

Türk Traktör ve Ziraat Makineleri A.Ş.

**Convenience translation into English of
condensed financial statements for the interim
period between 1 January – 31 March 2013
(originally issued in Turkish)**

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

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TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

INTERIM BALANCE SHEET

AS OF 31 MARCH 2013

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

		Current period Unaudited	Prior period Audited
	Notes	31 March 2013	31 December 2012
ASSETS			
CURRENT ASSETS		1.063.928.810	1.104.322.893
Cash and cash equivalents	3	266.270.905	378.971.315
Trade receivables			
- Trade receivables	5	292.152.573	245.730.198
- Due from related parties	19	80.430.517	84.904.276
Inventories	6	327.101.604	292.621.523
Other current assets	9	97.973.211	102.095.581
NON-CURRENT ASSETS		226.478.819	215.418.228
Trade receivables	5	1.353.631	1.643.344
Other receivables		349.757	338.238
Property, plant and equipment	7	166.227.547	156.993.145
Intangible assets	8	35.253.878	34.892.008
Other non-current assets		501.920	-
Deferred tax assets	17	22.792.086	21.551.493
TOTAL ASSETS		1.290.407.629	1.319.741.121

The interim financial statements prepared as at and for the period ended 31 March 2013 have been approved by the Board of Directors on 25 April 2013 and was signed by the General Manager Marco Votta and Vice President of Financial Affairs Memet İlkan Kamber on behalf of the Board of Directors.

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**INTERIM BALANCE SHEET
AS OF 31 MARCH 2013**

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

		Current period Unaudited	Prior period Audited
	Notes	31 March 2013	31 December 2012
LIABILITIES			
CURRENT LIABILITIES		573.623.317	437.504.381
Financial liabilities	4	192.830.555	160.938.145
Trade payables			
- Trade payables	5	279.335.294	203.283.783
- Due to related parties	19	16.630.858	17.006.021
Other payables		18.178.547	10.107.055
Taxation on income	17	12.540.774	4.493.915
Provision for employee benefits	11	9.608.379	7.470.598
Provisions	10	17.807.637	17.502.664
Other current liabilities	9	26.691.273	16.702.200
NON-CURRENT LIABILITIES		192.709.030	218.446.643
Financial liabilities	4	169.566.100	194.829.967
Provision for employee benefits	11	8.991.297	9.004.102
Provisions	10	14.151.633	14.612.574
SHAREHOLDERS' EQUITY		524.075.282	663.790.097
Share capital	12	53.369.000	53.369.000
Adjustments to share capital	12	39.014.356	39.014.356
Merger reserve		(5.569.000)	(5.569.000)
Restricted profit reserves		114.169.112	94.435.957
Retained earnings		262.806.629	214.342.169
Net profit for the period		60.285.185	268.197.615
TOTAL LIABILITIES		1.290.407.629	1.319.741.121
Provisions, contingent assets and contingent liabilities	10		

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 – 31 MARCH 2013**

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

		Unaudited	Unaudited
	Notes	1 January - 31 March 2013	1 January - 31 March 2012
Sales (net)	13	505.709.789	535.433.426
Cost of sales (-)	13	(401.860.299)	(424.955.478)
GROSS PROFIT		103.849.490	110.477.948
Marketing, selling and distribution expenses (-)		(21.528.272)	(22.678.438)
General administrative expenses (-)		(9.122.383)	(7.592.772)
Research and development expenses (-)		(2.473.948)	(1.794.096)
Other operating income	14	1.342.380	1.259.733
Other operating expenses (-)	14	(343.029)	(5.896.988)
OPERATING PROFIT		71.724.238	73.775.387
Financial income	15	51.457.095	77.493.862
Financial expenses (-)	16	(50.990.190)	(74.695.775)
PROFIT BEFORE TAXATION ON INCOME		72.191.143	76.573.474
Taxes on income	17	(13.146.551)	(22.640.243)
Deferred tax income	17	1.240.593	10.128.640
NET PROFIT FOR THE YEAR		60.285.185	64.061.871
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		60.285.185	64.061.871
Earnings per share (TL)	18	0,0113	0,0120

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 – 31 MARCH 2013**

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

	Share capital	Adjustment to share capital	Merge reserves	Restricted profit reserve	Retained earnings	Net profit for the year	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
Transfers	-	-	-	19.733.155	248.464.460	(268.197.615)	-
Dividends paid	-	-	-	-	(200.000.000)	-	(200.000.000)
Net profit for the year	-	-	-	-	-	60.285.185	60.285.185
31 March 2013	53.369.000	39.014.356	(5.569.000)	114.169.112	262.806.629	60.285.185	524.075.282
	Share capital	Adjustment to share capital	Merge reserves	Restricted profit reserve	Retained earnings	Net profit for the year	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
Transfers	-	-	-	-	277.421.569	(277.421.569)	-
Dividends paid	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	64.061.871	64.061.871
31 March 2012	53.369.000	39.014.356	(5.569.000)	74.702.802	434.075.324	64.061.871	659.654.353

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

	Notes	Current period Unaudited 31 March 2013	Prior period Unaudited 31 March 2012
Operating activities:			
Profit before taxation on income		72.191.143	76.573.474
Depreciation	7	4.173.602	2.946.439
Amortisation	8	1.641.101	999.916
Provision for employment termination benefits	11	412.507	509.025
Gain from sales of property, plant and equipment - net	14	(137.990)	(192.853)
Interest income	15	(3.935.245)	(2.723.206)
Interest expense	16	3.689.024	2.970.315
Provision for impairment of inventory	6	(490.509)	2.005.652
Expense accruals-net		(155.968)	2.678.807
Provision for doubtful receivables	14	341.670	4.512.302
Effect of foreign currency exchange rate		9.207.758	(670.845)
Net cash flow before changes in operating assets and liabilities		86.937.093	89.609.026
Changes in operating assets and liabilities - net:			
Increase in trade receivables		(43.755.218)	(75.926.222)
Decrease in due from related parties		3.413.703	651.491
Increase in inventories		(34.699.813)	(26.894.814)
Decrease/(increase) in other current assets		4.122.370	(21.527.980)
Increase in other receivables		(11.519)	(2.245)
Increase in other non-current assets		(501.920)	-
Increase in due to related parties		76.598.647	34.841.775
Decrease in trade payables		(337.939)	(6.200.249)
Increase/(decrease) in other payables		8.071.492	(3.196.654)
Increase in other short-term liabilities		9.989.073	7.686.889
Increase in employment termination benefit		2.137.782	1.495.364
Employment termination benefits paid	11	(425.312)	(291.827)
Taxes paid		(5.099.693)	(10.593.329)
Net cash provided by operating activities		106.438.746	(10.348.775)
Investing activities:			
Capital expenditures		(15.892.666)	(8.975.824)
Gain from sales of property, plant and equipment and intangible assets		619.681	246.815
Interest received		3.789.758	2.986.035
Net cash used in investing activities		(11.483.227)	(5.742.974)
Financing activities:			
Proceeds from bank borrowings		83.209.070	127.859.267
Repayment of financial borrowings		(81.930.500)	(46.605.402)
Dividends paid		(200.000.000)	-
Interest paid		(3.689.023)	(1.211.556)
Net cash used in investing activities		(202.410.453)	80.042.309
Effect of change of exchange rate on cash and cash equivalent		(3.103.241)	1.629.379
(Decrease)/increase in cash and cash equivalents		(107.454.934)	63.950.560
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	265.660.643	310.108.492

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 MARCH 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 31 March 2013, major shareholders of the Company are Koç Holding and CNH Österreich GmbH (“CNH Österreich”) (Note 12). The number of personnel working within the Company as of 31 March 2013 is 2.446 (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 TL47.000.000 by the merger ratio, reaching share capital amounting to TL53.369.000 after the merger.

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

The Company conducts marketing and selling activities in the domestic market, through its 127 sales dealers and 97 spare part dealers.

The Company is registered in Turkey in the following address:

Güvercin Yolu No: 111-112
06560 - Gazi Ankara

As of March 31, 2013, the free float of the Company whose shares are traded in the Stock Exchange İstanbul (“SEİ”) is 24,93% (31 December 2012: 24,93%) (Note 12).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

Principles governing the preparation of financial statements

The condensed interim financial statements have been prepared within the framework of Communiqué XI, No: 29 (referred as “CMB Accounting Standards”) and the related notes to them are presented in accordance with the formats recommended by the CMB.

In accordance with the Communiqué No: XI-29, entities are allowed to prepare a complete or condensed set of interim financial statements in accordance with IAS 34, “Interim Financial Reporting”. In this respect, the Group has preferred to prepare condensed financial statements in the interim periods and prepared the aforementioned condensed financial statements in compliance with CMB Financial Reporting Standards. Condensed financial statements does no included all notes and disclosures that are required for yearend financial statements, therefore, condensed financial statements have to be read in conjunction with financial statements as of 31 December 2012.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB has not been announced by TASB as of date of preparation of these financial statements, the condensed financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB in accordance with CMB Financial Reporting Standards which is based on IAS/IFRS .The financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, including the compulsory disclosures.

Functional and representative currency of the Company is TL.

Going concern

The Company prepared financial statements in accordance with the going concern assumption.

2.1 Comparatives and restatement of prior periods’ financial statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current year financial statements and the significant changes are explained.

The company reclassified depreciation expense capitalized to development costs amounting to TL 196.060 to capital expenditures in financial statements as of March 31, 2012.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

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

2.3 New and amended standards and interpretations:

The accounting policies adopted in preparation of the financial statements as at 31 March 2013 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC 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:

- IFRS 7 “Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)”, (The amendment affects disclosures only and will have no impact on the financial position or performance of the Company.)
- IAS 1 “Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income”, (The amendment affects presentation only and will have no impact on the financial position or performance of the Company.)
- IAS 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 and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The significant impact of the amended standard is reclassification of actuarial gain/loss to other comprehensive income statement which is already disclosed in income statement. The Company has no actuarial gain/loss as of 31 March 2013. If any gain or loss occurred in the following periods, the Company will disclose according to the standard.)
- IAS 27 “Separate Financial Statements (Amended)”, (As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This amendment will have no impact on the financial position or performance of the Company.)
- IAS 28 “Investments in Associates and Joint Ventures (Amended)”, (As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. This amendment will have no impact on the financial position or performance of the Company.)
- IFRS 10 “Consolidated Financial Statements”, (IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses 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 judgment. This amendment will have no 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 MARCH 2013

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

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

- IFRS 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 amendment will have no impact on the financial position or performance of the Company.)
- IFRS 12 “Disclosure of Interests in Other Entities”, (IFRS 12 includes disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. This amendment will have no impact on the financial position or performance of the Company.)
- IFRS 13 “Fair Value Measurement”, (The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS 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 IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. This amendment will have no impact on the financial position or performance of the Company.)
- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”,(This amendment will have no impact on the financial position or performance of the Company.)
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 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 IFRS 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 IFRS 10 and IAS 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 IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the amended standard on the financial position or performance of the Company.)

Improvements to IFRS

The IASB has issued the annual improvements to IFRSs – 2009 – 2011 cycle, which contains amendments to its standards. The Company is in the process of assessing the impact of the improvements on the financial position or performance of the Company.

- IAS 1 Financial Statement Presentation: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.
- IAS 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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

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

- IAS 32 Financial Instruments: Presentation: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.
- IAS 34 Interim Financial Reporting: Clarifies the requirements in IAS 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 financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

- IAS 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.)
- IFRS 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. This standard has not yet been endorsed by the EU. The amendment will have no impact on the financial position or performance of the Company.)
- IFRS 10 "Consolidated Financial Statements", (The amendment will have no impact on the financial position or performance of the Company.)

2.4 Summary of significant accounting policies

The principal accounting policies, consistently applied with prior period.

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

The accompanying financial statements, accounting principles and standards applied in the accompanying financial statements (CMB financial accounting standards) are based on International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board except for the adoption of an earlier date for discontinuation of application of IAS 29 (Financial Reporting in Hyperinflationary Economies). As per CMB financial accounting standards application of inflation accounting was ceased effective as of January 1, 2005, whereas per IFRS it was ceased effective January 1, 2006.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 3 - CASH AND CASH EQUIVALENTS

	31 March 2013	31 December 2012
Banks		
- TL denominated demand deposits	13.489.445	14.752.676
- TL denominated time deposits	46.493.465	127.834.240
- Foreign currency denominated demand deposits	6.724.639	1.280.290
- Foreign currency denominated time deposits	199.563.356	235.104.109
	266.270.905	378.971.315

As of 31 March 2013, the weighted average effective annual interest rate for TL and Euro ("EUR") time deposits is 6,76% and 2,41% (31 December 2012: TL: %7,78 and EUR: %3,29). As of 31 March 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 31 March 2013 and 31 December 2012 are as follows:

	31 March 2013	31 December 2012
Banks	266.270.905	378.971.315
Less: Interest accruals	(231.421)	(85.933)
Less: Restricted bank deposits (*)	(378.841)	(2.666.564)
Cash and cash equivalents	265.660.643	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.

NOTE 4 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

Short-term bank borrowings

	Original currency amount		Weighted average effective interest rate		TL Equivalent	
			p.a. (%)			
	31 March 2013	31 December 2012	31 March 2013	31 December 2012	31 March 2013	31 December 2012
EUR bank borrowings	75.654.837	40.487.130	2,67	4,14	175.436.001	95.213.584
					175.436.001	95.213.584

Current portion of long term bank borrowings

	Original currency amount		Weighted average effective interest rate		TL Equivalent	
			p.a. (%)			
	31 March 2013	31 December 2012	31 March 2013	31 December 2012	31 March 2013	31 December 2012
EUR bank borrowings	7.500.000	27.945.833	5,15	5,00	17.391.750	65.720.216
					17.391.750	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 MARCH 2013**

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

NOTE 4 - FINANCIAL LIABILITIES (Continued)

Short-term financial lease obligations

	Original currency amount		TL Equivalent	
	31 March 2013	31 December 2012	31 March 2013	31 December 2012
TL financial lease obligations	2.804	4.345	2.804	4.345
			2.804	4.345
Total short-term financial liabilities			192.830.555	160.938.145

b) Long-term financial liabilities

Long-term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL Equivalent	
	31 March 2013	31 December 2012	31 March 2013	31 December 2012	31 March 2013	31 December 2012
EUR bank borrowings	73.123.507	82.846.438	4,20	4,64	169.566.100	194.829.967
Total long-term financial liabilities					169.566.100	194.829.967

Redemption schedule of the long-term bank borrowings as of 31 March 2013 is as follows:

	31 March 2013
2014	123.188.100
2015	46.378.000
	169.566.100

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NOTE 4 - FINANCIAL LIABILITIES (Continued)

As of 31 March 2013 and 31 December 2012 the Company does not have any floating rate loan.

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

	Carrying value		Fair value	
	31 March 2013	31 December 2012	31 March 2013	31 December 2012
Bank borrowings	362.393.851	355.763.767	362.286.785	353.840.083

As of 31 March 2013, fair values of the EUR denominated bank borrowings are determined by using the discounted cash flow method over annual average effective discount rates of 3,48% (31 December 2012: EUR bank borrowings 4,84%).

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

	31 March 2013	31 December 2012
Short-term trade receivables:		
Customer current accounts	281.652.131	217.564.034
Notes receivables	44.717.963	54.013.425
Protested notes	5.117.392	13.275.882
	331.487.486	284.853.341
Less: Provision for doubtful receivables	(37.934.572)	(37.784.114)
Unearned financial income	(1.400.341)	(1.339.029)
Short-term trade receivables	292.152.573	245.730.198
Due from related parties (Note 19)	80.430.517	84.904.276
Total short-term trade receivables	372.583.090	330.634.474

Movements of the provisions for short term doubtful receivables for the periods ended 31 March 2013 and 2012 are as shown below:

	2013	2012
1 January	(37.784.114)	(33.039.870)
Collections during the year (Note 14)	191.212	774.284
Charge during the year (Note 14)	(341.670)	(3.408.046)
31 March	(37.934.572)	(35.673.632)

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NOTE 5 - TRADE RECEIVABLES AND PAYABLES (Continued)

	31 March 2013	31 December 2012
Long-term trade receivables:		
Notes receivables	1.968.357	2.182.293
Less: Provision for doubtful receivables	(520.520)	(527.671)
Unearned financial income	(94.206)	(11.278)
Long-term trade receivables	1.353.631	1.643.344

Movements of the provisions for long term doubtful receivables for the periods ended 31 March 2013 and 2012 are as shown below:

	2013	2012
1 January	(527.671)	(6.288.176)
Collections during the year (Note 14)	7.151	-
Charge during the year (Note 14)	-	(1.104.256)
31 March	(520.520)	(7.392.432)

	31 March 2013	31 December 2012
Trade payables:		
Supplier current accounts	280.248.233	204.184.018
Less: Unincurred financial expense	(912.939)	(900.235)
Trade payables	279.335.294	203.283.783
Due to related parties (Note 19)	16.630.858	17.006.021
Total trade payables	295.966.152	220.289.804

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NOTE 6 – INVENTORIES

	31 March 2013	31 December 2012
Raw materials	112.913.707	126.258.219
Work in progress	12.286.198	4.425.778
Finished goods	50.266.988	42.213.817
Commercial goods	56.470.483	53.789.605
Spare parts	20.411.020	18.688.498
Goods in transit (*)	80.032.104	53.015.011
	332.380.500	298.390.928
Provision for impairment of inventory	(5.278.896)	(5.769.405)
	327.101.604	292.621.523

The cost of inventories recognised as expense in the current period, amounted to TL378.159.494 (31 March 2012: TL424.228.201).

(*) 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	490.509	799.351
Charge during the period for impairment of inventory	-	(2.805.003)
31 March	(5.278.896)	(3.667.652)

During the year 2013, the Company sold finished goods that were impaired in 2012, the amount was credited to the cost of goods sold account.

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

	31 March 2013	31 March 2012
Raw materials	(967.007)	(362.539)
Finished goods	(1.144.519)	-
Commercial goods	(2.093.081)	(2.442.464)
Spare parts	(1.074.289)	(862.649)
	(5.278.896)	(3.667.652)

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NOTE 7- PROPERTY, PLANT AND EQUIPMENT

	1 January 2013	Additions	Disposals	Transfers	31 March 2013
<u>Cost</u>					
Land	30.171.026	500.000	-	-	30.671.026
Land improvements	5.448.242	-	-	-	5.448.242
Buildings	52.951.936	-	-	-	52.951.936
Machinery and equipment	379.404.095	1.698.607	(1.089.684)	1.290.555	381.303.573
Special costs	2.705.188	6.950	-	-	2.712.138
Motor vehicles	1.906.576	-	-	-	1.906.576
Furniture and fixtures	31.440.063	363.004	(11.252)	1.675.603	33.467.418
Construction in progress	18.201.769	11.639.263	(20.750)	(3.104.774)	26.715.508
	522.228.895	14.207.824	(1.121.686)	(138.616) (*)	535.176.417
<u>Accumulated depreciation</u>					
Land improvements	3.344.573	37.634	-	-	3.382.207
Buildings	36.651.959	384.390	-	-	37.036.349
Machinery and equipment	300.372.133	3.093.676	(628.745)	-	302.837.064
Special costs	2.641.633	3.455	-	-	2.645.088
Motor vehicles	1.204.620	56.631	-	-	1.261.251
Furniture and fixtures	21.020.832	777.329	(11.250)	-	21.786.911
	365.235.750	4.353.115	(639.995)	-	368.948.870
Net book value	156.993.145				166.227.547

(*) Transferred to intangible assets.

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NOT 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2012	Additions	Disposals	Transfers	31 March 2012
<u>Cost</u>					
Land	22.240.313	26.429	-	-	22.266.742
Land improvements	5.329.126	-	-	-	5.329.126
Buildings	51.177.099	15.669	-	-	51.192.768
Machinery and equipment	351.600.074	3.008.127	(3.510.181)	1.734.161	352.832.181
Special costs	2.705.188	-	-	-	2.705.188
Motor vehicles	1.791.445	-	(129.617)	-	1.661.828
Furniture and fixtures	27.882.315	333.974	(17.907)	267.588	28.465.970
Construction in progress	9.655.625	1.789.937	-	(2.001.749)	9.443.813
	472.381.185	5.174.136	(3.657.705)	-	473.897.616
<u>Accumulated depreciation</u>					
Land improvements	3.197.561	36.442	-	-	3.234.003
Buildings	35.102.741	390.349	-	-	35.493.090
Machinery and equipment	301.110.058	2.109.975	(3.484.997)	-	299.735.036
Special costs	2.620.160	6.952	-	-	2.627.112
Motor vehicles	1.105.003	64.353	(110.084)	-	1.059.272
Furniture and fixtures	19.274.377	534.428	(8.662)	-	19.800.143
	362.409.900	3.142.499	(3.603.743)	-	361.948.656
Net book value	109.971.285				111.948.960

For the period ended at 31 March 2013, of the total depreciation expense amounting to TL4.353.115 (31 March 2012:TL3.142.499), TL3.229.791 (31 March 2012:TL2.277.983) is allocated to production costs, TL693.986 (31 March 2012: TL535.213) is allocated to general administrative expenses, TL252.214 (31 March 2012:TL187.628) is allocated to research and development expenses and TL177.124 (31 March 2012: TL141.675) is allocated to marketing, selling and distribution expenses. The depreciation expense amounting to TL179.513 (31 March 2012: TL196.060) is capitalized during the year as it is related to the development costs.

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

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NOTE 8 - INTANGIBLE ASSETS

	1 January 2013	Additions	Disposals	Transfers	31 March 2013
<u>Cost</u>					
Rights	7.955.531	128.152	-	138.616	8.222.299
Development costs	27.966.944	-	-	-	27.966.944
Development costs in progress	13.195.578	1.736.203	-	-	14.931.781
	49.118.053	1.864.355	-	138.616	51.121.024
<u>Accumulated amortisation</u>					
Rights	5.205.768	266.568	-	-	5.472.336
Development costs	9.020.277	1.374.533	-	-	10.394.810
	14.226.045	1.641.101	-	-	15.867.146
Net book value	34.892.008				35.253.878
	1 January 2012	Additions	Disposals	Transfers	31 March 2012
<u>Cost</u>					
Rights	6.093.469	148.543	-	-	6.242.012
Development costs	10.088.545	-	-	12.009.526	22.098.071
Development costs in progress	18.905.977	3.849.205	-	(12.009.526)	10.745.656
	35.087.991	3.997.748	-	-	39.085.739
<u>Accumulated amortisation</u>					
Rights	4.389.345	161.891	-	-	4.551.236
Development costs	4.286.789	838.025	-	-	5.124.814
	8.676.134	999.916	-	-	9.676.050
Net book value	26.411.857				29.409.689

Development costs include 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 31 March 2013, of the total amortisation expenses amounting to TL1.641.101 (31 March 2012: TL999.916), TL197.781 (31 March 2012: TL117.354) is allocated to production costs, TL42.497 (31 March 2012: TL27.572) is allocated to general administrative expenses, TL1.389.978 (31 March 2012: TL847.691) is allocated to research and development expenses and TL10.845 (31 March 2012: TL7.299) is allocated to marketing, selling and distribution expenses.

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NOTE 9 - OTHER ASSETS AND LIABILITIES

	31 March 2013	31 December 2012
a) Other current assets:		
Deferred value added tax ("VAT")	52.263.300	47.582.310
Reclaimed VAT	44.495.019	53.535.603
Prepaid expenses	1.046.967	693.459
Other	167.925	284.209
	97.973.211	102.095.581
b) Other short-term liabilities:		
Advance received (*)	13.749.964	14.087.436
Deferred income (**)	6.094.539	518.552
Deferred incentive income (***)	1.688.610	1.689.770
Other accrued expenses (****)	5.158.160	406.442
Other short-term liabilities	26.691.273	16.702.200

(*) Advances have been received in relation to the pre-paid campaign of the combines that will be sold in 2013.

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

(***) Deferred incentive income, based on completed development projects in 2013 and 2012, refers to the amount of incentive received from The Scientific and Technological Research Council of Turkey. Amount of incentive taken is reflected to income statement in accordance with related project's useful life.

(****) As of 31 March 2013, the account consists of accrued liabilities with unreceived invoices.

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NOTE 10 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) Short term provisions

	31 March 2013	31 December 2012
Warranty provision	16.438.494	16.133.521
Provision for legal cases (*)	1.369.143	1.369.143
	17.807.637	17.502.664

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

b) Long term provisions

	31 March 2013	31 December 2012
Warranty provision	14.151.633	14.612.574
	14.151.633	14.612.574

Movements of the short term and long term warranty provisions for the periods ended 31 March 2013 and 2012 are as shown below:

	2013	2012
1 January	30.746.095	28.089.818
Released during the year	(7.643.012)	(4.452.506)
Charge during the year	7.487.044	7.053.975
31 March	30.590.127	30.691.287

Movements of the lawsuit provisions are as shown below:

	2013	2012
1 January	1.369.143	550.057
Charge during the year (Note 14)	-	77.338
31 March	1.369.143	627.395

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**NOTE 10 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS
(Continued)**

c) Contingent Liabilities

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

	31 March 2013	31 December 2012
A. The total amount of collaterals given on behalf of its own legal entity	105.113.358	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	-	-
	105.113.358	23.014.969

As at 31 March 2013, the Company has given its own legal entity on behalf of the original collateral denominated in foreign currency amounts of EUR44.554.198 and USD26.444. (31 December 2012: EUR9.022.848 and USD26.444).

d) Contingent Assets

	Original Foreign Currency amount						TL Equivalent	
	31 March 2013			31 December 2012			31 March 2013	31 December 2012
	EUR	USD	TL	EUR	USD	TL		
Letters of guarantees received	-	270.000	279.768.137	-	470.000	274.206.800	280.256.486	275.044.623
Direct debit	-	-	180.370.977	-	-	179.586.528	180.370.977	179.586.528
Mortgages	-	-	6.178.980	-	-	6.178.980	6.178.980	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 guarantees on foreign currency	-	8.363	-	-	8.363	-	15.125	14.907
							468.643.568	462.728.500

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NOTE 11 - PROVISION FOR EMPLOYEE BENEFITS

Short term provision for employee benefits

	31 March 2013	31 December 2012
Due to personnel	8.222.941	6.754.742
Provision for unused vacation rights	1.385.438	715.856
	9.608.379	7.470.598

Movements of the provision for unused vacation rights:

	2013	2012
1 January	715.856	559.443
Charge during the year	669.582	869.742
31 March	1.385.438	1.429.185

Long term provision for employee benefits

	31 March 2013	31 December 2012
Provision for employment termination benefits	8.991.297	9.004.102
	8.991.297	9.004.102

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

Under the Turkish Labor 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 TL3.129,25 for each year of service as of 31 March 2013 (1 January 2013: 3.129,25 TL).

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:

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NOTE 11 - PROVISION FOR EMPLOYEE BENEFITS (Continued)

	31 March 2013	31 December 2012
Discount rate (%)	3,86	3,86
Turnover rate to estimate the probability of retirement (%)	94,19	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 TL3.129,25 which is effective from 1 April 2013 has been taken into consideration in calculating the provision for employment termination benefits of the Company.

Movements of the provision for employment termination benefits during the periods are as follows:

	2013	2012
1 January	9.004.102	7.501.348
Charge during the year	412.507	509.025
Paid during the year	(425.312)	(291.827)
31 March	8.991.297	7.718.546

NOTE 12 - SHAREHOLDERS' EQUITY

Paid-in Share Capital

The Company's registered share capital amounts to TL250.000.000(31 December 2012: TL250.000.000).

The Company's share capital is composed of 5.336.900.000 units of shares each Kr1 nominal value. The nominal value of share capital is TL53.369.000.

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

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

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NOTE 12 - SHAREHOLDERS' EQUITY (Continued)

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.

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

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

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.

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NOTE 12 - SHAREHOLDERS' EQUITY (Continued)

Dividend Distribution

In the statutory financial statements of the Company has the statutory net profit for the year amounting to TL52.453.371 for the period ended 31 March 2013, legal reserves and retained earnings that can be subject to a possible dividend distribution amounting to TL291.607.124. Also in case of possible dividend distribution the Company has inflation adjustment difference amounting to TL47.110.422 and other capital reserves amounting to TL10.368.258 that will be subject to tax.

The decision of dividend payment amounting to TL200.000.000, to be distributed at the date of 25 March 2013 was taken in the Company's General Assembly dated 18 March 2013 (Note 19).

NOTE 13 - SALES AND COST OF SALES

	1 January - 31 March 2013	1 January - 31 March 2012
Domestic sales	387.024.657	432.405.008
Export sales	156.026.587	151.458.956
Sales income (gross)	543.051.244	583.863.964
Less: Discounts and returns	(37.341.455)	(48.430.538)
Sales income (net)	505.709.789	535.433.426
Cost of sales	(401.860.299)	(424.955.478)
Gross profit	103.849.490	110.477.948

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NOTE 14 – OTHER OPERATING INCOME/EXPENSES

	1 January - 31 March 2013	1 January - 31 March 2012
Gain on sales of property, plant and equipment and tangible assets	139.151	207.346
Termination of provision for doubtful receivables (Note 5)	198.363	774.284
Incentive income	95.166	56.146
Other income	909.700	221.957
Other operating income	1.342.380	1.259.733
Provision for doubtful receivables (Note 5)	(341.670)	(4.512.302)
Provision for lawsuits (Note 10)	-	(77.338)
Loss on sales of property, plant and equipment and tangible assets	(1.161)	(14.493)
Other expense	(198)	(1.292.855)
Other operating expense	(343.029)	(5.896.988)

NOTE 15 - FINANCIAL INCOME

	1 January - 31 March 2013	1 January - 31 March 2012
Foreign exchange gain	44.830.878	61.295.486
Financial income from credit sales	2.690.972	13.475.170
Interest income	3.935.245	2.723.206
Financial income	51.457.095	77.493.862

NOTE 16 - FINANCIAL EXPENSES

	1 January - 31 March 2013	1 January - 31 March 2012
Foreign exchange loss	(44.387.131)	(58.938.215)
Financial expense on credit purchases	(1.811.201)	(12.379.963)
Interest expenses of bank borrowings	(3.689.024)	(2.970.315)
Other	(1.102.834)	(407.282)
Financial expenses	(50.990.190)	(74.695.775)

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NOTE 17 - TAX ASSETS AND LIABILITIES

	31 March 2013	31 December 2012
Corporate taxes payable	13.146.551	57.266.903
Less: Prepaid taxes	(605.777)	(52.772.988)
Total tax payable - net	12.540.774	4.493.915
	1 January - 31 March 2013	1 January - 31 March 2012
Current year corporate tax expense	(13.146.551)	(22.640.243)
Deferred tax income	1.240.593	10.128.640
Tax expense	(11.905.958)	(12.511.603)

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

Deferred taxes

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

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NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

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

	Temporary differences		Deferred tax assets/(liabilities)	
	31 March 2013	31 December 2012	31 March 2013	31 December 2012
Property, plant and equipment and intangible assets, restatement and useful life differences	24.325.739	23.930.275	(4.865.148)	(4.786.055)
Unearned finance income on due from related parties	(61.884)	(20.228)	12.377	4.046
Provision for employment termination benefits	(8.991.297)	(9.004.102)	1.798.259	1.800.820
Capitalized unincurred financial expense on inventory	(761.040)	(1.286.087)	152.208	257.217
Warranty provision	(30.590.127)	(30.746.095)	6.118.026	6.149.219
Provision for lawsuits	(1.369.143)	(1.369.143)	273.828	273.828
Unearned finance income on trade receivables	(1.428.541)	(1.402.658)	285.708	280.532
Provision for doubtful receivables	(10.511.716)	(22.223.495)	2.102.343	4.444.699
Provision for impairment of inventory	(5.278.896)	(5.769.405)	1.055.779	1.153.881
Sales premium accrued	(32.915.435)	(15.369.609)	6.583.087	3.073.922
Other provisions	(8.615.065)	(3.321.045)	1.723.013	664.209
Investment incentive	(40.210.120)	(40.632.357)	8.042.024	8.126.471
Other	2.447.090	(543.523)	(489.418)	108.704
Deferred tax assets			22.792.086	21.551.493

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

	2013	2012
1 January	21.551.493	14.237.940
Deferred tax income	1.240.593	10.128.640
31 March	22.792.086	24.366.580

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

	31 March 2013	31 March 2012
Profit before taxation on income	72.191.143	76.573.474
Tax calculated at enacted tax rate	14.438.229	15.314.695
Investment deduction	(2.627.463)	(2.052.913)
Research and development deductions	(453.337)	(925.574)
Other exemptions	548.529	175.395
Total tax charge	11.905.958	12.511.603

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NOTE 18 - EARNINGS PER SHARE

Earnings per share stated in the income statement is calculated by dividing the net income to the weighted average number of ordinary shares outstanding during the year.

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

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 - 31 March 2013	1 January - 31 March 2012
Profit for the period	60.285.185	64.061.871
Weighted average number of the ordinary shares	5.336.900.000	5.336.900.000
Earnings per share (1 Kr nominal value per share as TL)		
Profit for the period	0,0113	0,0120

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

NOTE 19 - RELATED PARTY EXPLANATIONS

The Company is jointly controlled by Koç Holding and CNH Osterreich. 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 31 March 2013 and 31 December 2012 and significant intercompany transactions were as follows:

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

	31 March 2013	31 December 2012
a) Bank deposits and borrowings		
Deposits with related parties:		
Yapı ve Kredi Bankası A.Ş. (“Yapı Kredi”)	8.744.256	40.566.894
	8.744.256	40.566.894

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NOTE 19 - RELATED PARTY EXPLANATIONS (Continued)

	31 March 2013	31 December 2012
b) Due from related parties		
Due from group companies		
CNH International SA (“CNH International”) (*)	63.262.742	76.344.087
Ark İnşaat Sanayi ve Ticaret A.Ş.	10.917.621	3.328.611
CNH Latin America Ltda.	3.460.773	2.660.330
CNH Italy SPA (“CNH Italy”)	2.378.733	2.459.954
Other	472.532	131.522
	80.492.401	84.924.504
Less: Unearned financial income	(61.884)	(20.228)
	80.430.517	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

Trade payable to shareholders

Koç Holding	511.235	1.398.132
	511.235	1.398.132
Due to group companies		
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. (“Opet Fuchs”)	8.720.833	2.640.236
Zer Merkezi Hizmetler ve Ticaret A.Ş. (“Zer”)	3.162.227	5.422.826
New Holland Fiat India Pvt. Ltd. (“New Holland India”)	2.046.036	2.026.510
Otokar Otobüs Karoseri Sanayi A.Ş. (“Otokar”)	650.000	523.164
Koçtaş Yapı Marketleri A.Ş. (“Koçtaş”)	396.538	859.048
Otokoç Otomotiv San. ve Tic. A.Ş. (“Otokoç”)	115.470	107.700
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (“Koç Sistem”)	102.506	2.230.677
Opet Petrolcülük A.Ş. (“Opet”)	47.465	46.113
CNH Services srl	-	1.240.837
Setur Servis Turistik A.Ş. (“Setur”)	-	229.571
Other	940.157	332.758
	16.181.232	15.659.440
Less: Unearned financial expenses	(61.609)	(51.551)
	16.630.858	17.006.021

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NOTE 19 - RELATED PARTY EXPLANATIONS (Continued)

ii) **Significant sales and purchases transactions with related parties for the interim periods between 1 January - 31 March 2013 and 2012:**

a) **Product sales to related parties**

	1 January - 31 March 2013	1 January - 31 March 2012
Product sales to group companies		
CNH International (*)	147.629.137	138.391.255
CNH Latin America Ltda.	2.611.488	12.014.478
CNH Italy	2.119.854	827.347
Zer	21.966	1.273.009
Other	367.685	153.033
	152.750.130	152.659.122

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

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

	1 January - 31 March 2013	1 January - 31 March 2012
Other income from group companies		
CNH International	21.780	-
Other expenses from group companies		
CNH Italy	-	(34.678)
Other	-	(24.957)
	-	(59.635)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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NOTE 19 - RELATED PARTY EXPLANATIONS (Continued)

c) Product purchases from related parties

	1 January - 31 March 2013	1 January - 31 March 2012
Product purchases from group companies		
CNH International (*)	96.981.457	11.377.461
Opet Fuchs (**)	8.189.030	8.966.352
New Holland India	5.297.980	-
Zer	612.695	2.229.989
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	584.004	770.321
Opet	197.576	173.989
Other	826.009	779.431
	112.688.751	24.297.543

(*) 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 - 31 March 2013	1 January - 31 March 2012
Service purchases from shareholders		
Koç Holding (****)	668.800	499.800
	668.800	499.800
Service purchases from group companies		
Zer (*)	9.452.222	2.936.680
Otokar (**)	1.566.398	1.815.809
Ark İnşaat San. ve Tic. A.Ş.	5.710.831	-
Setur (***)	1.920.696	1.225.337
CNH Services srl (****)	668.800	545.001
Otokoç	296.909	178.245
Ram Sigorta Aracılık Hizmetleri A.Ş. (*****)	682.172	419.383
Aygaz Doğalgaz Toptan Satış A.Ş.	146.077	93.099
Other	480.815	204.780
	20.924.920	7.418.334
	21.593.720	7.918.134

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NOTE 19 - RELATED PARTY EXPLANATIONS (Continued)

- (*) Services purchased from Zer are related with security, cleaning, transportation and other services.
(**) 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 Koç Holding and CNH International is related with human resources, strategy development, brokerage and consultancy services.
(*****) Balance as of March 31, 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 – 31 March 2013 and 2012:

Financial income and expense from group companies

	1 January - 31 March 2013	1 January - 31 March 2012
Interest income		
Yapı Kredi	364.758	-
	1 January - 31 March 2013	1 January - 31 March 2012
Interest expenses		
Yapı Kredi Finansal Kiralama A.O.	-	510
Yapı Kredi Yatırım Menkul Değerler A.Ş.	-	454
	1 January - 31 March 2013	1 January - 31 March 2012
	-	964

iv) Dividends paid to related parties:

	1 January - 31 March 2013	1 January - 31 March 2012
Koç Holding	75.000.000	-
CNH Osterreich	75.000.000	-
Public quotation	49.867.371	-
Other	132.629	-
	1 January - 31 March 2013	1 January - 31 March 2012
	200.000.000	-

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NOTE 19 - RELATED PARTY EXPLANATIONS (Continued)

- v) **Other transactions with related parties for the periods between 1 January - 31 March 2013 and 2012:**

	1 January - 31 March 2013	1 January - 31 March 2012
Remuneration of key management personnel(*)	1.089.929	751.411

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

	1 January - 31 March 2013	1 January - 31 March 2012
Gain on sales of fixed asset		
Zer	-	(109)
	-	(109)

**NOTE 20 - 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. The Company also utilizes derivative financial instruments to the extent necessary, to minimize the foreign currency risk.

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

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NOTE 20 - 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 31 March 2013 and 31 December 2012 are as follows:

	31 March 2013						
	TL Equivalent	USD	EUR	GBP	DKK	CHF	YEN
1.Trade Receivables	112.542.042	-	48.532.512	-	-	-	-
2.Monetary Financial Assets (Including cash, banks accounts)(Note 3)	206.287.995	51.769	88.916.534	1.871	-	355	-
3.Other	61.715.262	678.715	26.057.668	22.792	-	-	-
4.Current Assets (1+2+3)	380.545.299	730.484	163.506.714	24.663	-	355	-
5.Trade Receivables	193.240	77.000	23.274	-	-	-	-
6.Other	503.763	278.522	-	-	-	-	-
7. Non-current Assets (5+6)	697.003	355.522	23.274	-	-	-	-
8. Total Assets (4+7)	381.242.302	1.086.006	163.529.988	24.663	-	355	-
9. Trade Payables	47.073.677	235.926	20.080.721	29.800	-	-	-
10. Financial Liabilities (Note 4)	192.827.751	-	83.154.837	-	-	-	-
11. Other Monetary Liabilities	19.881.201	8.721	8.566.746	-	-	-	-
12. Current Liabilities (9+10+11)	259.782.629	244.647	111.802.304	29.800	-	-	-
13. Financial Liabilities (Note 4)	169.566.100	-	73.123.507	-	-	-	-
14. Non-current Liabilities (13)	169.566.100	-	73.123.507	-	-	-	-
15. Total Liabilities (12+14)	429.348.729	244.647	184.925.811	29.800	-	-	-
16. Net Foreign Currency Asset/(Liability) Position (8-15)	(48.106.427)	841.359	(21.395.823)	(5.137)	-	355	-
17.Net Monetary Foreign Currency Asset/(Liability)Position(8-15)	(48.106.427)	841.359	(21.395.823)	(5.137)	-	355	-

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

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NOTE 20 - 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 cash, 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)

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**NOTE 20 - 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 31 March 2013 and 2012 are as follows:

	1 January - 31 March 2013	1 January - 31 March 2012
Total export amount	156.026.587	151.458.956
Total import amount	141.384.901	116.582.092

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 31 March 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:

	31 March 2013			
	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	152.177	(152.177)	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net Effect of USD	152.177	(152.177)	-	-
Had TL appreciate/(depreciate) by 10% against EUR				
Profit/(loss) from EUR net liability position	(4.961.477)	4.961.477	-	-
Hedged amount against EUR risk (-)	-	-	-	-
Net Effect of EUR	(4.961.477)	4.961.477	-	-
Had TL appreciate/(depreciate) by 10% against other				
Profit/(loss) from other net liability position	(1.343)	1.343	-	-
Hedged amount against other (-)	-	-	-	-
Net Effect of Other	(1.343)	1.343	-	-
Total Net Effect	(4.810.643)	4.810.643		

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**NOTE 20 - 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.

Cash flow and fair value interest rate risk

As the Company has no interest-bearing debt with a variable interest rate, the Company is not exposed to cash flow interest rate risk. However, borrowings issued at fixed rates expose the Company to fair value interest rate risk and these exposures are managed by using natural hedges by offsetting interest rate sensitive assets and liabilities.

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).

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NOTE 20 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The Company's maximum exposure to credit risk as of 31 March 2013 and 31 December 2012 is as follows:

	31 March 2013					
	Trade receivables		Other receivables		Bank Deposit	Derivative Instruments
	Related Party	Third Party	Related Party	Third Party		
Net book value of financial assets which are undue and not impaired	80.409.485	261.077.029	-	349.757	266.270.905	-
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	21.032	22.713.214	-	-	-	-
Net book value of impaired assets	-	9.715.961	-	-	-	-
- Due dated (Gross book value)	-	32.054.883	-	-	-	-
- Provision (-)	-	(22.338.922)	-	-	-	-
- Undue (Gross book value)	-	16.116.171	-	-	-	-
- Provision (-)	-	(16.116.171)	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	80.430.517	293.506.204	-	349.757	266.270.905	-

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

As of 31 March 2013, the guarantee amount of the maximum exposure to credit risk is TL 302.383.901. Besides, all assets which are due but not impaired and are impaired are guaranteed.

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

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

NOTE 20 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2012					
	Trade receivables			Other receivables		
	Related Party	Third Party	Related Party	Third Party	Bank Deposit	Derivative Instruments
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 MARCH 2013

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

NOTE 20 - 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.

The Company has not calculated net financial debt/shareholders' equity ratio at 31 December 2012 since the Company bears net financial asset position.

	31 March 2013	31 December 2012
Cash and cash equivalents	266.270.905	378.971.315
Less: Financial liabilities	(362.396.655)	(355.768.112)
Net financial (debt)/asset	(96.125.750)	23.203.203
Total shareholders' equity	524.075.282	663.790.097
Net financial debt/shareholders' equity	(18)%	-

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 MARCH 2013**

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

**NOTE 20 - 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 year-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 21 - SUBSEQUENT EVENT

None.

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