(23.156)	-	-	(23.156)
30 June 2012	53.369.000	39.014.356	(5.569.000)	94.435.957	45.221	214.273.792	166.073.346	561.642.672

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CASH FLOWS FOR THE INTERIM PERIOD
BETWEEN 1 JANUARY – 30 JUNE 2013**

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

		Current period	<i>Restated</i>
		Reviewed	Prior period
	Notes	30 June 2013	30 June 2012
Operating activities:			
Profit before taxation on income		161.826.801	199.429.191
Depreciation	7	8.530.945	6.170.203
Amortisation	8	3.292.100	2.242.106
Provision for employee termination benefits	11	2.089.943	1.651.784
Gain on sale of property, plant and equipment, net		(189.093)	(5.098.668)
Interest income	16	(5.881.660)	(4.822.703)
Interest expense	17	6.853.819	6.861.995
Provision for impairment of inventory	6	1.703.620	3.094.053
Expense accruals-net		8.019.129	14.855.284
Provision for doubtful receivables	15	966.403	4.909.225
Foreign currency change effect		(35.214.708)	19.451.503
Net cash flow before changes in operating assets and liabilities		151.997.299	248.743.973
Changes in operating assets and liabilities - net:			
Increase in trade receivables		(65.039.701)	(104.123.690)
Increase in due from related parties		(35.781.432)	(22.071.016)
(Increase)/ decrease in inventories		(18.418.703)	25.248.051
Decrease / (increase) in other current assets		13.133.110	(27.105.481)
Increase in other receivables		(11.637)	(7.079)
Increase in prepaid expenses		(11.240.707)	(169.012)
Decrease in due to related parties		(2.439.647)	(9.662.252)
Increase /(decrease) in trade payables		104.444.707	(8.130.577)
Decrease in deferred income		(11.026.459)	(11.445.166)
Decrease in other liabilities		(1.618.888)	(2.538.525)
Increase in short term provision for employee termination benefits		1.506.605	1.555.588
(Decrease)/increase in government incentives and aids		(96.326)	97.703
Increase/ (decrease) in debt for employee termination benefits		1.325.389	(1.099.239)
Employee termination benefits paid	11	(1.055.904)	(590.625)
Taxes paid		(16.667.634)	(31.549.884)
Net cash provided by operating activities		109.010.072	57.152.769
Investing activities:			
Investment expenses		(47.054.248)	(21.641.735)
Proceeds from sales of property, plant and equipment and intangible assets		684.682	5.158.699
Interest received		5.862.344	5.109.974
Net cash used in investing activities		(40.507.222)	(11.373.062)
Financing activities:			
Proceeds from bank borrowings		323.246.549	507.766.961
Repayment of financial borrowings		(287.574.733)	(333.891.251)
Dividends paid		(200.000.000)	(200.000.000)
Interest paid		(9.139.722)	(5.415.327)
Net cash used in investing activities		(173.467.906)	(31.539.617)
Effect of change of exchange rate on cash and cash equivalent		13.680.613	(4.389.677)
(Decrease)/increase in cash and cash equivalents		(104.965.056)	14.240.090
Cash and cash equivalents at the beginning of the period	3	376.218.818	244.528.553
Cash and cash equivalents at the end of the period	3	284.934.375	254.378.966

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2013 (Continued)

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Türk Traktör ve Ziraat Makineleri A.Ş. (the “Company”) was established in 1954 in Ankara, as Minneapolis Moline Türk Traktör ve Ziraat Makineleri A.Ş. to undertake the manufacturing and trade of farm tractors, harvesters and other agricultural machinery and equipment. The name of the Company was changed as Türk Traktör Ziraat Makineleri A.Ş. in 1968 upon the purchase of 25% of the shares held by Ege Makina ve Ticaret A.Ş., a group company of the Koç Holding A.Ş. (“Koç Holding”). As of 30 June 2013, major shareholders of the Company are Koç Holding and CNH Österreich GmbH (“CNH Österreich”) (Note 13). The number of personnel working within the Company as of 30 June 2013 is 2.547 (31 December 2012: 2.378).

The Company and New Holland Trakmak Traktör ve Ziraat Makinaları A.Ş. (“Trakmak”), was merged in relation to the merger agreement registered on 31 March 2008, through transfer of all the assets and liabilities of Trakmak into the Company as a whole.

The method adopted in the business combination of the Company and Trakmak, was merger over adjusted equities in accordance with the International Financial Reporting Standards. Merger ratio based on the equity method was determined by an independent expert firm as 88,067% and by dividing the previous share capital of the Company amounting to TL 47.000.000 by the merger ratio, reaching share capital amounting to TL 53.369.000 after the merger.

CNH Global NV (“CNH Global”), centred in Netherland, one of the Company shareholders has transferred its fully paid 2.001.337.500 Group B shares with a nominal of TL 20.013.375 to its 100% owned subsidiary CNH Österreich, centred in Austria on 16 February, 2011.

The Company conducts marketing and selling activities in the domestic market, through its 129 sales dealers and 98 spare part dealers.

The Company is registered in Turkey in the following address:

Güvercin Yolu No: 111-112
06560 - Gazi Ankara

As of June 30, 2013, the free float of the Company whose shares are traded in the Borsa Istanbul (“BIST”) is 24,93% (31 December 2012: 24,93%) (Note 13).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2013 (Continued)

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

The main accounting policies used for preparing the Companies' interim condensed financial statements are stated below:

Principles governing the preparation of financial statements

The interim condensed financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the Communiqué) announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Accounting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Accounting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority ("POA").

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

According to decision which was made by CMB on March 17, 2005, from the date of January 1, 2005 there is no need for inflation accounting application for the listed companies performing in Turkey. The Company has prepared the financial statements according to this decision.

Interim condensed financial statements of the Company do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Companies' annual financial statements as of 31 December 2012.

Functional and representative currency of the Company is TL.

The interim condensed financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with the Accounting Standards of the POA.

2.2 Comparatives and restatement of prior periods' financial statements

To allow for the detection of financial position and performance trends, the financial statements of the Company for the current period are prepared comparatively with the previous period. To ensure compliance with the presentation of the financial statements for the current period, comparative information may be reclassified when necessary.

- (i) In its cash flow statement, the Company has classified TL 287.583 which was capitalized under research and development expenses in the period before June 30, 2012 under investment expenditures under depreciation expenses.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2013 (Continued)

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- (ii) Within the scope of the amendments to TAS 19 – Employee benefits, actuarial income/losses related to employee termination benefits are recognized under equity. This practice is effective for the periods starting as of January 1, 2013 and has been implemented retrospectively. In its statement of income, the Company has classified the actuarial loss amounting to TL 23.156 (with deferred tax impact netted off) under other comprehensive income, which was recognized under “costs of sales” and “deferred tax income/expense” account in the period ended June 30, 2012. The Company has classified the actuarial income amounting to TL 59.411, with the deferred tax impact netted off, which was shown in net profit for the period in the statement of financial position dated December 31, 2012, and the actuarial income amounting to TL 68.377, with the deferred tax impact netted off (actuarial income totally amounting to TL 127.788) under the actuarial income/loss fund in the pension plan in the statement of financial position of the same date. The Company has classified the actuarial loss amounting to TL 28.945 which was classified under profit before tax in the cash flow statement dated June 30, 2012 under employee termination benefits.

Pursuant to the decree taken in the CMB’s meeting dated June 7, 2013 and numbered 20/670, for capital market board institutions within the scope of the Communiqué on Principles Regarding Financial Reporting in the Capital Market, financial statement templates and a user guide have been published, effective as of the interim periods ended after March 31, 2013. Various classifications were made in the Company’s statement of financial position pursuant to these formats which have taken effect. The classifications made in the statement of financial position of the Company as of 31 December 2012 are as follows:

- Prepaid expenses amounting to TL 693.459 shown in other current assets were classified as a separate account in the statement of financial position,
- The short term part of the long term borrowings, amounting to TL 65.720.216, shown in the account group of short terms borrowings was classified as a separate account in the statement of financial position,
- Tax payable and other deductions amounting to TL 5.222.270 shown under the account group of other liabilities were classified under liabilities for employee termination benefits,
- Provisions for paid leave in the account group of employee benefits amounting to TL 715.856 were classified as a separate account in the statement of financial position as short term provisions for employee benefits.
- The name of the account group for liabilities related to employee benefits was changed into “payables within the scope of employee benefits.
- Government grants in the account of other short term liabilities amounting to TL 1.689.770 were classified as a separate account in the statement of financial position,
- Advances taken amounting to TL 14.087.436 and deferred income amounting to TL 518.552, which were shown in the account group of other liabilities, were classified as a separate account in the statement of financial position under deferred income,
- Other short term provisions amounting to TL 406.442 shown in the account group of other liabilities were classified under other short term provisions.
- The name of provisions amounting to TL 17.502.664 was changed into other short term provisions.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2013 (Continued)

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- Profit from currency differences amounting to TL 73.322.384 and from delay interest from sales on account amounting to TL 22.680.036 regarding trade receivables and payables under the finance income account were classified under other operating income,
- Income from the sale of fixed assets amounting to TL 5.113.161 shown in the account group of other operating income was classified under income from investment activities,
- Losses due to currency differences amounting to TL 77.263.409 and finance expense related to forward purchases amounting to TL 18.023.291 related to trade receivables and payables shown in the account of finance expense were classified under other operating income,
- Income from the sale of fixed assets amounting to TL 14.493 shown in the account group of other operating income was classified under income from investment activities.

2.3 Changes in TFRS:

The accounting policies adopted in preparation of the interim financial statements as at 30 June 2013 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2013. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

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

- TFRS 7 "Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amended)" (The amendment affects disclosures only and did not have any impact on the financial position or performance of the Company.)
- TAS 1 "Presentation of Financial Statements (Amended)" - "Presentation of Items of Other Comprehensive Income" (The amendment affects presentation only and did not have an impact on the financial position or performance of the Company.)
- TAS "19 Employee Benefits (Amended)" - (Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, for determined benefit plans recognizing actuarial gain under other comprehensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. Since the Company recognizes the actuarial gain and loss in the other comprehensive income statement, the amendment of the standard with regards to the accounting of actuarial gain/loss impact on the financial position or performance of the Company. The Company has presented these disclosures in Note 2.2)
- TAS 27 "Separate Financial Statements (Amended)" - (As a consequential amendment to TFRS 10 and TFRS 12, the POA also amended TAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This amendment did not have an impact on the financial position or performance of the Company.)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2013 (Continued)

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- TAS 28 “Investments in Associates and Joint Ventures (Amended)” – (As a consequential amendment to TFRS 11 and TFRS 12, the POA also amended TAS 28, which has been renamed TAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to TFRS 11. This amendment did not have an impact on the financial position or performance of the Company.)
- TFRS 10 “Consolidated Financial Statements” (TFRS 10, TAS 27 Consolidated and Separate Financial Statements address the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgement. This amendment will not have an impact on the financial position or performance of the Company.)
- TFRS 11 “Joint Arrangements” (The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard did not have an impact on the financial position or performance of the Company.)
- TFRS 12 “Disclosure of Interests in Other Entities” (TFRS 12 includes all of the requirements that are related to disclosures of an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. Apart from the disclosures regarding the significant issues and transactions in the interim period, disclosures according to the new standards are not applicable to interim periods so the Company did not provide this disclosure in the interim period.)
- TFRS 13 “Fair Value Measurement” (The new Standard provides guidance on how to measure fair value under TFRS but does not change when an entity is required to use fair value. It is a single source of guidance under TFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. The new disclosures are only required for periods beginning after TFRS 13 is adopted. Some of the disclosures about the financial instruments mentioned above, have to be provided in the interim condensed financial statements according to TAS 34.16 A (j).This amendment did not have an impact on the interim financial statements of the Company.)
- TFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine Entities” (The interpretation is not applicable for the Company and did not have any impact on the financial position or performance of the Company.)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2013 (Continued)

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- Transition Guidance “Amendments to TFRS 10, TFRS 11 and TFRS 12” (The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as ‘the beginning of the annual reporting period in which TFRS 10 is applied for the first time’. The assessment of whether control exists is made at ‘the date of initial application’ rather than at the beginning of the comparative period. If the control assessment is different between TFRS 10 and TAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons POA has also amended TFRS 11 Joint Arrangements and TFRS 12 Disclosure of Interests in Other Entities to provide transition relief. These amendments did not have an impact on the interim financial statements of the Company.)

Improvements to TFRSs:

Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards, is effective for annual periods beginning on or after 1 January 2013. This project did not have an impact on the financial position or performance of the Company.

- TAS 1 Financial Statement Presentation: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.
- TAS 16 Property, Plant and Equipment: Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
- TAS 32 Financial Instruments: Presentation: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with TAS 12 Income Taxes. The amendment removes existing income tax requirements from TAS 32 and requires entities to apply the requirements in TAS 12 to any income tax arising from distributions to equity holders.
- TAS 34 Interim Financial Reporting: Clarifies the requirements in TAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity’s previous annual financial statements for that reportable segment.

Standards issued but not yet effective and not early adopted

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

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SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2013 (Continued)

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- TAS 32 “Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)” (These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.)
- TFRS 9 Financial Instruments – Classification and measurement (As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. The Company does not expect that these amendments will have significant impact on the 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 TFRS standards are issued by the TASB but not yet effective up to the date of issuance of the interim financial statements. However, these standards, interpretations and amendments to existing TFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

- TFRS 10 “Consolidated Financial Statements (Amendment)”, The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.
- TFRIC Interpretation 21 Levies, (The interpretation is effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.)
- TAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets (Amendment) (The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.)
- TAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendment) (The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.)

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SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2013 (Continued)

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Resolutions promulgated by the Public Oversight Authority

2013-1 Financial Statement Examples and User Guide

The Public Oversight Authority promulgated “financial statement examples and user guide” on May 20, 2012 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, individual retirement or capital market. The Company has made the classification adjustments stated in Note 2.2 in order to comply with the requirements of this regulation.

2013-2 Recognition of Mergers of Entities under Joint Control

In accordance with the resolution it has been adjudicated that i) mergers of entities under joint control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the merger has been materialized as of the beginning of the reporting period in which the joint control occurs and should be presented comparatively as of the beginning of the reporting period in which the joint control occurs These resolutions shall not have an impact on the financial statements of the Company.

2013-3 Recognition of Dividend Right Certificates

Clarification has been provided on the conditions and circumstances where the dividend right certificates shall be recognized as a financial liability or a financial instruments based on equity. These resolutions shall not have an impact on the financial statements of the Company

2013-4 Recognition of Cross Shareholding Investments

A situation in which an entity has treasury shares in an entity with an investment in associate; the recognition of cross shareholding has been assessed based on the type of the investment and different recognition principles. With the subject resolution, the subject has been assessed under three main topics below and the recognition principles for each one of them has been specified.

- i) In the event that the subsidiary holds the financial instruments based on equity of the parent,
- ii) In the event that affiliates and joint ventures hold the financial instruments based on equity of the investing entity,
- iii) In the event that the entity’s financial instruments based on equity are held by the entity in which it has investments recognized within the scope of TAS 38 and TFRS 9.

These resolutions shall not have an impact on the financial statements of the Company.

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SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2013 (Continued)

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Convenience translation into English of financial statements originally issued in Turkish

As at 30 June 2013, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying interim condensed financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

NOTE 3 - CASH AND CASH EQUIVALENTS

	30 June 2013	31 December 2012
Banks		
- TL denominated demand deposits	12.266.127	14.752.676
- TL denominated time deposits	26.513.068	127.834.240
- Foreign currency denominated demand deposits	1.804.264	1.280.290
- Foreign currency denominated time deposits	244.926.558	235.104.109
	285.510.017	378.971.315

As of 30 June 2013, the weighted average effective annual interest rate for TL and Euro (“EUR”) time deposits is %6,00 and %2,25 (As of 31 December, 2012: TL: %7,78, EUR: %3,29). As of 30 June 2013 and 31 December 2012, remaining time to maturity of time deposits is less than three months.

The cash and cash equivalents included in the statement of cash flows at 30 June 2013 and 31 December 2012 is as follows:

	30 June 2013	31 December 2012
Banks	285.510.017	378.971.315
Less: Interest accruals	(105.248)	(85.933)
Less: Restricted bank deposits (*)	(470.394)	(2.666.564)
Cash and cash equivalents	284.934.375	376.218.818

(*) This account consists of receivables collected via the direct debit system. The blockage on this account is terminated following the closure of the term.

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**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
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(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 4 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

Short-term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012	30 June 2013	31 December 2012
EUR bank borrowings	35.103.535	40.487.130	0,99	4,14	88.239.756	95.213.584
TL bank borrowings	21.021 (*)	-		-	21.021	-
					88.260.777	95.213.584
Prepaid commission for debt (**)					(396.318)	-
					87.864.459	95.213.584

(*) Bank borrowings amounting to TL 21.021 TL (31 December 2012: None) are used for the Social Security and other tax payments of the Company without bearing any interest and with three days maturity (31 December 2012: three days maturity).

(**) Prepaid commission for debt consists of unrealized commission expense that is paid to banks related to bank borrowings.

Short-term financial lease obligations

	Original currency amount		TL equivalent	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
TL financial lease obligations	2.499	4.345	2.499	4.345
			2.499	4.345
Total short-term financial liabilities			87.866.958	95.217.929

Current portion of long term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012	30 June 2013	31 December 2012
EUR bank borrowings	37.687.069	27.945.833	4,39	5,00	94.733.987	65.720.216
					94.733.987	65.720.216

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
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2013 (Continued)**

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 4 - FINANCIAL LIABILITIES (Continued)

b) Long-term financial liabilities

Long-term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	30 June	31 December	30 June	31 December	30 June	31 December
	2013	2012	2013	2012	2013	2012
EUR bank borrowings	75.089.215	82.846.438	2,52	4,64	188.751.759	194.829.967
					188.751.759	194.829.967
Prepaid commission for debt (*)					(1.585.272)	-
Total long-term financial liabilities					187.166.487	194.829.967

(*) Prepaid commission for debt consists of unrealized commission expense that are paid to banks related to bank borrowings.

Redemption schedule of the long-term bank borrowings as of 30 June 2013 is as follows:

	30 June 2013
2015	54.089.259
2016	53.865.000
2017	53.865.000
2018	26.932.500
	188.751.759

As of 30 June 2013 the Company does have a long-term investment loan amounting to EUR 75.000.000. (31 December 2012: None). Loan's maturity period is 5 years with an interest payment of every 6 months and with an interest rate of 2.20% + Euribor. There are no principle payments for the following 2 years.

Carrying values and fair values of the bank borrowings are as shown below:

	Carrying value		Fair value	
	30 June	31 December	30 June	31 December
	2013	2012	2013	2012
Bank borrowings	371.746.523	355.763.767	371.582.252	353.840.083

As of 30 June 2013, fair values of the credits, for EUR credits is 2,54%, denominated bank borrowings are determined by using the discounted cash flow method over annual average effective discount rates respectively (31 December 2012: 4,84%).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
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2013 (Continued)**

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

	30 June 2013	31 December 2012
Short-term trade receivables:		
Customer current accounts	313.728.556	217.564.034
Notes receivables	30.184.811	54.013.425
Protested notes	6.224.564	13.275.882
	350.137.931	284.853.341
Less: Provision for doubtful receivables	(38.227.614)	(37.784.114)
Unearned financial income	(1.993.087)	(1.339.029)
Short-term trade receivables	309.917.230	245.730.198
Due from related parties (Note 20)	126.232.850	84.904.276
Total short-term trade receivables	436.150.080	330.634.474

Movements of the provisions for short term doubtful receivables for the periods ended 30 June 2013 and 2012 are as shown below:

	2013	2012
1 January	(37.784.114)	(33.039.870)
Cancellations during the year (Note 15)	487.587	4.231.840
Charge during the year (Note 15)	(931.087)	(4.315.282)
30 June	(38.227.614)	(33.123.312)

	30 June 2013	31 December 2012
Long-term trade receivables:		
Notes receivables	786.608	2.182.293
Less: Provision for doubtful receivables	(562.987)	(527.671)
Unearned financial income	(1.798)	(11.278)
Long-term trade receivables	221.823	1.643.344

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**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
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2013 (Continued)**

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 5 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movements of the provisions for long term doubtful receivables for the periods ended 30 June 2013 and 2012 are as shown below:

	2013	2012
1 January	(527.671)	(6.288.176)
Transfer to short term	-	-
Cancellations during the year (Note 15)	-	-
Charge during the year (Note 15)	(35.316)	(593.943)
30 June	(562.987)	(6.882.119)

	30 June 2013	31 December 2012
Trade payables:		
Supplier current accounts	311.652.969	204.184.018
Less: Unincurred financial expense	(1.372.138)	(900.235)
Trade payables	310.280.831	203.283.783
Due to related parties (Note 20)	14.746.270	17.006.021
Total trade payables	325.027.101	220.289.804

NOTE 6 - INVENTORIES

	30 June 2013	31 December 2012
Raw materials	115.808.366	126.258.219
Work in progress	11.842.945	4.425.778
Finished goods	56.194.481	42.213.817
Commercial goods	58.877.363	53.789.605
Spare parts	19.366.425	18.688.498
Goods in transit (*)	56.979.886	53.015.011
	319.069.466	298.390.928
Provision for impairment of inventory (-)	(7.473.025)	(5.769.405)
	311.596.441	292.621.523

The cost of inventories recognised as expense in the current year, amounted to TL 804.384.549 (30 June 2012: TL 880.082.999).

(*) Goods in transit comprised of commercial goods and spare parts are not arrived, but invoices are received as of period end.

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**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
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NOTE 6 – INVENTORIES (Continued)

Movement of provision for impairment of inventory during the period is as follows:

	30 June 2013	30 June 2012
1 January	(5.769.405)	(1.662.000)
Released of inventory sold during the period	2.213.417	799.351
Charge during the period for impairment of inventory	(3.917.037)	(3.893.404)
30 June	(7.473.025)	(4.756.053)

Allocation of the provision for impairment on inventories in terms of inventory type is as follows:

	30 June 2013	30 June 2012
Raw materials	(4.659.076)	(362.539)
Finished goods	(1.514.692)	(3.530.865)
Spare parts	(1.299.257)	(862.649)
	(7.473.025)	(4.756.053)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
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(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 7- PROPERTY, PLANT AND EQUIPMENT

	1 January 2013	Additions	Disposals	Transfers	30 June 2013
<u>Cost</u>					
Land	30.171.026	500.000	-	-	30.671.026
Land improvements	5.448.242	29.600	-	-	5.477.842
Buildings	52.951.936	57.950	-	-	53.009.886
Machinery and equipment	379.404.095	3.320.933	(2.230.510)	7.778.122	388.272.640
Special costs	2.705.188	6.950	-	-	2.712.138
Motor vehicles	1.906.576	9.000	-	-	1.915.576
Furniture and fixtures	31.440.063	919.619	(613.292)	1.675.603	33.421.993
Construction in progress	18.201.769	38.595.539	(34.650)	(9.592.341)	47.170.317
	522.228.895	43.439.591	(2.878.452)	(138.616)(*)	562.651.418
<u>Accumulated depreciation</u>					
Land improvements	3.344.573	75.569	-	-	3.420.142
Buildings	36.651.959	769.215	-	-	37.421.174
Machinery and equipment	300.372.133	6.380.246	(1.769.571)	-	304.982.808
Special costs	2.641.633	6.283	-	-	2.647.916
Motor vehicles	1.204.620	111.845	-	-	1.316.465
Furniture and fixtures	21.020.832	1.576.639	(613.292)	-	21.984.179
	365.235.750	8.919.797	(2.382.863)	-	371.772.684
Net book value	156.993.145				190.878.734

(*) Transferred to intangible assets.

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**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
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2013 (Continued)**

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOT 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2012	Additions	Disposals	Transfers	30 June 2012
<u>Cost</u>					
Land	22.240.313	1.547.114	(6.066)	-	23.781.361
Land improvements	5.329.126	21.750	-	-	5.350.876
Buildings	51.177.099	106.232	-	-	51.283.331
Machinery and equipment	351.600.074	6.959.113	(3.841.528)	7.070.514	361.788.173
Special costs	2.705.188	-	-	-	2.705.188
Motor vehicles	1.791.445	-	(129.617)	-	1.661.828
Furniture and fixtures	27.882.315	920.960	(72.516)	929.704	29.660.463
Construction in progress	9.655.625	5.737.211	-	(8.050.218)	7.342.618
	472.381.185	15.292.380	(4.049.727)	(50.000) (*)	483.573.838
<u>Accumulated depreciation</u>					
Land improvements	3.197.561	73.038	-	-	3.270.599
Buildings	35.102.741	777.639	-	-	35.880.380
Machinery and equipment	301.110.058	4.358.968	(3.816.344)	-	301.652.682
Special costs	2.620.160	12.721	-	-	2.632.881
Motor vehicles	1.105.003	122.318	(110.084)	-	1.117.237
Furniture and fixtures	19.274.377	1.113.102	(63.268)	-	20.324.211
	362.409.900	6.457.786	(3.989.696)	-	364.877.990
Net book value	109.971.285				118.695.848

(*) Transferred to intangible assets.

For the period ended at 30 June 2013, of the total depreciation expense amounting to TL 8.919.797 (30 June 2012: TL 6.457.786), TL 6.619.079 (30 June 2012: TL 4.685.295) is allocated to production costs, TL 1.400.876 (30 June 2012: TL 1.076.676) is allocated to general administrative expenses, TL 538.791 (30 June 2012: TL 406.255) is allocated to research and development expenses and TL 361.051 (30 June 2012: TL 289.560) is allocated to marketing, selling and distribution expenses. The depreciation expense amounting to TL 388.852 (30 June 2012: TL 287.583) is capitalized during the period as it is related to the development costs.

The company has compared borrowing cost of the foreign currency denominated investment loan with market loan interest rates in TL and capitalized total of interest charge and exchange rate difference amounting 576.712 which is classified under the tangible assets as of June 30, 2013 (December 31, 2012: None).

There is no mortgage on property, plant and equipment as of June 30, 2013 (December 31, 2012: None).

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NOTE 8 - INTANGIBLE ASSETS

	1 January 2013	Additions	Disposals	Transfers	30 June 2013
<u>Cost</u>					
Rights	7.955.531	293.583	-	138.616	8.387.730
Development costs	27.966.944	36.616	-	-	28.003.560
Development costs in progress	13.195.578	4.250.022	-	-	17.445.600
	49.118.053	4.580.221	-	138.616	53.836.890

Accumulated amortisation

Rights	5.205.768	543.034	-	-	5.748.802
Development costs	9.020.277	2.749.066	-	-	11.769.343
	14.226.045	3.292.100			17.518.145

Net book value	34.892.008				36.318.745
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	1 January 2012	Additions	Disposals	Transfers	30 June 2012
<u>Cost</u>					
Rights	6.093.469	1.044.717	-	50.000	7.188.186
Development costs	10.088.545	-	-	16.790.416	26.878.961
Development costs in progress	18.905.977	5.592.221	-	(16.790.416)	7.707.782
	35.087.991	6.636.938	-	50.000	41.774.929

Accumulated amortisation

Rights	4.389.345	352.935	-	-	4.742.280
Development costs	4.286.789	1.889.171	-	-	6.175.960
	8.676.134	2.242.106	-	-	10.918.240

Net book value	26.411.857				30.856.689
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Development costs includes intangible assets generated by the Company. Capitalized development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

The amortisation is not calculated for the development costs in progress as the development process has not yet been completed.

For the period ended at 30 June 2013, of the total amortisation expenses amounting to TL 3.292.100 (30 June 2012: TL 2.242.106), TL 402.967 (30 June 2012: TL 256.064) is allocated to production costs, TL 85.285 (30 June 2012: TL 58.843) is allocated to general administrative expenses, TL 2.781.868 (30 June 2012: TL 1.911.374) is allocated to research and development expenses and TL 21.980 (30 June 2012: TL 15.825) is allocated to marketing, selling and distribution expenses.

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2013 (Continued)**

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 9 - OTHER ASSETS AND LIABILITIES

	30 June 2013	31 December 2012
a) Other current assets:		
Deferred value added tax ("VAT")	50.509.051	47.582.310
Reclaimed VAT	37.033.761	53.535.603
Other	726.198	284.209
	88.269.010	101.402.122
b) Deferred income:		
Deferred income (*)	3.118.014	518.552
Advances taken	461.515	14.087.436
Other short-term liabilities	3.579.529	14.605.988

(*) Deferred income represents the sales amount of the tractors for which the invoices are issued but are not yet shipped to customers as of 30 June 2013 and 31 December 2012.

NOTE 10 - PREPAID EXPENSES

Long-term prepaid expenses

Advances given for fixed assets	11.024.922	-
Prepaid expenses	11.024.922	-

NOTE 11 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) Short term provisions

Short term provision for employee benefits

	30 June 2013	31 December 2012
Provision for unused vacation	2.222.461	715.856
	2.222.461	715.856

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**NOTE 11 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS
(Continued)**

Movements of the provision for unused vacation rights for the period are as follows:

	30 June 2013	30 June 2012
1 January	715.856	559.443
Charge/ (used) for the period, net	1.506.605	1.555.589
30 June	2.222.461	2.115.032

Other short term provisions

	30 June 2013	31 December 2012
Warranty provision	18.801.087	16.133.521
Provision for legal cases (*)	1.469.143	1.369.143
Other provisions (**)	6.187.700	406.442
	26.457.930	17.909.106

(*) The balance represents provision for business cases which were opened against the Company.

(**) The balance consists of provision for donation and other provision as of June 30, 2013.

Movements of the short term and long term warranty provisions for the period are as follows:

	2013	2012
1 January	30.746.095	28.089.818
Used during the period	(17.540.915)	(6.534.178)
Charge for the period	19.678.780	11.734.216
30 June	32.883.960	33.289.856

Movements of the lawsuit provisions for the period are as follows:

	2013	2012
1 January	1.369.143	550.057
Charge for the period	100.000	-
30 June	1.469.143	550.057

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**NOTE 11 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS
(Continued)**

b) Long term provisions

Long term provision for employee benefits

	30 June 2013	31 December 2012
Provision for employee termination benefits	10.090.539	9.004.102
	10.090.539	9.004.102

Provision for employee termination benefit is recorded in line with the legal arrangements explained below:

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 3.129,25 for each year of service as of 30 June 2013 (31 December 2012: TL 3.033,98).

The liability is not funded, as there is no funding requirement. 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.

Communiqué require actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	30 June 2013	31 December 2012
Inflation rate (%)	5,10	5,10
Discount rate (%)	9,16	9,16
Turnover rate to estimate the probability of retirement (%)	94,77	94,19

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL 3.254,44 which is effective from 1 July 2013 has been taken into consideration in calculating the provision for employee termination benefits of the Company.

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**NOTE 11 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS
(Continued)**

Movements of the provision for employee termination benefits during the period are as follows:

	2013	2012
1 January	9.004.102	7.501.348
Interest cost	331.351	304.930
Current service cost	1.758.592	1.346.854
Benefits paid by the company	(1.055.904)	(590.625)
Actuarial loss/ (gain)	52.398	28.945
30 June	10.090.539	8.591.452

Other long term provisions

	30 June 2013	31 December 2012
Warranty provision	14.082.873	14.612.574
	14.082.873	14.612.574

c) Contingent Liabilities

The commitments and contingent liabilities that are not expected to cause material loss or debts to the Company are summarized below:

	30 June 2013	31 December 2012
A. The total amount of collaterals given on behalf of its own legal entity	115.412.862	23.014.969
B. The total amount of collaterals given in 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	-	-
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 items B and C	-	-
iii. The total amount of collaterals given in favor of third parties other than the parties stated in item C	-	-
	115.412.862	23.014.969

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**NOTE 11 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS
(Continued)**

As at 30 June 2013, the Company has given its own legal entity on behalf of the original collateral denominated in foreign currency amounts of EUR 45.111.123 and USD 26.444. (31 December 2012: EUR 9.002.848 and USD 26.444).

d) Contingent Assets

	30 June 2013			Foreign currency amount			TL equivalent	
	EUR	USD	TL	31 December 2012			30 June	December
				EUR	USD	TL	2013	2012
Letters of guarantees received	-	270.000	293.119.550	-	470.000	274.206.800	293.639.246	275.044.623
Direct debit	-	-	195.405.732	-	-	179.586.528	195.405.732	179.586.528
Mortgages	-	-	6.077.214	-	-	6.178.980	6.077.214	6.178.980
Security bonds	-	-	1.822.000	-	-	1.872.000	1.822.000	1.872.000
Cash TL guarantees	-	-	-	-	-	31.462	-	31.462
Cash foreign currency guarantees	-	8.363	-	-	8.363	-	16.097	14.907
							496.960.289	462.728.500

NOT 12 - PROVISION FOR EMPLOYEE BENEFITS

Liabilities for employee benefits

	30 June 2013	31 December 2012
Taxes payable and liabilities (*)	7.080.944	5.222.270
Accrued liabilities and premiums paid to the personnel	6.221.457	6.754.742
	13.302.401	11.977.012

(*) The balance consists of social security and withholding debt for the employees of the Company.

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SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2013 (Continued)

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NOT 13 - SHAREHOLDERS' EQUITY

Paid-in Share Capital

The Company's registered share capital amounts to TL 250.000.000 (31 December 2012: TL 250.000.000).

The Company's share capital is composed of 5.336.900.000 units of shares each Kr 1 nominal value. The nominal value of share capital is TL 53.369.000.

The composition of the Company's statutory share capital at 30 June 2013 and 31 December 2012 are as follows:

	30 June 2013		31 December 2012	
	Participation (%)	Share Amount (TL)	Participation (%)	Share Amount (TL)
Koç Holding	37,50	20.013.375	37,50	20.013.375
CNH Osterreich	37,50	20.013.375	37,50	20.013.375
Public quotation	24,93	13.306.859	24,93	13.306.859
Other	0,07	35.391	0,07	35.391
	100,00	53.369.000	100,00	53.369.000
Adjustments to share capital		39.014.356		39.014.356
		92.383.356		92.383.356

Adjustments to share capital represent the restatement effect of cash and cash equivalent contributions to share capital.

As of 28 November 2005, the shares of the Company are dematerialized and in accordance with the Communiqué No: IV-28 regarding "Principles and Procedures for the Recording of Dematerialized Capital Market Instruments", shares paid to the bearer were made shares paid to the name. The Company's shares were organized as A, B and C Groups. A and B Group shares are privilege shares, and five Board members are selected from Group A's and five Board members are selected from Group B's nominated candidates. One of the each A and B Group shares has to have independence qualities which are defined in CMB regulations.

CNH Global, centered in Netherland, one of the "Company" shareholders has transferred its fully paid 2.001.337.500 Group B shares with a nominal of TL 20.013.375 to its 100% owned subsidiary CNH Osterreich, centered in Austria on February 16, 2011.

As of 11 June 2004, the Company has been quoted to BIST and its shares started to be traded in the stock exchange market from that date. As of 30 June 2013, 24,93% (31 December 2012: 24,93%) of the Company shares are quoted at BIST.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2013 (Continued)

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NOTE 13 - SHAREHOLDERS' EQUITY (Continued)

Retained Earnings, Restricted Profit Reserves, Fair Value Reserves, and Other Capital Reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital. These amounts are classified as "Restricted profit reserves" according to the CMB Financial Reporting Standards.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2009, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences (such as inflation adjustment differences) shall be disclosed as follows:

- If the difference is due to the inflation adjustment of "share capital" and not yet been transferred to capital should be classified under "Adjustments to Share Capital";
- If the difference is due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings".

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Capital adjustment differences have no other use other than being transferred to share capital.

Dividend Distribution

In the statutory financial statements of the Company, in addition to the statutory profit amounting to TL 138.592.040 and retained earnings amounting to TL 291.599.544 for the period ended 30 June 2013; there are inflation adjustment difference and other capital reserves that can be subject to a possible tax liability amounting to TL 47.110.422 and TL 10.368.258 if dividend distribution is made.

The decision of dividend payment amounting to TL 200.000.000, taken in the Company's General Assembly dated 25 March 2013 and payment has made to shareholders in cash in March 25, 2013 (Note 20). Dividend payment distribution has been 3,74 Kr per share (31 December 2012: 3,74 Kr).

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NOTE 14 - SALES AND COST OF SALES

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Domestic sales	865.544.694	478.520.037	936.210.963	503.805.955
Export sales	324.672.604	168.646.017	349.442.066	197.983.110
	1.190.217.298	647.166.054	1.285.653.029	701.789.065
Less: Discounts and returns	(87.375.299)	(50.033.844)	(104.194.399)	(55.763.861)
Sales income (net)	1.102.841.999	597.132.210	1.181.458.630	646.025.204
Cost of sales	(867.150.664)	(465.290.365)	(927.786.672)	(502.831.194)
Gross profit	235.691.335	131.841.845	253.671.958	143.194.010

NOTE 15 – OTHER OPERATING INCOME/EXPENSES

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Foreign exchange gain from trade receivable/ payables	117.048.794	86.160.181	73.322.384	30.768.848
Financial income from credit sales	4.733.901	2.042.929	22.680.036	9.204.866
Termination of provision for doubtful receivables (Note 5)	487.587	289.224	4.231.840	3.457.556
Incentive income	190.333	95.167	122.537	66.391
Other income	1.101.988	192.288	257.900	35.943
Other operating income	123.562.603	88.779.789	100.614.697	43.533.604
Foreign exchange loss from trade receivable/ payables	(111.913.231)	(78.516.493)	(77.263.409)	(31.239.374)
Financial expense on credit purchases	(3.323.401)	(1.512.200)	(18.023.291)	(5.643.328)
Provision for doubtful receivables (Note 5)	(966.403)	(624.733)	(4.909.225)	(396.923)
Other expenses	(350.147)	(349.949)	(1.831.573)	(461.380)
Other operating expenses	(116.553.182)	(81.003.375)	(102.027.498)	(37.741.005)

NOTE 16 - FINANCIAL INCOME

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Foreign exchange gain	31.571.058	17.628.793	35.495.861	16.753.912
Interest income	5.881.660	1.946.415	4.822.703	2.099.497
Financial income	37.452.718	19.575.208	40.318.564	18.853.409

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NOTE 17 - FINANCIAL EXPENSES

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Foreign exchange loss	(40.102.288)	(29.111.895)	(21.247.247)	(8.333.068)
Interest expenses on bank borrowings	(6.853.819)	(3.164.795)	(6.861.995)	(3.891.680)
Other	(1.873.952)	(771.118)	(824.958)	(417.676)
Financial expenses	(48.830.059)	(33.047.808)	(28.934.200)	(12.642.424)

NOTE 18 - TAX ASSETS AND LIABILITIES

	30 June 2013	31 December 2012
Corporate taxes payable	35.719.589	57.266.903
Less: Prepaid taxes	(12.173.719)	(52.772.988)
Total tax payable - net	23.545.870	4.493.915

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Current period corporate tax expense	(35.719.589)	(22.573.038)	(47.232.727)	(24.592.484)
Deferred tax income	10.817.962	9.577.369	13.876.882	3.748.242
Tax expense	(24.901.627)	(12.995.669)	(33.355.845)	(20.844.242)

Corporation tax is payable, at a rate of 20% as of 30 June 2013 (31 December 2012: 20%) on the total income of the companies registered in Turkey after adjusting for certain disallowable expenses, exempt income and investment and other allowances (e.g. R&D allowance).

Deferred taxes

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements prepared in accordance with the CMB Financial Reporting Standards and their statutory financial statements, using the currently enacted tax rates. These temporary differences result in the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes. The currently enacted tax rate for deferred tax assets and liabilities is 20% (31 December 2012: 20%).

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NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/ (liabilities) at 30 June 2013 and 31 December 2012 are as follows:

	Temporary differences		Deferred tax assets/(liabilities)	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Property, plant and equipment and intangible assets, restatement and useful life differences	24.840.065	23.930.275	(4.968.013)	(4.786.055)
Unearned finance income on due from related parties	(71.351)	(20.228)	14.270	4.046
Provision for employee termination benefits	(10.090.539)	(9.004.102)	2.018.108	1.800.820
Capitalized unincurred financial expense on inventory	(953.931)	(1.286.087)	190.786	257.217
Warranty provision	(31.867.910)	(30.746.095)	6.373.582	6.149.219
Provision for lawsuits	(1.469.143)	(1.369.142)	293.828	273.828
Unearned finance income on trade receivables and payables	(662.434)	(502.422)	132.487	100.484
Provision for doubtful receivables	(18.174.158)	(22.223.495)	3.634.832	4.444.699
Provision for impairment of inventory	(7.473.026)	(5.769.405)	1.494.605	1.153.881
Sales premium accrued	(44.627.847)	(15.369.609)	8.925.569	3.073.922
Other expense provisions	(12.674.241)	(3.321.045)	2.534.848	664.209
Investment incentive	(63.238.602)	(40.632.357)	12.647.720	8.126.471
Deferred income	4.612.015	(1.384.010)	(922.403)	276.802
Other	(48.594)	(59.749)	9.716	11.950
Deferred tax assets			32.379.935	21.551.493

Movements of deferred tax assets during the period are as follows:

	2013	2012
1 January	21.551.493	14.237.940
Added to profit for the period	10.817.962	13.876.882
Added to other comprehensive income/ expense	10.480	5.789
30 June	32.379.935	28.120.611

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NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

The reconciliation of the current period tax charge is as follows:

	30 June 2013	30 June 2012
Taxation on income	161.826.801	199.429.191
Tax calculated at enacted tax rate	32.365.360	39.885.838
Investment deduction	(7.233.159)	(5.346.149)
Research and development deductions	(1.084.768)	(1.102.540)
Disallowable expenses	339.167	261.799
Other	515.027	(343.103)
Total tax charge	24.901.627	33.355.845

NOT 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 period.

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.

Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue. Nominal value of one share of company is 1 Kuruş.

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Total comprehensive income	136.883.256	76.598.071	166.050.190	101.988.319
Weighted average number of the ordinary shares	5.336.900.000	5.336.900.000	5.336.900.000	5.336.900.000
Earnings per share (1 Kr nominal value per share as TL)	0,0257	0,0144	0,0311	0,0191

There is no difference between basic and diluted earnings per share in any period.

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NOT 20 - RELATED PARTY EXPLANATIONS

The Company is jointly controlled by Koç Holding and CNH Österreich. Related party balances and transaction disclosure are grouped by joint venture companies and group companies of joint venture companies.

Summary of the intercompany balances as of 30 June 2013 and 31 December 2012 and significant intercompany transactions were as follows:

i) Balances with related parties as of 30 June 2013 and 31 December 2012:

	30 June 2013	31 December 2012
a) Bank deposits and borrowings		
Deposits with related parties:		
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi")	1.504.971	40.566.894
	1.504.971	40.566.894
	30 June 2013	31 December 2012
b) Due from related parties		
Due from group companies		
CNH International SA ("CNH International") (*)	109.392.940	76.344.087
Ark İnşaat Sanayi ve Ticaret A.Ş.	11.063.793	3.328.611
CNH Italy SPA ("CNH Italy")	3.356.392	2.459.954
CNH Latin America Ltda	1.229.310	2.660.330
Other	1.261.766	131.522
	126.304.201	84.924.504
Less: Unearned financial income	(71.351)	(20.228)
	126.232.850	84.904.276

(*) Due from related parties is arising from export sales of the Company realized via CNH International. These receivables are collected on a regular basis in specified maturities within the business deals.

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NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

c) Due to related parties

Trade payable to shareholders

Koç Holding	1.184.101	1.398.132
Due to shareholders	1.184.101	1.398.132
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. ("Opet Fuchs")	6.776.821	2.640.236
New Holland Fiat India Pvt. Ltd. ("New Holland Fiat India")	3.062.750	2.026.510
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer")	2.133.665	5.422.826
Otokar Otobüs Karoseri Sanayi A.Ş. ("Otokar")	666.594	523.164
Koçtaş Yapı Marketleri A.Ş. ("Koçtaş")	433.433	859.048
Otokoç Otomotiv San. ve Tic. A.Ş. ("Otokoç")	233.522	107.700
Setur Servis Turistik A.Ş. ("Setur")	45.342	229.571
Opet Petrolcülük A.Ş. ("Opet")	39.669	46.113
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ("Koç Sistem")	10.856	2.230.677
CNH Services srl	-	1.240.837
Other	222.223	332.758
Due to group companies	13.624.875	15.659.440
Less: Unearned financial expenses	(62.706)	(51.551)
	14.746.270	17.006.021

**ii) Significant sales and purchases transactions with related parties for the periods between
1 January - 30 June 2013 and 2012:**

a) Product sales to related parties

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Product sales to group companies				
CNH International (*)	314.827.403	167.198.266	320.424.272	182.033.017
CNH Latin America Ltda.	4.863.497	2.252.009	26.494.836	14.480.358
CNH Italy	3.686.402	1.566.548	2.174.606	1.347.259
Zer	40.185	18.219	2.594.635	1.321.626
Other	1.253.202	885.517	273.782	120.749
	324.670.689	171.920.559	351.962.131	199.303.009

(*) The Company realizes export sales through CNH International.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE
2013 (Continued)**

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

b) Other income and expenses from related parties

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Other income from group companies				
CNH International	1.347	1.347	25.006	49
	1.347	1.347	25.006	49
Other expenses from group companies				
CNH International	(20.433)	-	-	-
CNH Italy	-	-	(34.678)	-
	(20.433)	-	(34.678)	-

c) Product purchases from related parties

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Product purchases from group companies				
CNH International(*)	147.143.604	50.162.147	35.702.487	24.325.026
Opet Fuchs(**)	16.416.332	8.227.302	16.341.970	7.375.618
New Holland India	11.818.917	6.520.937	-	-
Zer	2.709.944	2.097.249	4.410.995	2.181.006
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	1.199.216	615.212	1.329.932	559.611
Opet	402.827	205.251	384.404	210.415
Other	2.116.468	1.290.459	1.937.731	1.158.300
	181.807.308	69.118.557	60.107.519	35.809.976

(*) The company purchases tractors, agricultural machinery, engine and spare parts.

(**) The company makes various oil purchases for use in production and fuel purchases for use in company vehicles.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE
2013 (Continued)**

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

d) Service purchases from related parties

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Service purchases from shareholders				
Koç Holding (*****)	1.237.600	568.800	1.048.600	548.800
	1.237.600	568.800	1.048.600	548.800
Service purchase from group companies				
Zer(*)	23.162.717	13.710.495	8.649.111	5.712.431
Ark İnşaat San. Ve Tic. A.Ş. (**)	20.735.589	15.024.758	-	-
Otokar(***)	3.228.933	1.662.535	3.670.321	1.854.512
Setur (****)	2.471.808	551.112	1.781.355	556.018
CNH International (*****)	1.042.755	373.955	-	-
CNH Services srl (*****)	-	-	999.600	454.599
Otokoç	596.606	299.697	533.055	354.810
Ram Sigorta Aracılık Hizmetleri A.Ş. (*****)	740.373	58.201	477.855	58.472
Aygaz Doğal Gaz Toptan Satış A.Ş.	173.120	27.043	119.088	25.989
Other	815.637	334.822	525.135	320.355
	52.967.538	32.042.618	16.755.520	9.337.186
	54.205.138	32.611.418	17.804.120	9.885.986

(*) Services purchased from Zer are related with security, cleaning, transportation and other services.

(**) Services purchased from Ark İnşaat San. ve Tic. A.Ş. is related to services taken for construction of assembly factory in Sakarya.

(***) Service purchased from Otokar is related with assembly and assembly support services.

(****) Services purchased from Setur are generally arising from plane tickets, accommodation and associated with various organizations within the sales and marketing activities.

(*****) Services purchased from CNH International and CNH Services srl is related with human resources, strategy development, and brokerage and consultancy services. Starting from 2013, the services purchased from CNH srl were started to taken from CNH International.

(*****) Balance as of June 30, 2013 consists of paid and accrued premium amounts in extent of agreements signed with insurance companies through Ram Sigorta Aracılık Hizmetleri A.Ş. that operates as insurance agent.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE
2013 (Continued)**

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

**iii) Financial income and expenses arising from transactions with related parties for the periods
between 1 January - 30 June 2013 and 2012:**

Financial income and expense from group companies

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Interest income				
Yapı Kredi	364.758	-	211.254	211.254

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Interest expense				
Yapı Kredi Finansal	(23)	(23)	(920)	(410)
Yapı Kredi	(647)	(647)	(454)	-
	(670)	(670)	(1.374)	(410)

iv) Dividends paid to related parties:

	1 January - 30 June 2013	1 January - 30 June 2012
Koç Holding	75.000.000	75.000.000
CNH Osterreich	75.000.000	75.000.000
Public quotation	49.867.371	49.867.371
Other	132.629	132.629
	200.000.000	200.000.000

**v) Other transactions with related parties for the periods between 1 January - 30 June 2013
and 2012:**

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Remuneration of key management personnel(*)	2.208.479	1.118.550	1.775.197	1.023.786

(*) Key management personnel are identified as Board of Directors, general manager and vice general managers.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE
2013 (Continued)**

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

Gain / (loss) on sales of fixed asset

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Zer	-	-	311	420

**NOT 21 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING
FROM FINANCIAL INSTRUMENTS**

The Company's activities expose it to a variety of financial risks. These risks are market risk, currency risk, fair value interest rate risk, price risk and cash flow interest rate risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

Risk management is carried out in accordance with the program set by the Board of Directors of the Company.

a) Market Risk

Foreign currency risk

The Company is exposed to foreign exchange risks resulting from the foreign currency denominated commercial activities with the foreign companies. Currency risk arises due to foreign currency denominated recorded and prospective transactions resulting as assets and liabilities. These risks are monitored regularly and limited by analyses of the foreign currency position.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD
BETWEEN 1 JANUARY-30 JUNE 2013 (Continued)**

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

**NOTE 21 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

The amounts of foreign currency assets, liabilities and TL equivalents of the Company as of 30 June 2013 and 31 December 2012 are as follows:

	30 June 2013						
	TL Equivalent	USD	EUR	GBP	DKK	CHF	YEN
1. Trade Receivables	139.134.773	644.539	54.857.049	-	-	-	-
2. Monetary Financial Assets (Including banks accounts) (Note 3)	246.730.822	83.028	98.085.306	4.742	-	43	-
3. Other	34.460.831	6.840.939	8.342.809	1.823	-	-	16.326.390
4. Current Assets (1+2+3)	420.326.426	7.568.506	161.285.164	6.565	-	43	16.326.390
5. Trade Receivables	208.621	77.000	24.033	-	-	-	-
6. Other	12.012.889	1.019	4.778.187	-	-	-	-
7. Non-current Assets (5+6)	12.221.510	78.019	4.802.220	-	-	-	-
8. Total Assets (4+7)	432.547.936	7.646.525	166.087.384	6.565	-	43	16.326.390
9. Trade Payables	58.492.643	6.141.394	18.566.928	-	-	-	-
10. Financial Liabilities (Note 4)	182.973.743	-	72.790.604	-	-	-	-
11. Other Monetary Liabilities	4.108.150	5.711	1.629.931	-	-	-	-
12. Current Liabilities (9+10+11)	245.574.536	6.147.105	92.987.463	-	-	-	-
13. Financial Liabilities (Note 4)	188.751.759	-	75.089.215	-	-	-	-
14. Non-current Liabilities (13)	188.751.759	-	75.089.215	-	-	-	-
15. Total Liabilities (12+14)	434.326.295	6.147.105	168.076.678	-	-	-	-
16. Net Foreign Currency Asset/(Liability) Position (8-15)	(1.778.359)	1.499.420	(1.989.294)	6.565	-	43	16.326.390
17. Net Monetary Foreign Currency Asset/(Liability) Position (8-15)	(1.778.359)	1.499.420	(1.989.294)	6.565	-	43	16.326.390

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2013 (Continued)**

(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

NOTE 21 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2012						
	TL Equivalent	USD	EUR	GBP	DKK	CHF	YEN
1. Trade Receivables	128.358.286	-	54.581.063	-	-	-	-
2. Monetary Financial Assets (Including banks accounts) (Note 3)	236.384.399	101.213	100.437.621	1.451	-	338	-
3. Other	44.039.841	524.117	18.289.972	32.403	-	-	-
4. Current Assets (1+2+3)	408.782.526	625.330	173.308.656	33.854	-	338	-
5. Trade Receivables	399.530	154.000	53.157	-	-	-	-
6. Other	1.816	1.019	-	-	-	-	-
7. Non-current Assets (5+6)	401.346	155.019	53.157	-	-	-	-
8. Total Assets (4+7)	409.183.872	780.349	173.361.813	33.854	-	338	-
9. Trade Payables	44.489.201	459.436	18.422.105	50.909	-	-	9.721.001
10. Financial Liabilities (Note 4)	160.933.800	-	68.432.963	-	-	-	-
11. Other Monetary Liabilities	14.108.319	7.036	5.993.867	-	-	-	-
12. Current Liabilities (9+10+11)	219.531.320	466.472	92.848.935	50.909	-	-	9.721.001
13. Financial Liabilities (Note 4)	194.829.967	-	82.846.438	-	-	-	-
14. Non-current Liabilities (13)	194.829.967	-	82.846.438	-	-	-	-
15. Total Liabilities (12+14)	414.361.287	466.472	175.695.373	50.909	-	-	9.721.001
16. Net Foreign Currency Asset/(Liability) Position (8-15)	(5.177.415)	313.877	(2.333.560)	(17.055)	-	338	(9.721.001)
17. Net Monetary Foreign Currency Asset/(Liability) Position (8-15)	(5.177.415)	313.877	(2.333.560)	(17.055)	-	338	(9.721.001)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2013 (Continued)

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

NOTE 21 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The import and export amounts of the Company for the periods ended 30 June 2013 and 2012 are as follows:

	1 January- 30 June 2013	1 April- 30 June 2013	1 January- 30 June 2012	1 April- 30 June 2012
Total export amount	324.672.604	168.646.017	349.442.066	197.983.110
Total import amount	313.268.909	171.884.008	248.647.355	132.065.263

The Company is exposed to foreign exchange risk primarily with respect to EUR and USD. The effect of the Company's EUR and USD foreign currency position as of 30 June 2013 and 31 December 2012 under the assumption of the appreciation and depreciation of TL against other currencies by 10% with all other variables held constant, is as follows:

	30 June 2013		Shareholders' Equity	
	Appreciation of foreign currency	Profit/Loss Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Had TL appreciate/(depreciate) by 10% against USD				
Profit/(loss) from USD net asset position	288.608	(288.608)	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net Effect of USD	288.608	(288.608)	-	-
Had TL appreciate/(depreciate) by 10% against EUR				
Profit/(loss) from EUR net liability position	(500.049)	500.049	-	-
Hedged amount against EUR risk (-)	-	-	-	-
Net Effect of EUR	(500.049)	500.049	-	-
Had TL appreciate/(depreciate) by 10% against other				
Profit/(loss) from other net liability position	33.605	(33.605)	-	-
Hedged amount against other (-)	-	-	-	-
Net Effect of Other	33.605	(33.605)	-	-
Total Net Effect	(177.836)	177.836	-	-

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2013 (Continued)

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

NOTE 21 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2012			
	Profit/Loss		Shareholders' Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Had TL appreciate/(depreciate) by 10% against USD				
Profit/(loss) from USD net asset position	55.952	(55.952)	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net Effect of USD	55.952	(55.952)	-	-
Had TL appreciate/(depreciate) by 10% against EUR				
Profit/(loss) from EUR net liability position	(548.783)	548.783	-	-
Hedged amount against EUR risk (-)	-	-	-	-
Net Effect of EUR	(548.783)	548.783	-	-
Had TL appreciate/(depreciate) by 10% against other				
Profit/(loss) from other net liability position	(24.910)	24.910	-	-
Hedged amount against other (-)	-	-	-	-
Net Effect of Other	(24.910)	24.910	-	-
Total Net Effect	(517.741)	517.741	-	-

Price Risk

The Company does not have financial assets exposed to price risk.

Interest rate risk

The table of the financial instruments that have interest rate sensitivity are shown below:

	30 June 2013	31 December 2012
Time Deposits	271.439.626	362.938.349
Financial liabilities	182.997.263	355.768.112
Financial Instruments with fixed interest rate	454.436.889	718.706.461
	30 June 2013	31 December 2012
Financial liabilities	188.751.759	-
Financial Instruments with floating interest rate	188.751.759	-

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
STATEMENTS**

FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2013 (Continued)

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated)

**NOTE 21 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS
ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

For financial instruments with variable interest rates, if the interest on June 30, 2013 in all currencies was higher/lower by 100 base points with all other variables held constant, the profit for the period before tax as a result of high/low interest rate income/expense consisting of loans with variable interest rates would be higher/lower by TL 890 (2012: None).

b) Credit Risk

Financial assets are in hand carrying the risk of the inability of fulfilling the requirements of the agreements by the counter parties. The Company management manages these risks by limiting the average risk to any individual counterparty, by obtaining guarantees where necessary. The Company limits these risks that may arise from its dealers, by restricting the credit limits determined for the dealers according to the amount of the guarantees received, by updating the guarantee amounts regularly and by receiving the pledge of ownership of the tractors sold. Credit limits are regularly monitored by the Company and the customers’ credit quality are regularly evaluated by considering the customers’ financial position, past experiences and other factors. Trade receivables are evaluated by the management of the Company depending on their past experiences and current economic conditions and are presented in financial statements net of provision for doubtful receivables (Note 5).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2013 (Continued)**

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated)

NOT 21 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The Company’s maximum exposure to credit risk as of 30 June 2013 and 31 December 2012 is as follows:

	30 June 2013					
	Trade Receivables		Other Receivables		Bank Deposits	Derivative Instruments
	Related Party	Third Party	Related Party	Third Party		
Net book value of financial assets which are undue and not impaired	126.218.696	288.334.080	-	349.879	285.510.017	-
Net book value of restructured financial assets, otherwise that - will be considered as due dated or impaired	-	-	-	-	-	-
Net book value of due dated but not impaired assets	14.154	18.864.183	-	-	-	-
Net book value of impaired assets	-	2.940.790	-	-	-	-
- Due dated (Gross book value)	-	34.415.954	-	-	-	-
- Provision (-)	-	(31.475.164)	-	-	-	-
- Undue (Gross book value)	-	7.315.437	-	-	-	-
- Provision (-)	-	(7.315.437)	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	126.232.850	310.139.053	-	349.879	285.510.017	-

(*) The factors, increasing the credit reliability and the guarantees received are not taken into consideration in calculation of the amount.

As of 30 June 2013, the guarantee amount of the maximum exposure to credit risk is TL 322.465.504. Besides, all assets which are due but not impaired and are impaired are guaranteed.

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**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated)

NOTE 21 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2012					
	Trade Receivables		Other Receivables		Bank Deposits	Derivative Instruments
	Related Party	Third Party	Related Party	Third Party		
Net book value of financial assets which are undue and not impaired	84.882.947	227.108.724	-	338.238	378.971.315	-
Net book value of restructured financial assets, otherwise that - will be considered as due dated or impaired	-	-	-	-	-	-
Net book value of due dated but not impaired assets	21.329	7.241.109	-	-	-	-
Net book value of impaired assets	-	13.023.709	-	-	-	-
- Due dated (Gross book value)	-	33.345.154	-	-	-	-
- Provision (-)	-	(20.321.445)	-	-	-	-
- Undue (Gross book value)	-	17.990.340	-	-	-	-
- Provision (-)	-	(17.990.340)	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	84.904.276	247.373.542	-	338.238	378.971.315	-

(*) The factors, increasing the credit reliability and the guarantees received are not taken into consideration in calculation of the amount.

As of 31 December 2012, the guarantee amount of the maximum exposure to credit risk is TL 224.668.841. Besides, all assets which are due but not impaired and are impaired are guaranteed.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
STATEMENTS**

FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2013 (Continued)

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated)

**NOTE 21 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS
ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

c) Liquidity Risk

Liquidity risk is managed by maintaining cash and marketable securities, the availability of funding through an adequate amount of committed credit lines and the ability to close out market positions.

Funding risk of the current and future liabilities is managed by providing sustainability of the access to sufficient high quality creditors and the sustainability of the sufficient cash flows obtained from operating activities. The Company management, in order to ensure continuous liquidity, closely follows up the timely collection of receivables, allocates high intensity focus to prevent any financial burden sourcing from late collections and determines cash and non-cash credit limits to be activated in case of need by the Company.

Capital risk management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital on the basis of the net financial debt/shareholder’s equity ratio. Net financial debt calculated as total financial liabilities (including short and long term bank borrowings) less cash and cash equivalents. This ratio is calculated as net financial debt divided by total shareholders’ equity.

Since the Company has net financial asset position, related ratio is not calculated as of December 31, 2012.

	30 June 2013	31 December 2012
Cash and cash equivalents	285.510.017	378.971.315
Less: Financial liabilities	(369.767.432)	(355.768.112)
Net financial (debt) /asset	(84.257.415)	23.203.203
Total shareholders’ equity	600.673.353	663.790.097
Net financial debt/shareholders’ equity	(14)%	-

Fair value of financial assets

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
STATEMENTS**

FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2013 (Continued)

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

**NOTE 21 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS
ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practical to estimate fair value:

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at period-end exchange rates, are considered to approximate carrying value.

The fair values of cash and cash equivalent are considered to approximate their respective carrying values due to their short-term nature.

The discounted carrying values of trade receivables along with the related allowances for uncollectability are estimated to be their fair values.

Financial liabilities

The fair values of short-term and long-term bank borrowings are presented in Note 4.

Trade payables, which are measured at amortised cost, are considered to approximate their carrying value.

NOTE 22 - SUBSEQUENT EVENT

None.

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