

Türk Traktör ve Ziraat Makineleri A.Ş.

**Convenience translation into English of condensed
financial statements and independent review report
for the interim period between
January 1 – June 30, 2014 (originally issued in
Turkish)**

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(Convenience translation of a review report originally issued in Turkish (See Note 2))

REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying financial statements of Türk Traktör ve Ziraat Makineleri A.Ş. (the "Company") as of June 30, 2014, which comprise the statement of financial position and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the six-month-period then ended and a summary of significant accounting policies and explanatory notes. The management of the Company is responsible for the preparation and fair presentation of the interim financial information in accordance with the Turkish Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Turkish Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention which may cause us to conclude that the accompanying interim financial information of Türk Traktör ve Ziraat Makineleri A.Ş. does not give a true and fair view of financial position and financial performance of the Company as of June 30, 2014, and its cash flows for the six-month period then ended in accordance with the Turkish Accounting Standards.

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

Erdem Tecer, SMMM
Engagement Partner

August 6, 2014
Istanbul, Turkey

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2014**

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

		Current period Reviewed	Prior period Audited
	Notes	June 30, 2014	December 31, 2013
ASSETS			
CURRENT ASSETS			
		1.287.160.828	1.085.713.601
Cash and cash equivalents	3	100.790.949	209.322.936
Trade receivables:			
- Trade receivables, other parties	5	368.929.999	282.114.924
- Due from related parties	20	197.222.939	80.797.729
Inventories	6	497.059.500	413.398.558
Prepaid expenses		8.445.433	416.768
Other current assets	9	114.712.008	99.662.686
NON-CURRENT ASSETS			
		512.847.737	408.899.590
Trade receivables:			
- Trade receivables, other parties	5	-	250.659
Other receivables:			
- Other receivables, other parties		356.542	355.102
Property, plant and equipment	7	344.257.780	274.193.297
Intangible assets	8	83.300.260	77.296.206
Prepaid expenses	10	34.657.564	20.260.797
Deferred tax assets	18	50.275.591	36.543.529
TOTAL ASSETS			
		1.800.008.565	1.494.613.191

The financial statements prepared as at and for the period ended June 30, 2014 have been approved by the Board of Directors on August 6, 2014 and was signed by the General Manager Marco Votta and Vice President of Financial Affairs Ahmet Canbeyli 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.

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2014**

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

		Current period Reviewed	Prior period Audited
	Notes	June 30, 2014	December 31, 2013
LIABILITIES			
CURRENT LIABILITIES			
		815.018.624	385.811.950
Short-term financial liabilities	4	158.277.159	14.702.994
Short-term portion of long term financial liabilities	4	111.103.733	-
Trade payables:			
- Trade payables, other parties	5	455.761.088	276.743.088
- Due to related parties	20	12.801.577	29.346.571
Employee benefit obligations	12	11.934.487	10.958.597
Other payables:			
- Other payables, other parties		2.367.842	7.669.767
Government incentives and aids		3.072.814	3.242.469
Deferred income	9	3.429.994	11.299.957
Provision for taxation on income	18	18.400.119	8.524.578
Short-term provisions			
- Short-term provision for employee benefits	11	2.811.254	979.368
- Other short-term provisions	11	35.058.557	22.344.561
NON-CURRENT LIABILITIES			
		400.283.395	365.483.519
Long-term financial liabilities	4	367.662.895	333.887.601
Long-term provisions:			
- Long-term provision for employee benefits	11	14.443.138	15.435.367
- Other long-term provisions	11	18.177.362	16.160.551
SHAREHOLDERS' EQUITY			
		584.706.546	743.317.722
Parent's equity			
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		143.902.267	114.169.112
Actuarial gain/ (loss) arising from employee benefits		(685.412)	(250.526)
Retained earnings		212.851.625	262.678.841
Net profit for the period		141.823.710	279.905.939
TOTAL LIABILITIES			
		1.800.008.565	1.494.613.191

Provisions, contingent assets and
contingent liabilities

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR
THE INTERIM PERIOD ENDED JUNE 30, 2014**

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

	Notes	Current period Reviewed		Prior period Reviewed	
		January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Revenue	14	1.330.810.157	735.605.934	1.102.841.999	597.132.210
Cost of sales (-)	14	(1.076.447.976)	(605.902.634)	(867.150.664)	(465.290.365)
GROSS PROFIT		254.362.181	129.703.300	235.691.335	131.841.845
Marketing, selling and distribution expenses (-)		(54.446.918)	(28.041.946)	(46.152.022)	(24.623.750)
General administrative expenses (-)		(23.866.843)	(12.312.896)	(18.826.056)	(9.703.673)
Research and development expenses (-)		(7.467.990)	(3.793.602)	(4.707.629)	(2.233.681)
Other income from operating activities	15	251.098.948	112.528.926	123.562.603	88.779.789
Other expenses from operating activities (-)	15	(258.786.937)	(115.838.364)	(116.553.182)	(81.003.375)
OPERATING PROFIT		160.892.441	82.245.418	173.015.049	103.057.155
Income from investing activities		103.993	103.993	190.254	51.103
Expenses from investing activities (-)		(59.648)	(45.374)	(1.161)	-
Financial income	16	35.663.186	17.403.371	37.452.718	19.575.208
Financial expenses (-)	17	(30.201.666)	(13.278.683)	(48.830.059)	(33.047.808)
PROFIT BEFORE TAXATION ON INCOME		166.398.306	86.428.725	161.826.801	89.635.658
Taxes on income (-)	18	(38.197.950)	(15.500.084)	(35.719.589)	(22.573.038)
Deferred tax income	18	13.623.354	1.463.682	10.817.962	9.577.369
NET PROFIT FOR THE PERIOD		141.823.710	72.392.323	136.925.174	76.639.989
Attribution of net profit for the year:					
Non-controlling interest		-	-	-	-
Equity holders of the parent		141.823.710	72.392.323	136.925.174	76.639.989
Other comprehensive income/ (expense)					
Actuarial loss arising from employee benefits	11	(543.594)	(547.594)	(52.398)	(52.398)
Deferred tax effect	18	108.708	109.508	10.480	10.480
Other comprehensive expense after tax		(434.886)	(438.086)	(41.918)	(41.918)
TOTAL COMPREHENSIVE INCOME		141.388.824	71.954.237	136.883.256	76.598.071
Earnings per share (TL)	19	0,0266	0,0136	0,0257	0,0143

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2))

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED CHANGES IN SHAREHOLDERS' EQUITY
FOR THE INTERIM PERIOD BETWEEN JANUARY 1 – JUNE 30, 2014**

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

	Share capital	Adjustment to share capital	Merger reserve	Restricted profit reserves	Actuarial loss arising from employee benefits	Retained earnings	Net profit for the period	Total shareholders' equity
At January 1, 2014	53.369.000	39.014.356	(5.569.000)	114.169.112	(250.526)	262.678.841	279.905.939	743.317.722
Transfers	-	-	-	29.733.155	-	250.172.784	(279.905.939)	-
Dividends paid	-	-	-	-	-	(300.000.000)	-	(300.000.000)
Other comprehensive income/ (expense)	-	-	-	-	(434.886)	-	141.823.710	141.388.824
At June 30, 2014	53.369.000	39.014.356	(5.569.000)	143.902.267	(685.412)	212.851.625	141.823.710	584.706.546

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2))

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED CHANGES IN SHAREHOLDERS' EQUITY
FOR THE INTERIM PERIOD BETWEEN JANUARY 1 – JUNE 30, 2014**

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

	Share capital	Adjustment to share capital	Merger reserve	Restricted profit reserves	Actuarial loss arising from employee benefits	Retained earnings	Net profit for the period	Total shareholders' equity
At January 1, 2013, previously reported	53.369.000	39.014.356	(5.569.000)	94.435.957	-	214.342.169	268.197.615	663.790.097
<i>Change in accounting policy (2.2)</i>	-	-	-	-	127.788	(68.377)	(59.411)	-
Balances as of January 1, 2013, as restated	53.369.000	39.014.356	(5.569.000)	94.435.957	127.788	214.273.792	268.138.204	663.790.097
Transfers	-	-	-	19.733.155	-	248.405.049	(268.138.204)	-
Dividends paid	-	-	-	-	-	(200.000.000)	-	(200.000.000)
Other comprehensive income/ (expense)	-	-	-	-	(41.918)	-	136.925.174	136.883.256
At June 30, 2013	53.369.000	39.014.356	(5.569.000)	114.169.112	85.870	262.678.841	136.925.174	600.673.353

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED CASH FLOWS

FOR THE INTERIM PERIOD BETWEEN JANUARY 1 – JUNE 30, 2014

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

		Current period Reviewed	Prior period Reviewed
	Notes	June 30, 2014	June 30, 2013
A. CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit for the period		(10.417.330)	105.657.094
Adjustments to reconcile net income to net cash provided by operating activities		141.823.710	136.925.174
Amortization and depreciation	7, 8	66.846.044	15.072.125
Adjustment for provision for impairment on inventories	6	14.546.835	11.823.045
Adjustment for provision for employee termination benefits		(750.863)	1.703.620
Adjustment for provision for doubtful receivables	15	890.358	2.089.943
Adjustment for expense accruals		-	966.403
Adjustment for interest income and expense	16, 17	14.730.798	8.019.129
Adjustment for tax expense		8.678.273	972.159
Adjustment for gain/ loss from sales of property plant and equipment		24.574.596	24.901.627
Adjustment for foreign exchange change effect		(44.345)	(189.093)
Changes in working capital		4.220.392	(35.214.708)
Increase in trade receivables		(181.231.548)	(26.395.193)
Increase in due from related parties		(90.093.187)	(65.039.701)
Increase in inventories		(119.907.320)	(35.781.432)
(Increase)/ decrease in other current assets		(84.802.667)	(18.418.703)
Increase in other receivables		(15.049.328)	13.133.110
Increase in prepaid expenses		(1.440)	(11.637)
Decrease in due to related parties		(22.425.432)	(11.240.707)
Increase in trade payables		(16.489.230)	(2.439.647)
Decrease in deferred income		180.557.471	104.444.707
Decrease in other liabilities		(8.100.087)	(11.198.385)
Increase in short term provision for employee termination benefits		(5.301.925)	(1.618.888)
Increase in debt for employee termination benefits		1.831.886	1.506.605
Employee termination benefits paid	11	975.891	1.325.389
Net cash provided by operating activities		(2.426.180)	(1.055.904)
Interest paid		27.438.206	125.602.106
Interest received		(15.289.180)	(9.139.722)
Tax paid		5.756.053	5.862.344
B. CASH FLOWS FROM INVESTING ACTIVITIES:		(28.322.409)	(16.667.634)
Proceeds from sales of property, plant and equipment and intangible assets		(83.341.536)	(46.293.966)
Payments for purchases of property, plant and equipment and intangible assets		124.100	684.682
Proceeds from government grants		60.471	75.600
C. CASH FLOWS FROM FINANCING ACTIVITIES:		(19.360.290)	(164.328.184)
Proceeds from borrowings		366.470.622	323.246.549
Repayment of borrowings		(85.830.912)	(287.574.733)
Dividends paid		(300.000.000)	(200.000.000)
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES(A+B+C)		(113.119.156)	(104.965.056)
D. CURRENCY TRANSLATION DIFFERENCES		(1.705.510)	13.680.613
NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(114.824.666)	(91.284.443)
E. CASH AND CASH EQUIVALENTS AT BEGINNING PERIODS	3	208.997.296	376.218.818
CASH AND CASH EQUIVALENTS AT ENDING PERIODS (A+B+C+D+E)	3	94.172.630	284.934.375

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS BETWEEN JANUARY 1 - JUNE 30, 2014

(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 June 30, 2014, major shareholders of the Company are Koç Holding and CNHI Österreich GmbH (“CNHI Österreich”) (Note 13). The number of personnel working within the Company as of June 30, 2014 is 2.786 (31 December 2013: 2.572).

The Company conducts marketing and selling activities in the domestic market, through its 134 sales dealers and 93 spare part dealers (December 31, 2013: 129 sales dealers, 95 spare part dealers).

The Company signed an Import and Distribution agreement providing after-sales services for activities such as domestic oriented sales and marketing for CNHI International SA, New Holland and Case branded imported construction equipment.

The Company is registered in Turkey in the following address:

Güvercin Yolu No: 111-112
06560 - Gazi Ankara

As of June 30, 2014, the free float of the Company whose shares are traded in the Borsa Istanbul (“BIST”) is 24,76% (December 31, 2013: 24,66%) (Note 13).

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 June 13, 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 (“TAS/ TFRS”) and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority (“POA”).

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.

Functional and representative currency of the Company is TL.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENTS
BETWEEN JANUARY 1 - JUNE 30, 2014**

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

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

The interim condensed financial statements as of June 30, 2014 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 Changes in TFRS:

The accounting policies adopted in preparation of the interim financial statements as at June 30, 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2014. 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 January 1, 2014 are as follows:

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the interim condensed financial statements of the Company.

TRFS Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is not applicable for the Company.

TAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial assets

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the interim condensed financial statements of the Company.

TAS 39 Financial Instruments: Recognition and Measurement (Amended)- Novation of Derivatives and Continuation of Hedge Accounting

Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the interim condensed financial statements of the Company.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENTS
BETWEEN JANUARY 1 - JUNE 30, 2014**

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

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

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, when the new standards and interpretations become effective.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The second package of amendments issued in November 2013 initiate further accounting requirements for financial instruments, which are explained separately below as 2013 amendment, and removed the January 1, 2015 mandatory effective date of IFRS 9. The IASB is currently working on drafting the final requirements on impairment. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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

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

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

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging relationships. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. The mandatory effective date of IFRS 9 has tentatively been decided as for annual periods beginning on or after 1 January 2018. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENTS
BETWEEN JANUARY 1 - JUNE 30, 2014**

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

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

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective for annual reporting periods beginning on or after July 1, 2014.

Annual Improvements to IFRSs – 2010–2012 Cycle

IFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

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

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENTS
BETWEEN JANUARY 1 - JUNE 30, 2014**

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

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

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 Turkish Financial Reporting Standards (TFRS) 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 TFRS it was ceased effective January 1, 2006.

NOTE 3 - CASH AND CASH EQUIVALENTS

	June 30, 2014	December 31, 2013
Banks		
- TL denominated demand deposits	29.622.356	8.200.808
- TL denominated time deposits	5.251.441	132.231.418
- Foreign currency denominated demand deposits	3.015.467	1.787.232
- Foreign currency denominated time deposits	62.901.685	67.103.478
	100.790.949	209.322.936

As of June 30, 2014, the weighted average effective annual interest rate for TL and Euro ("EUR") time deposits is 10,02% and 1,66% (As of December 31, 2013: TL: 8,70%, EUR: 2,42%). As of June 30, 2014 and December 31, 2013, 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 June 30, 2014 and December 31, 2013 is as follows:

	June 30, 2014	December 31, 2013
Banks	100.790.949	209.322.936
Less: Interest accruals	(4.303)	(35.894)
Less: Restricted bank deposits (*)	(6.614.016)	(289.746)
Cash and cash equivalents	94.172.630	208.997.296

(*) 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.

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

NOTE 4 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

Short-term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
EUR bank borrowings	5.064.583	5.006.979	2,96	3,35	14.646.269	14.702.994
US dollar bank borrowings	10.000.944	-	3,40	-	21.236.005	-
TL bank borrowings	122.394.885	-	9,21	-	122.394.885	-
					158.277.159	14.702.994

Current portion of long term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
TL bank borrowings	80.086.388	-	11,11	-	80.086.388	-
EUR bank borrowings	10.725.594	-	2,53	-	31.017.345	-
					111.103.733	-

b) Long-term financial liabilities

Long-term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
EUR bank borrowings	79.420.090	80.092.571	2,73	2,64	229.674.959	235.191.834
TL bank borrowings	139.554.750	100.459.111	12,54	10,83	139.554.750	100.459.111
					369.229.709	335.650.945
Prepaid commission for debt (*)					(1.566.814)	(1.763.344)
Total long-term financial liabilities					367.662.895	333.887.601

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

NOTE 4 - FINANCIAL LIABILITIES (Continued)

Redemption schedule of the long-term bank borrowings as of June 30, 2014 is as follows:

Year	June 30, 2014
2015	115.387.495
2016	160.888.286
2017	61.969.286
2018	30.984.642
	369.229.709

As of June 30, 2014 the Company does have a long-term investment loan amounting to EUR 75.000.000 (December 31, 2013: EUR 75.000.000). 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. In accordance with the agreement signed with respect to the investment loan used by the Company, there is an obligation of not exceeding the below mentioned rate calculated over the financial statements prepared in accordance with the Turkish Financial Reporting Standards:

Obligation rate is;

- Net financial liability (*) / Earnings before interest, taxes, depreciation and amortization: 3,75.

(*) Net financial liability is calculated by deducting the total of financial liabilities from cash and cash equivalents.

The Company met these conditions as of June 30, 2014.

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

	Carrying value		Fair value	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Bank borrowings	638.610.601	350.353.939	638.066.957	340.317.920

As of June 30, 2014, fair values of the bank borrowings, for EUR bank borrowings is 2,81%, for USD bank borrowings is 3,40% and for TL bank borrowings is 10,73% denominated bank borrowings are determined by using the discounted cash flow method over annual average effective discount rates respectively (December 31, 2013: EUR: 3,63%, USD: None, TL: 12,10%).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

	June 30, 2014	December 31, 2013
Short-term trade receivables:		
Customer current accounts	388.675.966	304.819.369
Notes receivables	20.422.911	16.455.393
Protested notes	3.603.971	5.163.779
	412.702.848	326.438.541
Less: Provision for doubtful receivables	(40.993.670)	(42.169.877)
Unearned financial income	(2.779.179)	(2.153.740)
Short-term trade receivables	368.929.999	282.114.924
Due from related parties (Note 20)	197.222.939	80.797.729
Total short-term trade receivables	566.152.938	362.912.653

Movements of the provisions for short term doubtful receivables for the periods ended June 30, 2014 and June 30, 2013 are as shown below:

	2014	2013
At January 1	(42.169.877)	(37.784.114)
Cancellations during the year (Note 15)	1.176.207	487.587
Charge during the year (Note 15)	-	(931.087)
At June 30	(40.993.670)	(38.227.614)

	June 30, 2014	December 31, 2013
Long-term trade receivables:		
Notes receivables	137.365	391.920
Less: Provision for doubtful receivables	(137.365)	(139.484)
Unearned financial income	-	(1.777)
Long-term trade receivables	-	250.659

Movements of the provisions for long term doubtful receivables for the periods ended June 30, 2014 and June 30, 2013 are as shown below:

	2014	2013
At January 1	(139.484)	(527.671)
Cancellations during the year (Note 15)	2.119	-
Charge during the year (Note 15)	-	(35.316)
At June 30	(137.365)	(562.987)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

NOTE 5 - TRADE RECEIVABLES AND PAYABLES (Continued)

	June 30, 2014	December 31, 2013
Trade payables:		
Supplier current accounts	459.517.201	278.698.990
Less: Unincurred financial expense	(3.756.113)	(1.955.902)
Trade payables	455.761.088	276.743.088
Due to related parties (Note 20)	12.801.577	29.346.571
Total trade payables	468.562.665	306.089.659

NOTE 6 - INVENTORIES

	June 30, 2014	December 31, 2013
Raw materials	169.476.953	151.293.846
Work in progress	13.981.975	4.345.695
Finished goods	103.536.001	45.944.910
Commercial goods	120.215.715	93.471.041
Spare parts	31.272.015	22.048.260
Goods in transit (*)	69.343.549	107.812.377
	507.826.208	424.916.129
Provision for impairment of inventory (-)	(10.766.708)	(11.517.571)
	497.059.500	413.398.558

The cost of inventories recognised as expense in the current year, amounted to TL 847.321.663 (June 30, 2013: TL 804.384.549).

(*) 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:

	June 30, 2014	December 31, 2013
At January 1	(11.517.571)	(5.769.405)
Released of inventory sold during the period	1.462.705	2.213.417
Charge during the period for impairment of inventory	(711.842)	(3.917.037)
At June 30	(10.766.708)	(7.473.025)

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NOTE 6 – INVENTORIES (Continued)

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

	June 30, 2014	December 31, 2013
Raw materials	(6.958.536)	(4.659.076)
Finished goods	(2.166.350)	(1.514.692)
Spare parts	(1.641.822)	(1.299.257)
	(10.766.708)	(7.473.025)

NOTE 7- PROPERTY, PLANT AND EQUIPMENT

	January 1, 2014	Additions	Disposals	Transfers	June 30, 2014
<u>Cost</u>					
Land	34.957.864	295.500	-	-	35.253.364
Land improvements	5.967.701	23.764	(75.841)	-	5.915.624
Buildings	53.297.382	-	-	-	53.297.382
Machinery and equipment	409.412.790	7.320.651	-	-	416.733.441
Special costs	2.712.138	-	-	-	2.712.138
Motor vehicles	1.915.576	840.079	(117.679)	-	2.637.976
Furniture and fixtures	36.581.561	1.479.550	(113.066)	-	37.948.045
Construction in progress	108.180.493	71.011.569	-	-	179.192.062
	653.025.505	80.971.113	(306.586)	-	733.690.032
<u>Accumulated depreciation</u>					
Land improvements	3.584.995	79.877	(54.466)	-	3.610.406
Buildings	38.195.591	775.403	-	-	38.970.994
Machinery and equipment	309.305.795	7.895.264	-	-	317.201.059
Special costs	2.653.578	5.658	-	-	2.659.236
Motor vehicles	1.416.890	115.260	(108.780)	-	1.423.370
Furniture and fixtures	23.675.359	1.955.412	(63.584)	-	25.567.187
	378.832.208	10.826.874	(226.830)	-	389.432.252
Net book value	274.193.297				344.257.780

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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NOT 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

(*) Transferred to intangible assets.

For the period ended at June 30, 2014, of the total depreciation expense amounting to TL 10.826.874 (June 30, 2013: TL 8.919.797), TL 7.383.122 (June 30, 2013: TL 6.619.079) is allocated to production costs, TL 1.685.096 (June 30, 2013: TL 1.400.876) is allocated to general administrative expenses, TL 1.262.724 (June 30, 2013: TL 538.791) is allocated to research and development expenses and TL 495.932 (June 30, 2013: TL 361.051) is allocated to marketing, selling and distribution expenses. The depreciation expense amounting to TL 793.944 (June 30, 2013: TL 388.852) 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 TL 7.169.022 which is classified under the tangible assets as of June 30, 2014 (December 31, 2013: None).

There is no mortgage on property, plant and equipment as of June 30, 2014 (December 31, 2013: None).

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

NOTE 8 - INTANGIBLE ASSETS

	January 1, 2014	Additions	Disposals	Transfers	June 30, 2014
<u>Cost</u>					
Rights	10.940.879	759.220	(170.292)	-	11.529.807
Development costs	37.265.628	-	-	11.455.301	48.720.929
Development costs in progress	50.243.240	9.929.031	-	(11.455.301)	48.716.970
	98.449.747	10.688.251	(170.292)	-	108.967.706

Accumulated amortisation

Rights	6.436.499	896.536	-	-	7.333.035
Development costs	14.717.042	3.617.369	-	-	18.334.411
	21.153.541	4.513.905	-	-	25.667.446

Net book value	77.296.206				83.300.260
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	January 1, 2013	Additions	Disposals	Transfers	June 30, 2013
<u>Cost</u>					
Rights	7.955.531	293.583	-	138.616	8.387.730
Development costs	27.966.944	36.616	-	-	28.003.560
Development costs in progress	13.195.578	4.250.022	-	-	17.445.600
	49.118.053	4.580.221	-	138.616	53.836.890

Accumulated amortisation

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

Net book value	34.892.008				36.318.745
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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 June 30, 2014, of the total amortisation expenses amounting to TL 4.513.905 (June 30, 2013: TL 3.292.100), TL 611.372 (June 30, 2013: TL 402.967) is allocated to production costs, TL 139.537 (June 30, 2013: TL 85.285) is allocated to general administrative expenses, TL 3.721.930 (June 30, 2013: TL 2.781.868) is allocated to research and development expenses and TL 41.066 (June 30, 2013: TL 21.980) is allocated to marketing, selling and distribution expenses.

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NOTE 9 - OTHER ASSETS AND LIABILITIES

	June 30, 2014	December 31, 2013
a) Other current assets:		
Deferred value added tax ("VAT")	75.093.238	59.756.795
Reclaimed VAT	39.067.392	39.648.268
Other	551.378	257.623
	114.712.008	99.662.686
b) Deferred income:		
Advances taken	2.950.910	5.699.609
Deferred income (*)	479.084	5.600.348
Other short-term liabilities	3.429.994	11.299.957

(*) Deferred income represents the sales amount of the tractors for which the invoices are issued but are not yet shipped to customers as of June 30, 2014 and December 31, 2013.

NOTE 10 - PREPAID EXPENSES

Long-term prepaid expenses

	June 30, 2014	December 31, 2013
Advances given for fixed assets	34.657.564	20.260.797
Prepaid expenses	34.657.564	20.260.797

NOTE 11 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) Short-term provisions

Short-term provision for employee benefits

	June 30, 2014	December 31, 2013
Provision for unused vacation	2.811.254	979.368
	2.811.254	979.368

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

	June 30, 2014	December 31, 2013
At January 1	979.368	715.856
Charge for the period, net	1.831.886	1.506.605
At June 30	2.811.254	2.222.461

Other short-term provisions

	June 30, 2014	December 31, 2013
Warranty provision	17.965.038	16.908.966
Provision for legal cases (*)	4.120.813	4.097.031
Other provisions	12.972.706	1.338.564
	35.058.557	22.344.561

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

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

	2014	2013
At January 1	33.069.517	30.746.095
Used during the period	(18.320.130)	(17.540.915)
Charge for the period	21.393.013	19.678.780
At June 30	36.142.400	32.883.960

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

	2014	2013
At January 1	4.097.031	1.369.143
Charge for the period, net (Note 15)	23.782	100.000
At June 30	4.120.813	1.469.143

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

b) Long-term provisions

Long-term provision for employee benefits

	June 30, 2014	December 31, 2013
Provision for employee termination benefits	14.443.138	15.435.367
	14.443.138	15.435.367

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 3.438,22 for each year of service as of June 30, 2014 (December 31, 2013: TL 3.254,44).

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:

	June 30, 2014	December 31, 2013
Inflation rate (%)	4,50	4,50
Discount rate (%)	9,50	9,50
Turnover rate to estimate the probability of retirement (%)	98,04	98,52

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. Since the limited employee termination benefit has not been announced as of report date, anticipated increase rate is 4% for the Company's provision for employee termination benefits.

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

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

	2014	2013
At January 1	15.435.367	9.004.102
Interest cost	733.180	331.351
Current service cost	157.177	1.758.592
Benefits paid by the company	(2.426.180)	(1.055.904)
Actuarial loss	543.594	52.398
At June 30	14.443.138	10.090.539

Other long-term provisions

	June 30, 2014	December 31, 2013
Warranty provision	18.177.362	16.160.551
	18.177.362	16.160.551

c) Contingent Liabilities

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

	June 30, 2014	December 31, 2013
A. The total amount of collaterals given on behalf of its own legal entity	134.369.518	9.327.007
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	-	-
	134.369.518	9.327.007

As at June 30, 2014, the Company has given its own legal entity on behalf of the original collateral denominated in foreign currency amounts of EUR 2.676.108 and USD 55.567.651. (December 31, 2013: EUR 2.676.108 and USD 1.468.616).

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

d) Contingent Assets

	Original currency amount						TL equivalent	
	June 30, 2014			December 31, 2013			June 30, 2014	December 31, 2013
	EUR	USD	TL	EUR	USD	TL		
Letters of guarantees received	819.530	270.000	359.269.550	1.569.142	303.000	326.287.850	362.212.867	331.542.328
Direct debit	-	-	250.048.999	-	-	244.616.204	250.048.999	244.616.204
Mortgages	-	-	5.452.214	-	-	5.452.214	5.452.214	5.452.214
Security bonds	-	-	2.722.000	-	-	2.722.000	2.722.000	2.722.000
Cash foreign currency guarantees	-	8.486	-	-	8.457	-	18.019	18.051
							620.454.099	584.350.797

NOT 12 - PROVISION FOR EMPLOYEE BENEFITS

Liabilities for employee benefits

	June 30, 2014	December 31, 2013
Taxes payable and liabilities	7.406.046	4.685.626
Accrued liabilities and premiums paid to the personnel(*)	4.528.441	6.272.971
	11.934.487	10.958.597

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

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NOT 13 - SHAREHOLDERS' EQUITY

Paid-in Share Capital

The Company's registered share capital amounts to TL 250.000.000 (31 December 2013: 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 June 30, 2014 and December 31, 2013 are as follows:

	June 30, 2014		December 31, 2013	
	Participation	Share Amount	Participation	Share Amount
	(%)	(TL)	(%)	(TL)
Koç Holding	37,50	20.013.375	37,50	20.013.375
CNHI 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.

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

As of June 11, 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 June 30, 2014, 24,76% (December 31, 2013: 24,66%) of the Company shares are quoted at BIST.

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NOTE 13 - SHAREHOLDERS' EQUITY (Continued)

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

The Turkish Commercial Code ("TCC") stipulates that the total general 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. 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 Decree announced at June 7, 2013 and 20/670 numbered meeting of CMB for the corporates mentioned at Communiqué No:XI-29 , the validated financial statements after the interim periods terminated at March 31, 2013, "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

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from January 23, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

As a principle, when related regulations and financial conditions are met and market realization, long-term corporate strategy, investment and funding policies, profitability and cash situation of the corporate are taken into consideration, 60% of the net distributable period profit shall be distributed in cash or/ and as bonus shares in circumstance with the Capital Market.

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NOTE 13 - SHAREHOLDERS' EQUITY (Continued)

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

The part of the of accumulated losses of the Company exceeding the total of retained earnings, general legal reserves including premiums related to shares and costs arising from the adjustment of equity items except for capital stock in accordance with inflation accounting is accounted for as discount items in the calculation of net distributable profit for the period.

In the statutory financial statements of the Company, in addition to the statutory profit amounting to TL 147.438.680 and retained earnings amounting to TL 251.614.728 for the period ended June 30, 2014; 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 12.444.635 if dividend distribution is made.

The decision of dividend payment amounting to TL 300.000.000, taken in the Company's General Assembly dated March 24, 2014 and payment has made to shareholders in cash in March 25, 2014 (Note 20). Dividend payment distribution has been 5,62 Kr per share (2013: 3,74 Kr).

NOTE 14 - SALES AND COST OF SALES

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Domestic sales	964.055.937	535.098.019	865.544.694	478.520.037
Export sales	471.616.649	259.128.998	324.672.604	168.646.017
	1.435.672.586	794.227.017	1.190.217.298	647.166.054
Less: Discounts and returns	(104.862.429)	(58.621.083)	(87.375.299)	(50.033.844)
Sales income (net)	1.330.810.157	735.605.934	1.102.841.999	597.132.210
Cost of sales	(1.076.447.976)	(605.902.634)	(867.150.664)	(465.290.365)
Gross profit	254.362.181	129.703.300	235.691.335	131.841.845

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NOTE 15 – OTHER OPERATING INCOME/ EXPENSES

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Foreign exchange gain from trade receivable/ payables	224.487.710	100.084.011	117.048.794	86.160.181
Financial income from credit sales	23.366.672	10.387.611	4.733.901	2.042.929
Termination of provision for doubtful receivables (Note 5)	1.178.326	998.326	487.587	289.224
Reversal of provision for litigation expenses (Note 11)	428.714	428.714	-	-
Incentive income	230.125	115.063	190.333	95.167
Other income	1.407.401	515.201	1.101.988	192.288
Other operating income	251.098.948	112.528.926	123.562.603	88.779.789
Foreign exchange loss from trade receivable/ payables	(234.588.001)	(107.866.637)	(111.913.231)	(78.516.493)
Financial expense on credit purchases	(20.163.633)	(9.048.788)	(3.323.401)	(1.512.200)
Provision for doubtful receivables (Note 5)	-	4.878.113	(966.403)	(624.733)
Reversal of provision for litigation expenses (Note 11)	(452.496)	(254.764)	(100.000)	(100.000)
Other expenses	(3.582.807)	(3.546.288)	(250.147)	(249.949)
Other operating expenses	(258.786.937)	(115.838.364)	(116.553.182)	(81.003.375)

NOTE 16 - FINANCIAL INCOME

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Foreign exchange gain (*)	29.938.724	16.462.522	31.571.058	17.628.793
Interest income	5.724.462	940.849	5.881.660	1.946.415
Financial income	35.663.186	17.403.371	37.452.718	19.575.208

(*) Consists of income from exchange rate differences other than trade receivables and payables.

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NOTE 16 - FINANCIAL INCOME (Continued)

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Foreign exchange loss (*)	(14.582.331)	(5.436.945)	(40.102.288)	(29.111.895)
Interest expenses on bank borrowings	(14.402.735)	(7.270.198)	(6.853.819)	(3.164.795)
Other	(1.216.600)	(571.540)	(1.873.952)	(771.118)
Financial expenses	(30.201.666)	(13.278.683)	(48.830.059)	(33.047.808)

(*) Consists of expense from exchange rate differences other than trade receivables and payables.

NOTE 18 - TAX ASSETS AND LIABILITIES

	June 30, 2014	December 31, 2013
Corporate taxes payable	38.197.950	55.246.090
Less: Prepaid taxes	(19.797.831)	(46.721.512)
Total tax payable - net	18.400.119	8.524.578

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Current period corporate tax expense	(38.197.950)	(15.500.084)	(35.719.589)	(22.573.038)
Deferred tax income	13.623.354	1.463.682	10.817.962	9.577.369
Tax expense	(24.574.596)	(14.036.402)	(24.901.627)	(12.995.669)

Corporation tax is payable, at a rate of 20% as of June 30, 2014 (December 31, 2013: 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% (December 31, 2013: 20%).

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NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/ (liabilities) at June 30, 2014 and December 31, 2013 are as follows:

	Temporary differences		Deferred tax assets/ (liabilities)	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Property, plant and equipment and intangible assets, restatement and useful life differences	25.413.878	20.270.382	(5.082.776)	(4.054.076)
Unearned finance income on due from related parties	(54.833)	(26.287)	10.967	5.257
Provision for employee termination benefits	(14.443.138)	(15.435.367)	2.888.628	3.087.073
Capitalized unincurred financial expense on inventory	(7.611.024)	(3.289.951)	1.522.205	657.990
Warranty provision	(36.142.400)	(33.069.517)	7.228.482	6.613.903
Provision for lawsuits	(4.120.813)	(4.097.031)	824.163	819.406
Unearned finance income on trade receivables and payables	765.316	(282.633)	(153.063)	56.527
Provision for doubtful receivables	(7.301.896)	(7.489.117)	1.460.379	1.497.823
Provision for impairment of inventory	(10.766.708)	(11.517.572)	2.153.342	2.303.514
Sales premium accrued	(49.093.342)	(13.560.049)	9.818.668	2.712.010
Other expense provisions	(19.854.380)	(925.022)	3.970.876	185.004
Investment incentive	-	-	26.851.548	22.553.029
Deferred income	6.502.314	(368.483)	(1.300.463)	73.697
Other	(413.185)	(161.855)	82.635	32.372
Deferred tax assets			50.275.591	36.543.529

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

	2014	2013
At January 1	36.543.529	21.551.493
Reflected to profit for the period	13.623.354	10.817.962
Reflected to other comprehensive income	108.708	10.480
At June 30	50.275.591	32.379.935

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NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

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

	June 30, 2014	December 31, 2013
Profit before tax	166.398.306	161.826.801
Tax calculated at enacted tax rate	33.279.661	32.365.360
Investment deduction	(7.176.849)	(7.233.159)
Research and development deductions	(1.677.031)	(1.084.768)
Disallowable expenses	21.526	339.167
Other	127.289	515.027
Total tax charge	24.574.596	24.901.627

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 Kr.

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Net profit for the period	141.823.710	72.392.323	136.925.174	76.639.989
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)	0,0266	0,0136	0,0257	0,0143

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

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NOT 20 - RELATED PARTY EXPLANATIONS

The Company is jointly controlled by Koç Holding and CNHI 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 June 30, 2014 and December 31, 2013 and significant intercompany transactions were as follows:

i) Balances with related parties as of June 30, 2014 and December 31, 2013:

	June 30, 2014	December 31, 2013
a) Bank deposits and borrowings		
Deposits with related parties:		
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi")	4.865.776	28.481.316
	4.865.776	28.481.316
	June 30, 2014	December 31, 2013
b) Due from related parties		
Due from group companies		
CNHI International SA ("CNHI International") (*)	178.690.403	60.196.245
CNHI Italy SPA ("CNHI Italy")	10.183.564	8.686.937
CNHI Argentina SA ("CNHI Argentina")	2.074.503	10.309.551
Ark İnşaat Sanayi ve Ticaret A.Ş. ("Ark İnşaat")	1.935.858	-
CNHI Latin America Ltda.	1.219.690	1.003.496
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer")	1.061.825	-
Other	2.111.929	627.787
	197.277.772	80.824.016
Less: Unearned financial income	(54.833)	(26.287)
	197.222.939	80.797.729

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

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NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

	June 30, 2014	December 31, 2013
c) Due to related parties		
Trade payable to shareholders:		
Koç Holding	1.867.368	1.939.893
Due to shareholders	1.867.368	1.939.893
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. (“Opet Fuchs”)	7.654.912	4.374.305
New Holland Fiat India Pvt. Ltd. (“New Holland India”)	1.842.050	2.512.605
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (“Koç Sistem”)	513.191	3.609.295
Koçtaş Yapı Marketleri A.Ş. (“Koçtaş”)	429.324	605.461
Opet Petrolcülük A.Ş. (“Opet”)	77.026	60.882
Otokoç Otomotiv San. ve Tic. A.Ş. (“Otokoç”)	53.479	279.575
Zer	-	6.397.486
Ark İnşaat	-	7.565.470
Otokar Otomotiv ve Savunma Sanayi A.Ş. (“Otokar”)	-	760.127
Other	477.131	1.409.163
Due to group companies	11.047.113	27.574.369
Less: Unearned financial expenses	(112.904)	(167.691)
	12.801.577	29.346.571

ii) Significant sales and purchases transactions with related parties for the periods between January 1 – June 30, 2014 and 2013:

a) Product sales to related parties

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Product sales to group companies:				
CNHI International (*)	456.233.386	252.799.684	314.827.403	167.198.266
CNHI Italy	7.744.158	4.179.057	3.686.402	1.566.548
CNHI Argentina S.A	4.444.837	917.385	544.604	270.356
CNHI Latin America Ltda.	2.746.275	1.044.761	4.863.497	2.252.009
Other	772.831	473.014	748.783	633.380
	471.941.487	259.413.901	324.670.689	171.920.559

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

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NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

b) Other income and expenses from related parties

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Other income from group companies:				
CNHI International	-	-	1.347	1.347
	-	-	1.347	1.347

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Other expenses from group companies:				
CNHI International	-	-	(20.433)	-
	-	-	(20.433)	-

c) Product purchases from related parties

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Product purchases from group companies				
CNHI International (1)	107.262.945	53.178.496	147.143.604	50.162.147
Opet Fuchs (2)	21.496.936	9.558.706	16.416.332	8.227.302
New Holland India (3)	16.253.893	6.820.657	11.818.917	6.520.937
Zer (4)	4.394.217	3.067.726	2.709.944	2.097.249
Koç Sistem(5)	3.585.244	3.585.244	85.474	12.272
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	1.877.154	1.019.689	1.199.216	615.212
Opet (2)	544.322	301.948	402.827	205.251
Other	2.266.706	1.349.523	2.030.994	1.278.187
	157.681.417	78.881.989	181.807.308	69.118.557

(1) Services purchased from CNHI International is related with engineering services for Tier 4, strategy development, consulting and brokerage.

(2) The company purchases various oil to use in production and Company purchase oil to use for Company's car

(3) The company purchases spare parts of products.

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

(5) The company makes wireless network installation purchasing for new investments.

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NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

d) Service purchases from related parties

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Service purchases from shareholders:				
Koç Holding (3)	1.582.515	832.495	1.237.600	568.800
	1.582.515	832.495	1.237.600	568.800
Service purchase from group companies:				
Ark İnşaat San. ve Tic. A.Ş. (1)	52.569.059	36.046.832	20.735.589	15.024.758
Zer (2)	24.514.535	14.367.009	23.162.717	13.710.495
CNHI International (8)	6.838.750	821.572	1.042.755	373.955
Otokar (4)	3.946.579	2.014.205	3.228.933	1.662.535
Eltek Elektrik Enerjisi İth.İhr. ve Toptan Tic.A.Ş. ("Eltek") (7)	3.581.492	2.177.978	-	-
Setur (5)	2.669.660	863.404	2.471.808	551.112
Ram Sigorta Aracılık Hizmetleri A.Ş. (6)	1.044.383	202.077	740.373	58.201
Otokoç	877.070	463.748	596.606	299.697
Aygaz Doğal Gaz Toptan Satış A.Ş.	-	-	173.120	27.043
Other	329.194	116.322	815.637	334.822
	96.370.722	57.073.147	52.967.538	32.042.618
	97.953.237	57.905.642	54.205.138	32.611.418

- (1) Services purchased from Ark İnşaat San. ve Tic. A.Ş. is related to services taken for construction of assembly factory in Sakarya.
- (2) Services purchased from Zer are related with security, cleaning, transportation and other services
- (3) Services purchased from Koç Holding is related with human resources, strategy development, consulting and brokerage.
- (4) Service purchased from Otokar is related with assembly and assembly support services.
- (5) Services purchased from Setur are generally arising from plane tickets, accommodation and associated with various organizations within the sales and marketing activities.
- (6) Insurance service purchased from Ram Sigorta Aracılık Hizmetleri A.Ş. is related interim period include premium amounts paid and accrued ended on June 30, 2014.
- (7) Services purchased from Eltek related with electricity.
- (8) Engineering services purchased from CNHI International is related with strategy development, consulting and brokerage for producing Tier 4 engines in Türk Traktör factory.

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NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

**iii) Financial income and expenses arising from transactions with related parties for the periods
between January 1 – June 30, 2014 and 2013:**

Financial income and expense from group companies

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Interest income:				
Yapı Kredi	830.842	15.114	364.758	-
	830.842	15.114	364.758	-
	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Interest expense:				
Yapı Kredi Finansal Kiralama	-	-	(23)	(23)
Yapı Kredi	(1.643.029)	(971.029)	(647)	(647)
	(1.643.029)	(971.029)	(670)	(670)

iv) Dividends paid to related parties:

	January 1 - June 30, 2014	April 1 - June 30, 2013
Koç Holding	112.500.000	75.000.000
CNHI Osterreich	112.500.000	75.000.000
Public quotation	74.801.056	49.867.371
Other	198.944	132.629
	300.000.000	200.000.000

**v) Other transactions with related parties for the periods between January 1 – June 30, 2014
and 2013:**

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Remuneration of key management personnel(*)	4.489.851	2.919.851	2.208.479	1.118.550

(*) Key management personnel are identified as member of the Board of Directors, general manager and vice general managers. The amount consists of short-term benefits.

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INTERIM FINANCIAL STATEMENTS
BETWEEN JANUARY 1 - JUNE 30, 2014**

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

**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
INTERIM FINANCIAL STATEMENTS
BETWEEN JANUARY 1 - JUNE 30, 2014**

(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 June 30, 2014 and December 31, 2013 are as follows:

	June 30, 2014					
	TL equivalent	USD	EUR	GBP	CHF	YEN
1. Trade receivables	227.030.667	1.902.764	77.108.000	-	-	-
2. Monetary financial assets (Including banks accounts) (Note 3)	65.917.152	532.989	22.376.105	20.599	470	-
3. Other	65.984.350	6.135.215	17.482.005	-	-	114.598.223
4. Current assets (1+2+3)	358.932.169	8.570.968	116.966.110	20.599	470	114.598.223
5. Trade receivables	-	-	-	-	-	-
6. Other	34.659.729	1.019	11.984.358	-	-	-
7. Non-current assets (5+6)	34.659.729	1.019	11.984.358	-	-	-
8. Total assets (4+7)	393.591.898	8.571.987	128.950.468	20.599	470	114.598.223
9. Trade payables	81.823.228	-	28.293.934	-	-	-
10. Financial liabilities (Note 4)	66.899.619	10.000.944	15.790.177	-	-	-
11. Other monetary liabilities	3.147.693	-	1.088.452	-	-	-
12. Current liabilities (9+10+11)	151.870.540	10.000.944	45.172.563	-	-	-
13. Financial liabilities (Note 4)	229.674.959	-	79.420.090	-	-	-
14. Non-current liabilities (13)	229.674.959	-	79.420.090	-	-	-
15. Total liabilities (12+14)	381.545.499	10.000.944	124.592.653	-	-	-
16. Net foreign currency asset/ (liability) position (8-15)	12.046.399	(1.428.957)	4.357.815	20.599	470	114.598.223
17. Net monetary foreign currency asset/ (liability) position (8-15)	12.046.399	(1.428.957)	4.357.815	20.599	470	114.598.223

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENTS
BETWEEN JANUARY 1 - JUNE 30, 2014**

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

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

	December 31, 2013					
	TL equivalent	USD	EUR	GBP	CHF	YEN
1. Trade receivables	101.677.059	650.023	34.152.806	-	-	-
2. Monetary financial assets (Including banks accounts) (Note 3)	68.890.710	24.853	23.436.469	4.033	969	-
3. Other	95.276.963	10.655.199	24.572.228	85.695	-	3.871.040
4. Current assets (1+2+3)	265.844.732	11.330.075	82.161.503	89.728	969	3.871.040
5. Trade receivables	250.659	76.489	29.766	-	-	-
6. Other	20.262.971	1.019	6.899.641	-	-	-
7. Non-current assets (5+6)	20.513.630	77.508	6.929.407	-	-	-
8. Total assets (4+7)	286.358.362	11.407.583	89.090.910	89.728	969	3.871.040
9. Trade payables	54.035.952	10.019.740	10.906.669	57.509	-	20.831.892
10. Financial liabilities (Note 4)	14.702.994	-	5.006.979	-	-	-
11. Other monetary liabilities	11.324.615	3.793	3.853.744	-	-	-
12. Current liabilities (9+10+11)	80.063.561	10.023.533	19.767.392	57.509	-	20.831.892
13. Financial liabilities (Note 4)	235.191.834	-	80.092.571	-	-	-
14. Non-current liabilities (13)	235.191.834	-	80.092.571	-	-	-
15. Total liabilities (12+14)	315.255.395	10.023.533	99.859.963	57.509	-	20.831.892
16. Net foreign currency asset/ (liability) position (8-15)	(28.897.033)	1.384.050	(10.769.053)	32.219	969	(16.960.852)
17. Net monetary foreign currency asset/ (liability) position (8-15)	(28.897.033)	1.384.050	(10.769.053)	32.219	969	(16.960.852)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2014 (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 June 30, 2014 and 2013 are as follows:

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Total export amount	471.616.649	259.128.998	324.672.604	168.646.017
Total import amount	350.849.898	167.212.804	313.268.909	171.884.008

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 June 30, 2014 and December 31, 2013 under the assumption of the appreciation and depreciation of TL against other currencies by 10% with all other variables held constant, is as follows:

	June 30, 2014			
	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	(303.237)	303.237	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	(303.237)	303.237	-	-
Had TL appreciate/ (depreciate) by 10% against EUR				
Profit/(loss) from EUR net liability position	1.260.889	(1.260.889)	-	-
Hedged amount against EUR risk (-)	-	-	-	-
Net effect of EUR	1.260.889	(1.260.889)	-	-
Had TL appreciate/ (depreciate) by 10% against other				
Profit/(loss) from other net liability position	246.988	(246.988)	-	-
Hedged amount against other (-)	-	-	-	-
Net effect of other	246.988	(246.988)	-	-
Total net effect	1.204.640	(1.204.640)	-	-

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2014 (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)

	December 31, 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	295.398	(295.398)	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	295.398	(295.398)	-	-
Had TL appreciate/(depreciate) by 10% against EUR				
Profit/ (loss) from EUR net liability position	(3.162.332)	3.162.332	-	-
Hedged amount against EUR risk (-)	-	-	-	-
Net effect of EUR	(3.162.332)	3.162.332	-	-
Had TL appreciate/(depreciate) by 10% against other				
Profit/ (loss) from other net liability position	(22.769)	22.769	-	-
Hedged amount against other (-)	-	-	-	-
Net effect of other	(22.769)	22.769	-	-
Total net effect	(2.889.703)	2.889.703	-	-

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:

Financial instruments with fixed interest rate

	June 30, 2014	December 31, 2013
Time deposits	68.153.126	199.334.896
Financial liabilities	419.922.375	129.864.519

Financial instruments with floating interest rate

	June 30, 2014	December 31, 2013
Financial liabilities	217.121.412	218.726.076

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2014 (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, 2014 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 11.896 (2013: 890).

b) Credit risk

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2014 (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 June 30, 2014 and December 31, 2013 is as follows:

	30 June 2014					
	Trade receivables		Other receivables		Bank deposits	Derivative instruments
	Related party	Third party	Related party	Third party		
Net book value of financial assets which are undue and not impaired	197.222.939	348.067.499	-	356.542	100.790.949	-
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	-	17.696.369	-	-	-	-
Net book value of impaired assets	-	3.166.131	-	-	-	-
- Due dated (Gross book value)	-	43.501.420	-	-	-	-
- Provision (-)	-	(40.335.289)	-	-	-	-
- Undue (Gross book value)	-	795.746	-	-	-	-
- Provision (-)	-	(795.746)	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	197.222.939	368.929.999	-	356.542	100.790.949	-

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

As of June 30, 2014, the guarantee amount of the maximum exposure to credit risk is TL 484.646.891. Besides, all assets which are due but not impaired and are impaired are guaranteed.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2014 (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 2014					
	Trade Receivables		Other receivables		Bank deposits	Derivative instruments
	Related party	Third party	Related party	Third party		
Net book value of financial assets which are undue and not impaired	80.797.729	273.967.582	-	355.102	209.322.936	-
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	-	2.580.519	-	-	-	-
Net book value of impaired assets	-	5.817.482	-	-	-	-
- Due dated (Gross book value)	-	47.268.302	-	-	-	-
- Provision (-)	-	(41.450.820)	-	-	-	-
- Undue (Gross book value)	-	858.541	-	-	-	-
- Provision (-)	-	(858.541)	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	80.797.729	282.365.583	-	355.102	209.322.936	-

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

As of December 31, 2013, the guarantee amount of the maximum exposure to credit risk is TL 566.630.979. Besides, all assets which are due but not impaired and are impaired are guaranteed.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2014 (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.

	June 30, 2014	December 31, 2013
Cash and cash equivalents	(100.790.949)	(209.322.936)
Less: Financial liabilities	637.043.787	348.590.595
Net financial debt	536.252.838	139.267.659
Total shareholders’ equity	584.706.546	743.317.722
Net financial debt/ shareholders’ equity multiplier	0,92	0,19

Fair value of financial assets

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

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2014 (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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