

Türk Traktör ve Ziraat Makineleri A.Ş.

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH (NOTE 2.4))

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30
SEPTEMBER 2013**

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

CONTENTS	PAGE
INTERIM STATEMENT OF FINANCIAL POSITION	2
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME.....	4
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	5
CONDENSED INTERIM STATEMENTS OF CASH FLOWS.....	6
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	7-47

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

		<i>Restated</i>
		Prior period Audited
		31 December
	Notes	2012
		30 September 2013
ASSETS		
CURRENT ASSETS		
		964.696.192
Cash and cash equivalents	3	143.525.914
Trade receivables		378.971.315
- Trade receivables, other parties	5	281.438.661
- Due from related parties	20	59.352.387
Inventories	6	398.454.447
Prepaid expenses		465.366
Other current assets	9	81.459.417
		101.402.122
NON-CURRENT ASSETS		
		309.756.532
Trade receivables		215.418.228
- Trade receivables, other parties	5	236.761
Other receivables		1.643.344
- Other receivables, other parties		349.988
Property, plant and equipment	7	218.731.369
Intangible assets	8	38.145.146
Prepaid expenses	10	11.024.922
Deferred tax assets	18	41.268.346
		21.551.493
TOTAL ASSETS		1.274.452.724
		1.319.741.121

The financial statements prepared as at and for the period ended 30 September 2013 have been approved by the Board of Directors on 25 October 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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

		<i>Restated</i>	
		Prior	
		period	
		Audited	
		31 December	
	Notes	2012	
		30 September	
		2013	
LIABILITIES			
CURRENT LIABILITIES		374.826.526	437.504.381
Financial liabilities	4	147.076	95.217.929
Short term portion of long term financial liabilities	4	-	65.720.216
Trade payables			
- Trade payables, other parties	5	284.817.556	203.283.783
- Due to related parties	20	12.922.222	17.006.021
Employee benefit obligations	12	14.894.733	11.977.012
Other payables			
- Other payables, other parties		3.038.600	4.884.785
Government incentives and aids		1.822.298	1.689.770
Deferred income	9	3.807.813	14.605.988
Provision for taxation on income	18	23.757.609	4.493.915
Provisions			
- Provision for employee benefits	11	1.188.362	715.856
- Other provisions	11	28.430.257	17.909.106
NON-CURRENT LIABILITIES		230.525.325	218.446.643
Financial liabilities	4	205.838.910	194.829.967
Provisions			
- Provision for employee benefits	11	9.736.397	9.004.102
- Other provisions	11	14.950.018	14.612.574
SHAREHOLDERS' EQUITY		669.100.873	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		106.786	127.788
Retained earnings		262.678.841	214.273.792
Net profit for the period		205.331.778	268.138.204
TOTAL LIABILITIES		1.274.452.724	1.319.741.121
Provisions, contingent assets and contingent liabilities	11		

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 SEPTEMBER 2013**

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

	Notes	Unaudited		<i>(Restated)</i> Unaudited	
		1 January - 30 September 2013	1 July - 30 September 2013	1 January - 30 September 2012	1 July - 30 September 2012
Sales	14	1.608.613.872	505.771.873	1.549.108.123	367.649.493
Cost of sales (-)	14	(1.254.787.094)	(387.636.430)	(1.210.060.149)	(282.273.477)
GROSS PROFIT		353.826.778	118.135.443	339.047.974	85.376.016
Marketing, selling and distribution expenses (-)		(71.031.183)	(24.879.161)	(66.794.395)	(19.440.236)
General administrative expenses (-)		(28.368.377)	(9.542.321)	(26.721.471)	(8.505.206)
Research and development expenses (-)		(6.830.038)	(2.122.409)	(5.505.664)	(1.763.090)
Other operating income	15	241.955.187	118.392.584	153.050.804	52.436.107
Other operating expenses (-)	15	(226.252.939)	(109.699.757)	(148.300.939)	(46.273.441)
OPERATING PROFIT		263.299.428	90.284.379	244.776.309	61.830.150
Investment income		275.106	84.852	5.209.591	96.430
Investment expenses		(1.603)	(442)	(23.207)	(8.714)
Financial income	16	45.655.042	8.202.324	67.175.769	26.857.205
Financial expenses (-)	17	(69.398.892)	(20.568.833)	(57.287.710)	(28.353.510)
PROFIT BEFORE TAXATION ON INCOME		239.829.081	78.002.280	259.850.752	60.421.561
Taxes on income (-)	18	(54.208.905)	(18.489.316)	(55.912.142)	(8.679.415)
Deferred tax effect	18	19.711.602	8.893.640	12.241.299	(1.636.583)
PROFIT FOR THE PERIOD		205.331.778	68.406.604	216.179.909	50.105.563
Other comprehensive income/ (expense)					
Actuarial income/(loss) arising from employee benefits (-)		(26.253)	26.145	(3.370)	25.575
Deferred tax effect		5.251	(5.229)	670	(5.119)
Other comprehensive expense after tax		(21.002)	20.916	(2.700)	20.456
TOTAL COMPREHENSIVE INCOME		205.310.776	68.427.520	216.177.209	50.126.019
Earnings per share (TL)	19	0,0385	0,0128	0,0405	0,0094

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 SEPTEMBER 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	-	-	-	-	-	-	205.331.778	205.331.778
Other comprehensive income/(expense)	-	-	-	-	(21.002)	-	-	(21.002)
30 September 2013	53.369.000	39.014.356	(5.569.000)	114.169.112	106.786	262.678.841	205.331.778	669.100.873
	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	-	-	-	-	-	-	216.179.909	216.179.909
Other comprehensive income/(expense)	-	-	-	-	(2.700)	-	-	(2.700)
30 September 2012	53.369.000	39.014.356	(5.569.000)	94.435.957	65.677	214.273.792	216.179.909	611.769.691

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 SEPTEMBER 2013

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

		Current period Unaudited 30 September 2013	<i>Restated</i> Prior period Unaudited 30 September 2012
	Notes		
Operating activities:			
Profit before taxation on income		239.829.081	259.850.752
Depreciation	7	12.992.192	9.655.767
Amortisation	8	4.983.280	3.833.582
Provision for employee termination benefits	11	2.540.529	1.846.471
Gain on sale of property, plant and equipment, net		(273.504)	(5.186.384)
Interest income	16	(7.293.402)	(7.610.409)
Interest expense	17	8.595.495	11.034.481
Provision for impairment of inventory	6	3.703.620	3.544.052
Expense accruals-net		10.858.594	14.997.782
Provision for doubtful receivables	15	4.882.842	5.134.547
Foreign currency change effect		(45.974.269)	19.454.876
Net cash flow before changes in operating assets and liabilities		234.844.458	316.555.517
Changes in operating assets and liabilities - net:			
Increase in trade receivables		(39.809.490)	(3.180.202)
Increase in due from related parties		33.881.666	37.107.070
Increase in inventories		(101.546.882)	(13.992.422)
Decrease in other current assets		19.942.702	20.509.279
Increase in other receivables		(11.748)	(19.286)
Increase in prepaid expenses		(10.796.828)	(486.151)
Decrease in due to related parties		(4.404.391)	(8.268.882)
Increase /(decrease) in trade payables		72.005.235	(110.857.335)
(Decrease)/increase in deferred income		(10.798.175)	965.496
Decrease in other liabilities		(1.846.179)	(2.435.687)
Increase in short term provision for employee termination benefits		472.506	405.151
Increase in government incentives and aids		132.528	41.557
Increase/ (decrease) in debt for employee termination benefits		2.917.721	(790.499)
Employee termination benefits paid	11	(1.834.487)	(1.196.019)
Taxes paid		(34.945.212)	(56.269.930)
Net cash provided by operating activities		158.203.424	178.087.657
Investing activities:			
Investment expenses		(81.339.332)	(40.163.171)
Proceeds from sales of property, plant and equipment and intangible assets		996.809	5.255.381
Interest received		7.363.744	7.849.134
Net cash used in investing activities		(72.978.779)	(27.058.656)
Financing activities:			
Proceeds from bank borrowings		340.266.576	439.722.603
Repayment of financial borrowings		(470.994.550)	(333.891.251)
Dividends paid		(200.000.000)	(200.000.000)
Interest paid		(9.992.149)	(9.587.811)
Net cash used in investing activities		(340.720.123)	(103.756.459)
Effect of change of exchange rate on cash and cash equivalent		19.526.796	(4.389.680)
(Decrease)/increase in cash and cash equivalents		(255.495.478)	47.272.542
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	140.250.136	287.411.415

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 SEPTEMBER 2013

(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 September 2013, major shareholders of the Company are Koç Holding and CNH Osterreich GmbH (“CNH Osterreich”) (Note 13). The number of personnel working within the Company as of 30 September 2013 is 2.636 (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 Industrial NV (“CNH Industrial”) (former name CNH Global NV), 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 Osterreich, centred in Austria on 16 February, 2011.

The Company conducts marketing and selling activities in the domestic market, through its 130 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 September 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 SEPTEMBER 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 499.657 which was capitalized under research and development expenses in the period before September 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
SEPTEMBER 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 2.700 (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 September 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 3.370 which was classified under profit before tax in the cash flow statement dated September 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 and interim statement of comprehensive income as of 30 September 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 SEPTEMBER 2013 (Continued)

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

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

- Foreign exchange gain from trade receivables and payables amounting to TL 117.672.454 and financial income from credit sales amounting to TL 30.041.939 under the finance income account were classified under other operating income,
- Income from the sale of fixed assets amounting to TL 5.209.591 shown in the account group of other operating income was classified under income from investment activities,
- Foreign exchange loss from trade receivables and payables amounting to TL 119.643.397 and finance expense related to forward purchases amounting to TL 21.233.430 shown in the account of finance expense were classified under other operating income,
- Income from the sale of fixed assets amounting to TL 23.207 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
SEPTEMBER 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 SEPTEMBER 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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 SEPTEMBER 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.)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 SEPTEMBER 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 instrument 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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 SEPTEMBER 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 September 2013	31 December 2012
Banks		
- TL denominated demand deposits	19.759.837	14.752.676
- TL denominated time deposits	37.060.601	127.834.240
- Foreign currency denominated demand deposits	2.322.633	1.280.290
- Foreign currency denominated time deposits	84.382.843	235.104.109
	143.525.914	378.971.315

As of 30 September 2013, the weighted average effective annual interest rate for TL and Euro (“EUR”) time deposits is %8,50 and %3,01 (As of 31 December, 2012: TL: %7,78, EUR: %3,29). As of 30 September 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 September 2013 and 31 December 2012 is as follows:

	30 September 2013	31 December 2012
Banks	143.525.914	378.971.315
Less: Interest accruals	(15.590)	(85.933)
Less: Restricted bank deposits (*)	(3.260.188)	(2.666.564)
Cash and cash equivalents	140.250.136	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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

(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 September 2013	31 December 2012	30 September 2013	31 December 2012	30 September 2013	31 December 2012
EUR bank borrowings	-	40.487.130	-	4,14	-	95.213.584
TL bank borrowings	144.577 (*)	-	-	-	144.577	-
					144.577	95.213.584

(*) Bank borrowings amounting to TL 144.577 (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).

Short-term financial lease obligations

	Original currency amount		TL equivalent	
	30September 2013	31 December 2012	30September 2013	31December 2012
TL financial lease obligations	2.499	4.345	2.499	4.345
			2.499	4.345
Total short-term financial liabilities			147.076	95.217.929

Current portion of long term bank borrowings

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30
SEPTEMBER 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 September 2013	31 December 2012	30 September 2013	31 December 2012	30 September 2013	31 December 2012
EUR bank borrowings	75.572.023	82.846.438	2,52	4,64	207.702.148	194.829.967
					207.702.148	194.829.967
Prepaid commission for debt (*)					(1.863.238)	-
Total long-term financial liabilities					205.838.910	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 September 2013 is as follows:

	30 September 2013
2015	60.466.434
2016	58.894.286
2017	58.894.286
2018	29.447.142
	207.702.148

As of 30 September 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 September 2013	31 December 2012	30 September 2013	31 December 2012
Bank borrowings	207.846.725	355.763.767	209.666.170	353.840.083

As of 30 September 2013, fair values of the credits, for EUR credits is 6,50%, 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
STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30
SEPTEMBER 2013 (Continued)**

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

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

	30 September 2013	31 December 2012
Short-term trade receivables:		
Customer current accounts	307.258.171	217.564.034
Notes receivables	9.251.253	54.013.425
Protested notes	8.972.016	13.275.882
	325.481.440	284.853.341
Less: Provision for doubtful receivables	(41.964.137)	(37.784.114)
Unearned financial income	(2.078.642)	(1.339.029)
Short-term trade receivables	281.438.661	245.730.198
Due from related parties (Note 20)	59.352.387	84.904.276
Total short-term trade receivables	340.791.048	330.634.474

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

	2013	2012
1 January	(37.784.114)	(33.039.870)
Transfer from long-term	(108.672)	(2.829.646)
Cancellations during the year (Note 15)	686.306	4.648.709
Charge during the year (Note 15)	(4.757.657)	(5.001.372)
30 September	(41.964.137)	(36.222.179)

	30 September 2013	31 December 2012
Long-term trade receivables:		
Notes receivables	783.269	2.182.293
Less: Provision for doubtful receivables	(544.184)	(527.671)
Unearned financial income	(2.324)	(11.278)
Long-term trade receivables	236.761	1.643.344

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

	2013	2012
1 January	(527.671)	(6.288.176)
Transfer to short term	108.672	2.829.646
Charge during the year (Note 15)	(125.185)	(133.175)
30 September	(544.184)	(3.591.705)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 5 - TRADE RECEIVABLES AND PAYABLES (Continued)

	30 September 2013	31 December 2012
Trade payables:		
Supplier current accounts	286.117.749	204.184.018
Less: Unincurred financial expense	(1.300.193)	(900.235)
Trade payables	284.817.556	203.283.783
Due to related parties (Note 20)	12.922.222	17.006.021
Total trade payables	297.739.778	220.289.804

NOTE 6 - INVENTORIES

	30 September 2013	31 December 2012
Raw materials	139.273.960	126.258.219
Work in progress	10.502.714	4.425.778
Finished goods	72.682.001	42.213.817
Commercial goods	61.219.940	53.789.605
Spare parts	22.244.426	18.688.498
Goods in transit (*)	102.004.431	53.015.011
	407.927.472	298.390.928
Provision for impairment of inventory (-)	(9.473.025)	(5.769.405)
	398.454.447	292.621.523

The cost of inventories recognised as expense in the current year, amounted to TL 1.162.492.281 (30 September 2012: TL 1.131.342.028).

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

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

	2013	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	(5.917.037)	(4.343.403)
30 September	(9.473.025)	(5.206.052)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 6 – INVENTORIES (Continued)

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

	30 September 2013	30 September 2012
Raw materials	(6.659.076)	(812.539)
Finished goods	(1.514.692)	(3.530.864)
Spare parts	(1.299.257)	(862.649)
	(9.473.025)	(5.206.052)

NOTE 7- PROPERTY, PLANT AND EQUIPMENT

	1 January 2013	Additions	Disposals	Transfers	30September 2013
<u>Cost</u>					
Land	30.171.026	500.000	-	-	30.671.026
Land improvements	5.448.242	343.983	-	94.335	5.886.560
Buildings	52.951.936	345.446	-	-	53.297.382
Machinery and equipment	379.404.095	7.221.392	(3.859.657)	22.505.128	405.270.958
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	1.421.138	(614.781)	1.675.603	33.922.023
Construction in progress	18.201.769	66.668.450	(34.650)	(24.585.196)	60.250.373
	522.228.895	76.516.359	(4.509.088)	(310.130)(*)	593.926.036
<u>Accumulated depreciation</u>					
Land improvements	3.344.573	147.907	-	-	3.492.480
Buildings	36.651.959	1.155.730	-	-	37.807.689
Machinery and equipment	300.372.133	9.870.201	(3.171.654)	-	307.070.680
Special costs	2.641.633	9.115	-	-	2.650.748
Motor vehicles	1.204.620	162.056	-	-	1.366.676
Furniture and fixtures	21.020.832	2.399.690	(614.128)	-	22.806.394
	365.235.750	13.744.699	(3.785.782)	-	375.194.667
Net book value	156.993.145				218.731.369

(*) Transferred to intangible assets.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOT 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2012	Additions	Disposals	Transfers	30September 2012
<u>Cost</u>					
Land	22.240.313	1.654.845	(6.066)	-	23.889.092
Land improvements	5.329.126	34.250	-	-	5.363.376
Buildings	51.177.099	1.006.578	-	218.639	52.402.316
Machinery and equipment	351.600.074	9.816.376	(6.247.137)	16.356.836	371.526.149
Special costs	2.705.188	-	-	-	2.705.188
Motor vehicles	1.791.445	-	(129.617)	-	1.661.828
Furniture and fixtures	27.882.315	1.708.884	(656.479)	1.664.291	30.599.011
Construction in progress	9.655.625	17.338.545	-	(18.289.766)	8.704.404
	472.381.185	31.559.478	(7.039.299)	(50.000) (*)	496.851.364
<u>Accumulated depreciation</u>					
Land improvements	3.197.561	109.826	-	-	3.307.387
Buildings	35.102.741	1.162.796	-	-	36.265.537
Machinery and equipment	301.110.058	6.951.579	(6.214.282)	-	301.847.355
Special costs	2.620.160	17.661	-	-	2.637.821
Motor vehicles	1.105.003	174.720	(110.084)	-	1.169.639
Furniture and fixtures	19.274.377	1.738.842	(645.936)	-	20.367.283
	362.409.900	10.155.424	(6.970.302)		365.595.022
Net book value	109.971.285				131.256.342

(*) Transferred to intangible assets.

For the period ended at 30 September 2013, of the total depreciation expense amounting to TL 13.744.699 (30 September 2012: TL 10.155.424), TL 10.149.301 (30 September 2012: TL 7.430.313) is allocated to production costs, TL 2.116.920 (30 September 2012: TL 1.635.326) is allocated to general administrative expenses, TL 919.933 (30 September 2012: TL 649.850) is allocated to research and development expenses and TL 558.545 (30 September 2012: TL 439.935) is allocated to marketing, selling and distribution expenses. The depreciation expense amounting to TL 752.507 (30 September 2012: TL 499.657) 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 TL2.350.808 which is classified under the tangible assets as of September 30, 2013 (December 31, 2012: None).

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 8 - INTANGIBLE ASSETS

	1 January 2013	Additions	Disposals	Transfers	30September 2013
<u>Cost</u>					
Rights	7.955.531	864.087	-	310.130	9.129.748
Development costs	27.966.944	47.039	-	-	28.013.983
Development costs in progress	13.195.578	7.015.162	-	-	20.210.740
	49.118.053	7.926.288	-	310.130	57.354.471

Accumulated amortisation

Rights	5.205.768	858.117	-	-	6.063.885
Development costs	9.020.277	4.125.163	-	-	13.145.440
	14.226.045	4.983.280	-		19.209.325

Net book value	34.892.008				38.145.146
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	1 January 2013	Additions	Disposals	Transfers	30September 2013
<u>Cost</u>					
Rights	6.093.469	1.345.228	(2.370)	50.000	7.486.327
Development costs	10.088.545	-	-	17.005.571	27.094.116
Development costs in progress	18.905.977	7.758.122	-	(17.005.571)	9.658.528
	35.087.991	9.103.350	(2.370)	50.000	44.238.971

Accumulated amortisation

Rights	4.389.345	579.134	(2.370)	-	4.966.109
Development costs	4.286.789	3.254.448	-	-	7.541.237
	8.676.134	3.833.582	(2.370)	-	12.507.346

Net book value	26.411.857				31.731.625
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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 September 2013, of the total amortisation expenses amounting to TL 4.983.280 (30 September 2012: TL 3.833.582), TL 633.647 (30 September 2012: TL 423.729) is allocated to production costs, TL 132.165 (30 September 2012: TL 93.258) is allocated to general administrative expenses, TL 4.182.597 (30 September 2012: TL 3.291.507) is allocated to research and development expenses and TL 34.871 (30 September 2012: TL 25.088) is allocated to marketing, selling and distribution expenses.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 9 - OTHER ASSETS AND LIABILITIES

	30 September 2013	31 December 2012
a) Other current assets:		
Deferred value added tax ("VAT")	55.838.307	47.582.310
Reclaimed VAT	24.885.163	53.535.603
Other	735.947	284.209
	81.459.417	101.402.122
b) Deferred income:		
Deferred income (*)	3.478.005	518.552
Advances taken	329.808	14.087.436
Other short-term liabilities	3.807.813	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 September 2013 and 31 December 2012.

NOTE 10 - PREPAID EXPENSES

Long-term prepaid expenses

	30 September 2013	31 December 2012
Advances given for fixed assets	11.024.922	-
Prepaid expenses	11.024.922	-

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 11 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) Short term provisions

Short term provision for employee benefits

	30 September 2013	31 December 2012
Provision for unused vacation	1.188.362	715.856
	1.188.362	715.856

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

	2013	2012
1 January	715.856	559.443
Charge/ (used) for the period, net	472.506	405.151
30 September	1.188.362	964.594

Other short term provisions

	30 September 2013	31 December 2012
Warranty provision	19.255.161	16.133.521
Provision for legal cases (*)	1.519.142	1.369.143
Other provisions (**)	7.655.954	406.442
	28.430.257	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 September 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	(29.355.203)	(15.577.296)
Charge for the period	32.814.287	19.939.720
30 September	34.205.179	32.452.242

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

	2013	2012
1 January	1.369.143	550.057
Charge for the period	149.999	-
30 September	1.519.142	550.057

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

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

**b) Long term provisions
Long term provision for employee benefits**

	30 September 2013	31 December 2012
Provision for employee termination benefits	9.736.397	9.004.102
	9.736.397	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 3.254,44 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 September 2013	31 December 2012
Inflation rate (%)	5,10	5,10
Discount rate (%)	9,16	9,16
Turnover rate to estimate the probability of retirement (%)	94,48	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 October 2013 has been taken into consideration in calculating the provision for employee termination benefits of the Company.

Kıdem tazminatı karşılığının dönem içindeki hareketi aşağıdaki gibidir:

	2013	2012
1 January	9.004.102	7.501.348
Interest cost	347.558	347.312
Current service cost	2.192.971	1.499.159
Benefits paid by the company	(1.834.487)	(1.196.019)
Actuarial loss	26.253	3.370
30 September	9.736.397	8.155.170

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

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

Other long term provisions

	30 September 2013	31 December 2012
Warranty provision	14.950.018	14.612.574
	14.950.018	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 September 2013	31 December 2012
A. The total amount of collaterals given on behalf of its own legal entity	10.279.574	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	-	-
	10.279.574	23.014.969

As at 30 September 2013, the Company has given its own legal entity on behalf of the original collateral denominated in foreign currency amounts of EUR 3.221.483.(31 December 2012: EUR 9.002.848 and USD 26.444).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

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

d) Contingent Assets

	30 September 2013			Foreign currency amount 31 December 2012			TL equivalent	
	EUR	USD	TL	EUR	USD	TL	30September 2013	31December 2012
Letters of guarantees received	-	270.000	311.384.366	-	470.000	274.206.800	311.933.600	275.044.623
Direct debit	-	-	204.585.846	-	-	179.586.528	204.585.846	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	-	8.436	-	-	8.363	-	17.161	14.907
							524.435.821	462.728.500

NOT 12 - PROVISION FOR EMPLOYEE BENEFITS

Liabilities for employee benefits

	30 September 2013	31 December 2012
Taxes payable and liabilities (*)	8.375.344	6.754.742
Accrued liabilities and premiums paid to the personnel	6.519.389	5.222.270
	14.894.733	11.977.012

(*) The balance consists of social security and withholding debt for the employees 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 SEPTEMBER 2013 (Continued)

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

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 September 2013 and 31 December 2012 are as follows:

	30September 2013		31December 2012	
	Participation	Share Amount	Participation	Share Amount
	(%)	(TL)	(%)	(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 Industrial, 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 September 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 SEPTEMBER 2013 (Continued)

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

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 208.537.402 and retained earnings amounting to TL 291.599.544 for the period ended 30 September 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 10.752.895 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).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 14 - SALES AND COST OF SALES

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Domestic sales	1.257.663.823	392.119.129	1.202.798.187	266.587.224
Export sales	487.981.464	163.308.860	475.210.533	125.768.467
Sales income (gross)	1.745.645.287	555.427.989	1.678.008.720	392.355.691
Less: Discounts and returns	(137.031.415)	(49.656.116)	(128.900.597)	(24.706.198)
Sales income (net)	1.608.613.872	505.771.873	1.549.108.123	367.649.493
Cost of sales	(1.254.787.094)	(387.636.430)	(1.210.060.149)	(282.273.477)
Gross profit	353.826.778	118.135.443	339.047.974	85.376.016

NOTE 15 – OTHER OPERATING INCOME/EXPENSES

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Foreign exchange gain from trade receivable/ payables	230.286.755	113.237.961	117.672.454	44.350.070
Financial income from credit sales	9.351.882	4.617.981	30.041.939	7.361.903
Termination of provision for doubtful receivables (Note 5)	686.306	198.719	4.648.709	416.869
Incentive income	285.499	95.166	209.418	86.881
Other income	1.344.745	242.757	478.284	220.384
Other operating income	241.955.187	118.392.584	153.050.804	52.436.107
Foreign exchange loss from trade receivable/ payables	(214.706.048)	(102.792.817)	(119.643.397)	(42.379.988)
Financial expense on credit purchases	(6.204.804)	(2.881.403)	(21.233.430)	(3.210.139)
Provision for doubtful receivables (Not 5)	(4.882.842)	(3.916.439)	(5.134.547)	(225.322)
Other expenses	(459.245)	(109.098)	(2.289.565)	(457.992)
Other operating expenses	(226.252.939)	(109.699.757)	(148.300.939)	(46.273.441)

NOTE 16 - FINANCIAL INCOME

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Foreign exchange gain	38.361.640	6.790.582	59.565.360	24.069.499
Interest income	7.293.402	1.411.742	7.610.409	2.787.706
Financial income	45.655.042	8.202.324	67.175.769	26.857.205

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 17 - FINANCIAL EXPENSES

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Foreign exchange loss	(58.314.980)	(18.212.692)	(45.006.001)	(23.758.754)
Interest expenses on bank borrowings	(8.595.495)	(1.741.676)	(11.034.481)	(4.172.486)
Other	(2.488.417)	(614.465)	(1.247.228)	(422.270)
Financial expenses	(69.398.892)	(20.568.833)	(57.287.710)	(28.353.510)

NOTE 18 - TAX ASSETS AND LIABILITIES

	30 September 2013	31 December 2012
Corporate taxes payable	54.208.905	57.266.903
Less: Prepaid taxes	(30.451.296)	(52.772.988)
Total tax payable - net	23.757.609	4.493.915

	1 January- 30 September 2013	1 July- 30 September 2013	1 January- 30 September 2012	1 July- 30 September 2012
Current period corporate tax expense	(54.208.905)	(18.489.316)	(55.912.142)	(8.679.415)
Deferred tax income	19.711.602	8.893.640	12.241.299	(1.636.583)
Tax expense	(34.497.303)	(9.595.676)	(43.670.843)	(10.315.998)

Corporation tax is payable, at a rate of 20% as of 30 September 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%).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

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

	Temporary differences		Deferred tax assets/(liabilities)	
	30September 2013	31 December 2012	30September 2013	31December 2012
Property, plant and equipment and intangible assets, restatement and useful life differences	20.366.852	23.930.275	(4.073.370)	(4.786.055)
Unearned finance income on due from related parties	(8.124)	(20.228)	1.625	4.046
Provision for employee termination benefits	(9.736.397)	(9.004.102)	1.947.279	1.800.820
Capitalized unincurred financial expense on inventory	(2.371.577)	(1.286.087)	474.315	257.217
Warranty provision	(32.205.179)	(30.746.095)	6.441.036	6.149.219
Provision for lawsuits	(1.519.142)	(1.369.143)	303.828	273.828
Unearned finance income on trade receivables and payables	(883.598)	(502.422)	176.720	100.484
Provision for doubtful receivables	(16.191.977)	(22.223.495)	3.238.395	4.444.699
Provision for impairment of inventory	(9.601.529)	(5.769.405)	1.920.306	1.153.881
Sales premium accrued	(53.577.261)	(15.369.609)	10.715.452	3.073.922
Other expense provisions	(17.583.301)	(3.321.045)	3.516.660	664.209
Investment incentive	(88.102.672)	(40.632.357)	17.620.534	8.126.471
Deferred income	5.234.445	(1.384.010)	(1.046.889)	276.802
Other	(162.278)	(59.749)	32.455	11.950
Deferred tax assets			41.268.346	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	19.711.602	12.241.299
Added to other comprehensive income/ expense	5.251	670
30 September	41.268.346	26.479.909

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

	30 September 2013	30September 2012
Taxation on income	239.829.081	259.850.752
Tax calculated at enacted tax rate	47.965.816	51.970.150
Investment deduction	(11.631.793)	(6.712.491)
Research and development deductions	(2.265.937)	(1.776.727)
Disallowable expenses	508.275	550.391
Other	(79.058)	(360.480)
Total tax charge	34.497.303	43.670.843

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

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 September 2013	1 July - 30 September 2013	1 January - 30 September 2012	1 July - 30 September 2012
Profit for the period	205.331.778	68.406.604	216.179.909	50.105.563
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)	0,0385	0,0128	0,0405	0,0094

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

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 September 2013 and 31 December 2012 and significant intercompany transactions were as follows:

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

	30 September 2013	31 December 2012
a) Bank deposits and borrowings		
Deposits with related parties:		
Yapı ve Kredi Bankası A.Ş. (“Yapı Kredi”)	3.111.681	40.566.894
	3.111.681	40.566.894

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

	30 September 2013	31 December 2012
b) Due from related parties		
Due from group companies		
CNH International SA (“CNH International”) (*)	47.435.480	76.344.087
CNH Argentina S.A. (“CNH Argentina”)	7.141.880	-
CNH Italy SPA (“CNH Italy”)	3.645.868	2.459.954
CNH Latin America Ltda.	934.190	2.660.330
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	3.328.611
Other	203.093	131.522
	59.360.511	84.924.504
Less: Unearned financial income	(8.124)	(20.228)
	59.352.387	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.

c) Due to related parties

Koç Holding	447.456	1.398.132
Due to shareholders	447.456	1.398.132
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. (“Opet Fuchs”)	7.356.305	2.640.236
New Holland Fiat India Pvt. Ltd. (“New Holland India”)	2.132.047	2.026.510
Zer Merkezi Hizmetler ve Ticaret A.Ş. (“Zer”)	1.565.280	5.422.826
Otokoç Otomotiv San. ve Tic. A.Ş. (“Otokoç”)	369.454	107.700
Koçtaş Yapı Marketleri A.Ş. (“Koçtaş”)	243.081	859.048
Setur Servis Turistik A.Ş. (“Setur”)	104.150	229.571
Opet Petrolcülük A.Ş. (“Opet”)	1.050	46.113
Otokar Otomotiv ve Savunma Sanayi A.Ş. (“Otokar”)	-	523.164
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (“Koç Sistem”)	-	2.230.677
CNH Services srl	-	1.240.837
Other	770.774	332.758
Due to group companies	12.542.141	15.659.440
Less: Unearned financial expenses	(67.375)	(51.551)
	12.922.222	17.006.021

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

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

a) **Product sales to related parties**

	1 January - 30 September 2013	1 July - 30 September 2013	1 January - 30 September 2012	1 July - 30 September 2012
Product sales to group companies				
CNH International (*)	468.752.076	153.924.673	439.454.845	119.030.573
CNH Argentina	7.150.542	6.605.938	-	-
CNH Latin America Ltda.	5.971.956	1.108.459	31.590.198	5.095.362
CNH Italy	5.290.163	1.603.761	3.459.241	1.284.635
Zer	77.441	37.256	3.328.752	734.117
Other	774.626	66.028	610.861	337.079
	488.016.804	163.346.115	478.443.897	126.481.766

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

b) **Other income and expenses from related parties**

	1 January - 30 September 2013	1 July - 30 September 2013	1 January - 30 September 2012	1 July - 30 September 2012
Other income from group companies				
CNH International	21.780	20.433	25.006	-
	21.780	20.433	25.006	-
Other expenses from group companies				
CNH International	(20.903)	(470)	-	-
CNH Italy	-	-	(34.678)	-
	(20.903)	(470)	(34.678)	-

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

c) Product purchases from related parties

	1 January - 30September 2013	1 July - 30September 2013	1 January - 30 September 2012	1 July - 30 September 2012
Product purchases from group companies				
CNH International (*)	236.845.529	89.701.925	73.233.666	37.531.179
Opet Fuchs (**)	25.046.471	8.630.139	23.428.059	7.086.089
New Holland India	16.800.324	4.981.407	-	-
Zer	4.799.079	2.089.135	6.427.766	2.016.771
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	1.736.636	537.420	1.888.016	558.084
Opet	636.817	233.990	604.003	219.599
Other	3.197.386	1.080.918	4.614.036	2.676.305
	289.062.242	107.254.934	110.195.546	50.088.027

(*) 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.

d) Service purchases from related parties

	1 January - 30September 2013	1 July - 30September 2013	1 January - 30 September 2012	1 July - 30 September 2012
Service purchases from shareholders				
Koç Holding (****)	1.806.400	568.800	1.617.351	568.751
	1.806.400	568.800	1.617.351	568.751
Service purchase from group companies				
Zer (*)	32.800.630	9.637.913	12.709.856	4.060.745
Ark İnşaat San. ve Tic. A.Ş.(**)	45.630.902	24.895.313	-	-
Otokar (***)	5.683.389	2.454.456	5.389.994	1.719.673
Setur (****)	2.944.306	472.498	2.244.211	462.856
CNH International (*****)	1.611.555	568.800	-	-
CNH Services srl (*****)	-	-	1.568.351	568.751
Otokoç	916.706	320.100	816.660	283.605
Ram Sigorta Aracılık Hizmetleri A.Ş. (*****)	851.860	111.487	524.946	47.091
Aygaz Doğal Gaz Toptan Satış A.Ş.	170.022	-	119.088	-
Koç Sistem	99.961	14.487	145.933	145.933
Other	904.657	174.494	975.621	450.486
	91.613.988	38.649.548	24.494.660	7.739.140
	93.420.388	39.218.348	26.112.011	8.307.891

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

- (*) 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 September 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.

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

Financial income and expense from group companies

	1 January - 30September 2013	1 July - 30September 2013	1 January - 30 September 2012	1 July - 30 September 2012
Interest income				
Yapı Kredi	364.758	-	597.771	386.517
Interest expense				
Yapı Kredi Finansal	(23)	-	(1.361)	(441)
Yapı Kredi	(647)	-	(454)	-
	(670)	-	(1.815)	(441)

iv) Dividends paid to related parties:

	1 Ocak - 30 September 2013	1 Ocak - 30 September 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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

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

	1 January - 30September 2013	1 July - 30September 2013	1 January - 30 September 2012	1 July - 30 September 2012
Remuneration of key management personnel(*)	3.332.098	1.123.619	2.813.739	1.038.542

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

Gain / (loss) on sales of fixed asset

	1 January - 30September 2013	1 July - 30September 2013	1 January - 30 September 2012	1 July - 30 September 2012
Zer	-	-	311	-

**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 SEPTEMBER 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 September 2013 and 31 December 2012 are as follows:

	30 September 2013						
	TL Equivalent	USD	EUR	GBP	DKK	CHF	YEN
1. Trade Receivables	158.437.263	376.055	57.368.757	-	-	-	-
2. Monetary Financial Assets (Including banks accounts) (Note 3)	86.705.475	553.081	31.134.226	3.203	-	281	-
3. Other	101.992.191	10.850.963	29.078.200	195	-	-	-
4. Current Assets (1+2+3)	347.134.929	11.780.099	117.581.183	3.398	-	281	-
5. Trade Receivables	236.761	77.000	29.154	-	-	-	-
6. Other	11.026.994	1.019	4.011.396	-	-	-	-
7. Non-current Assets (5+6)	11.263.755	78.019	4.040.550	-	-	-	-
8. Total Assets (4+7)	358.398.684	11.858.118	121.621.733	3.398	-	281	-
9. Trade Payables	143.574.648	13.969.235	41.900.171	-	-	-	-
10. Financial Liabilities (Note 4)	-	-	-	-	-	-	-
11. Other Monetary Liabilities	4.211.883	-	1.532.486	-	-	-	-
12. Current Liabilities (9+10+11)	147.786.531	13.969.235	43.432.657	-	-	-	-
13. Financial Liabilities (Note 4)	207.702.148	-	75.572.023	-	-	-	-
14. Non-current Liabilities (13)	207.702.148	-	75.572.023	-	-	-	-
15. Total Liabilities (12+14)	355.488.679	13.969.235	119.004.680	-	-	-	-
16. Net Foreign Currency Asset/(Liability) Position (8-15)	2.910.005	(2.111.117)	2.617.053	3.398	-	281	-
17. Net Monetary Foreign Currency Asset/(Liability) Position (8-15)	2.910.005	(2.111.117)	2.617.053	3.398	-	281	-

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 SEPTEMBER 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
SEPTEMBER 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 September 2013 and 2012 are as follows:

	1 January - 30 September 2013	1 July - 30 September 2013	1 January - 30 September 2012	1 July - 30 September 2012
Total export amount	487.981.464	163.308.860	475.210.533	125.768.467
Total import amount	413.821.833	100.552.924	329.752.910	81.105.555

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 September 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 September 2013			
	Appreciation of foreign currency	Profit/Loss Depreciation of foreign currency	Appreciation of foreign currency	Shareholders' Equity Depreciation of foreign currency
Had TL appreciate/(depreciate) by 10% against USD				
Profit/(loss) from USD net asset position	(429.443)	429.443	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net Effect of USD	(429.443)	429.443	-	-
Had TL appreciate/(depreciate) by 10% against EUR				
Profit/(loss) from EUR net liability position	719.271	(719.271)	-	-
Hedged amount against EUR risk (-)	-	-	-	-
Net Effect of EUR	719.271	(719.271)	-	-
Had TL appreciate/(depreciate) by 10% against other				
Profit/(loss) from other net liability position	1.173	(1.173)	-	-
Hedged amount against other (-)	-	-	-	-
Net Effect of Other	1.173	(1.173)	-	-
Total Net Effect	291.001	(291.001)	-	-

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30
SEPTEMBER 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 September 2013	31 December 2012
Time Deposits	121.443.444	362.938.349
Financial liabilities	147.076	355.768.112
Financial Instruments with fixed interest rate	121.590.520	718.706.461
	30 September 2013	31 December 2012
Financial liabilities	205.838.910	-
Financial Instruments with floating interest rate	205.838.910	-

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30
SEPTEMBER 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 6.241 (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 SEPTEMBER 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 September 2013 and 31 December 2012 is as follows:

	30 September 2013					
	Related Party	Trade Receivables Third Party	Related Party	Other Receivables Third Party	Bank Deposits	Derivative Instruments
Net book value of financial assets which are undue and not impaired	59.352.387	263.061.291	-	349.988	143.525.914	-
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	-	16.182.896	-	-	-	-
Net book value of impaired assets	-	2.431.235	-	-	-	-
- Due dated (Gross book value)	-	39.057.956	-	-	-	-
- Provision (-)	-	(36.626.721)	-	-	-	-
- Undue (Gross book value)	-	5.881.600	-	-	-	-
- Provision (-)	-	(5.881.600)	-	-	-	-
Off-balance sheet items exposed to credit risk						
Amount exposed to maximum credit risk (*)	59.352.387	281.675.422				

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

As of 30 September 2013, the guarantee amount of the maximum exposure to credit risk is TL 353.163.875. 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 SEPTEMBER 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)

	31 December 2012		Other		Bank	Derivative
	Related	Trade	Related	Other	Deposits	Instruments
	Party	Receivables	Party	Receivables		
		Third		Third		
		Party		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
SEPTEMBER 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 September 2013	31 December 2012
Cash and cash equivalents	143.525.914	378.971.315
Less: Financial liabilities	(205.985.986)	(355.768.112)
Net financial (debt) /asset	(62.460.072)	23.203.203
Total shareholders' equity	669.100.873	663.790.097
Net financial debt/shareholders' equity	%(9)	-

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, judgment 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
SEPTEMBER 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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