

# **Türk Traktör ve Ziraat Makineleri A.Ş.**

**Convenience translation into English of condensed financial statements for the interim period between 1 January – 30 September 2014 (originally issued in Turkish)**

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**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

**INTERIM STATEMENTS OF FINANCIAL POSITION FOR THE PERIOD ENDED  
AT SEPTEMBER 30, 2014**

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

		<b>Current period Unaudited</b>	<b>Prior period Audited</b>
	<b>Notes</b>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>		<b>1.236.123.172</b>	<b>1.085.713.601</b>
Cash and cash equivalents	3	<b>120.918.853</b>	209.322.936
Trade receivables:			
- Trade receivables, other parties	5	<b>371.787.469</b>	282.114.924
- Due from related parties	20	<b>200.867.115</b>	80.797.729
Inventories	6	<b>411.055.650</b>	413.398.558
Prepaid expenses		<b>5.555.002</b>	416.768
Other current assets	9	<b>125.939.083</b>	99.662.686
<b>NON-CURRENT ASSETS</b>		<b>544.077.854</b>	<b>408.899.590</b>
Trade receivables:			
- Trade receivables, other parties	5	-	250.659
Other receivables:			
- Other receivables, other parties		<b>357.379</b>	355.102
Property, plant and equipment	7	<b>366.904.945</b>	274.193.297
Intangible assets	8	<b>85.219.141</b>	77.296.206
Prepaid expenses	10	<b>35.905.636</b>	20.260.797
Deferred tax assets	18	<b>55.690.753</b>	36.543.529
<b>TOTAL ASSETS</b>		<b>1.780.201.026</b>	<b>1.494.613.191</b>

The financial statements prepared as at and for the period ended September 30, 2014 have been approved by the Board of Directors on October 24, 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.

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

**INTERIM STATEMENTS OF FINANCIAL POSITION FOR THE PERIOD ENDED  
AT SEPTEMBER 30, 2014**

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

		Current period Unaudited	Prior period Audited
	Notes	September 30, 2014	December 31, 2013
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>		<b>695.823.383</b>	385.811.950
Short-term financial liabilities	4	<b>120.263.461</b>	14.702.994
Short-term portion of long term financial liabilities	4	<b>117.619.393</b>	-
Trade payables:			
- Trade payables, other parties	5	<b>368.273.672</b>	276.743.088
- Due to related parties	20	<b>5.526.090</b>	29.346.571
Employee benefit obligations	12	<b>20.027.550</b>	10.958.597
Other payables:			
- Other payables, other parties		<b>4.471.424</b>	7.669.767
Government incentives and aids		<b>2.957.751</b>	3.242.469
Deferred income	9	<b>6.293.216</b>	11.299.957
Provision for taxation on income	18	<b>17.573.160</b>	8.524.578
Short-term provisions			
- Short-term provision for employee benefits	11	<b>1.999.391</b>	979.368
- Other short-term provisions	11	<b>30.818.275</b>	22.344.561
<b>NON-CURRENT LIABILITIES</b>		<b>444.874.609</b>	365.483.519
Long-term financial liabilities	4	<b>412.214.767</b>	333.887.601
Long-term provisions:			
- Long-term provision for employee benefits	11	<b>13.701.503</b>	15.435.367
- Other long-term provisions	11	<b>18.958.339</b>	16.160.551
<b>SHAREHOLDERS' EQUITY</b>		<b>639.503.034</b>	743.317.722
<b>Parent's equity</b>			
Share capital	13	<b>53.369.000</b>	53.369.000
Adjustments to share capital	13	<b>39.014.356</b>	39.014.356
Merger reserve		<b>(5.569.000)</b>	(5.569.000)
Restricted profit reserves		<b>143.902.267</b>	114.169.112
Actuarial gain/ (loss) arising from employee benefits		<b>(148.546)</b>	(250.526)
Retained earnings		<b>212.851.625</b>	262.678.841
Net profit for the period		<b>196.083.332</b>	279.905.939
<b>TOTAL LIABILITIES</b>		<b>1.780.201.026</b>	1.494.613.191
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The accompanying notes form an integral part of these condensed interim financial statements.

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

**STATEMENTS OF INTERIM PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME FOR THE PERIOD ENDED AT SEPTEMBER 30, 2014**

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

	Notes	Current period Unaudited		Prior period Unaudited	
		January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
Sales	14	<b>2.020.516.818</b>	<b>689.706.661</b>	1.608.613.872	505.771.873
Cost of sales (-)	14	<b>(1.651.945.809)</b>	<b>(575.497.833)</b>	(1.254.787.094)	(387.636.430)
<b>GROSS PROFIT</b>		<b>368.571.009</b>	<b>114.208.828</b>	353.826.778	118.135.443
Marketing, selling and distribution expenses (-)		<b>(86.323.173)</b>	<b>(31.876.255)</b>	(71.031.183)	(24.879.161)
General administrative expenses (-)		<b>(37.009.084)</b>	<b>(13.142.241)</b>	(28.368.377)	(9.542.321)
Research and development expenses (-)		<b>(9.847.704)</b>	<b>(2.379.714)</b>	(6.830.038)	(2.122.409)
Other operating income	15	<b>381.402.729</b>	<b>130.303.781</b>	241.955.187	118.392.584
Other operating expenses (-)	15	<b>(382.653.159)</b>	<b>(123.866.222)</b>	(226.252.939)	(109.699.757)
<b>OPERATING PROFIT</b>		<b>234.140.618</b>	<b>73.248.177</b>	263.299.428	90.284.379
Investment income		<b>322.366</b>	<b>218.373</b>	275.106	84.852
Investment expenses (-)		<b>(59.648)</b>	-	(1.603)	(442)
Financial income	16	<b>40.760.505</b>	<b>5.097.319</b>	45.655.042	8.202.324
Financial expenses (-)	17	<b>(47.529.713)</b>	<b>(17.328.047)</b>	(69.398.892)	(20.568.833)
<b>PROFIT BEFORE TAXATION ON INCOME</b>		<b>227.634.128</b>	<b>61.235.822</b>	239.829.081	78.002.280
Taxes on income (-)	18	<b>(50.723.529)</b>	<b>(12.525.579)</b>	(54.208.905)	(18.489.316)
Deferred tax income	18	<b>19.172.733</b>	<b>5.549.379</b>	19.711.602	8.893.640
<b>NET PROFIT FOR THE PERIOD</b>		<b>196.083.332</b>	<b>54.259.622</b>	205.331.778	68.406.604
<b>Attributable to::</b>					
Non-controlling interest		-	-	-	-
Equity holders of the parent		<b>196.083.332</b>	<b>54.259.622</b>	205.331.778	68.406.604
<b>Other comprehensive income/ (expense)</b>					
Actuarial loss arising from employee benefits	11	<b>127.489</b>	<b>671.083</b>	(26.253)	26.145
Deferred tax effect	18	<b>(25.509)</b>	<b>(134.217)</b>	5.251	(5.229)
<b>Other comprehensive income/(expense) after tax</b>		<b>101.980</b>	<b>536.866</b>	(21.002)	20.916
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>196.185.312</b>	<b>54.796.488</b>	205.310.776	68.427.520
Earnings per share (TL)	19	<b>0,0367</b>	<b>0,0102</b>	0,0385	0,0128

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 2.3))

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

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

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

	Share capital	Adjustment to share capital	Merger reserve	Restricted profit reserves	Actuarial income / (expense) arising from employee benefits	Retained earnings	Net profit for the period	Total shareholders' equity
<b>At January 1, 2014</b>	<b>53.369.000</b>	<b>39.014.356</b>	<b>(5.569.000)</b>	<b>114.169.112</b>	<b>(250.526)</b>	<b>262.678.841</b>	<b>279.905.939</b>	<b>743.317.722</b>
Transfers	-	-	-	29.733.155	-	250.172.784	(279.905.939)	-
Dividends paid	-	-	-	-	-	(300.000.000)	-	(300.000.000)
Other comprehensive income/ (expense)	-	-	-	-	101.980	-	196.083.332	196.185.312
<b>At September 30, 2014</b>	<b>53.369.000</b>	<b>39.014.356</b>	<b>(5.569.000)</b>	<b>143.902.267</b>	<b>(148.546)</b>	<b>212.851.625</b>	<b>196.083.332</b>	<b>639.503.034</b>

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

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

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

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

	Share capital	Adjustment to share capital	Merger reserve	Restricted profit reserves	Actuarial income / (expense) 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)	-	-	-	-	(21.002)	-	205.331.778	205.310.776
At September 30, 2013	53.369.000	39.014.356	(5.569.000)	114.169.112	106.786	262.678.841	205.331.778	669.100.873

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

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

**STATEMENTS OF CASH FLOWS**

**FOR THE INTERIM PERIOD BETWEEN JANUARY 1 – SEPTEMBER 30, 2014**

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

	Notes	Current period	Prior period
		Unaudited September 30, 2014	Unaudited September 30, 2013
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES:</b>		<b>37.377.079</b>	155.249.375
<b>Net profit for the period</b>		<b>196.083.332</b>	205.331.778
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>		<b>89.632.120</b>	29.512.674
Amortization and depreciation	7, 8	24.453.776	17.975.472
Adjustment for provision for impairment on inventories	6	(750.863)	3.703.620
Adjustment for provision for employee termination benefits		1.434.112	2.540.529
Adjustment for provision for doubtful receivables	15	-	4.882.842
Adjustment for expense accruals		11.271.494	10.858.594
Adjustment for interest income and expense	16, 17	19.863.500	1.302.093
Adjustment for tax expense		31.550.795	34.497.297
Adjustment for gain/ loss from sales of property plant and equipment		(262.718)	(273.504)
Adjustment for foreign exchange change effect		2.072.024	(45.974.269)
<b>Changes in working capital</b>		<b>(189.890.535)</b>	(42.021.460)
Increase in trade receivables		(92.065.612)	(39.809.490)
(Increase) / decrease in due from related parties		(120.647.419)	33.881.666
Decrease / ( increase) inventories		3.350.537	(101.546.882)
(Increase)/ decrease in other current assets		(26.276.403)	19.942.702
Increase in other receivables		(2.277)	(11.748)
Increase in prepaid expenses		(20.783.073)	(10.796.828)
Decrease in due to related parties		(23.801.025)	(4.404.391)
Increase in trade payables		91.836.522	72.005.235
Decrease in deferred income		(5.351.929)	(10.991.285)
Decrease in other liabilities		(3.198.345)	(1.846.179)
Increase in short term provision for employee termination benefits		1.020.023	472.506
Increase in debt for employee termination benefits		9.068.953	2.917.721
Employee termination benefits paid	11	(3.040.487)	(1.834.487)
<b>Net cash provided by operating activities</b>		<b>95.824.917</b>	192.822.992
<b>Interest paid</b>		<b>(23.654.266)</b>	(9.992.149)
<b>Interest received</b>		<b>6.881.375</b>	7.363.744
<b>Tax paid</b>		<b>(41.674.947)</b>	(34.945.212)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES:</b>		<b>(115.742.410)</b>	(80.016.879)
Proceeds from sales of property, plant and equipment and intangible assets		346.975	996.809
Payments for purchases of property, plant and equipment and intangible assets		(116.149.856)	(81.339.332)
Proceeds from government grants		60.471	325.644
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES:</b>		<b>(10.565.100)</b>	(330.727.974)
Proceeds from borrowings		554.339.835	340.266.576
Repayment of borrowings		(264.904.935)	(470.994.550)
Dividends paid		(300.000.000)	(200.000.000)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES(A+B+C)</b>		<b>(88.930.431)</b>	(255.495.478)
<b>D. CURRENCY TRANSLATION DIFFERENCES</b>		<b>(905.510)</b>	19.526.796
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>(89.835.941)</b>	(235.968.682)
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	3	<b>208.997.296</b>	376.218.818
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)</b>	3	<b>119.161.355</b>	140.250.136

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 SEPTEMBER 2014 (Continued)**

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

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#### **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 September 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 September 30, 2014 is 3.132 (permanent: 2.573, temporary: 559) (31 December 2013: 2.572) (permanent: 2.206, temporary: 366).

The Company conducts marketing and selling activities in the domestic market, through its 135 tractor sales dealers, 96 spare part dealers and 7 construction equipment dealers (December 31, 2013: 129 tractor 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 September 30, 2014, the free float of the Company whose shares are traded in the Borsa Istanbul (“BIST”) is 24,77% (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 Company’s 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 FINANCIAL STATEMENTS FOR THE INTERIM PERIOD

#### BETWEEN 1 JANUARY-30 SEPTEMBER 2014 (Continued)

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

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

The interim condensed financial statements as of September 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 September 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 are to be retrospectively applied for annual periods beginning on or after 1 January 2014. This amendment did not have an impact on the financial position or performance 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.

*TMS 36 Varlıklarda Değer Düşüklüğü - Finansal olmayan varlıklar için geri kazanılabilir değer açıklamaları (Değişiklik)*

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 have 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.

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
STATEMENTS FOR THE INTERIM PERIOD**

**BETWEEN 1 JANUARY-30 SEPTEMBER 2014 (Continued)**

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

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

*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.

**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.

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
STATEMENTS FOR THE INTERIM PERIOD**

**BETWEEN 1 JANUARY-30 SEPTEMBER 2014 (Continued)**

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

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

*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.

**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.

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

*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.

**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.

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**NOTE 3 - CASH AND CASH EQUIVALENTS**

	September 30, 2014	December 31, 2013
Cash	325	-
Banks		
- TL denominated demand deposits	14.949.260	8.200.808
- TL denominated time deposits	38.509.366	132.231.418
- Foreign currency denominated demand deposits	8.617.337	1.787.232
- Foreign currency denominated time deposits	58.842.565	67.103.478
	<b>120.918.853</b>	<b>209.322.936</b>

As of September 30, 2014, the weighted average effective annual interest rate for TL and Euro ("EUR") time deposits is 8,88% and 1,58% (As of December 31, 2013: TL: 8,70%, EUR: 2,42%). As of September 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 September 30, 2014 and December 31, 2013 is as follows:

	September 30, 2014	December 31, 2013
Banks	120.918.853	209.322.936
Less: Interest accruals	(11.913)	(35.894)
Less: Restricted bank deposits (*)	(1.745.585)	(289.746)
<b>Cash and cash equivalents</b>	<b>119.161.355</b>	<b>208.997.296</b>

(\*) 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 p.a. (%)		TL equivalent	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
EUR bank borrowings	5.102.917	5.006.979	2,94	3,35	14.754.573	14.702.994
US dollar bank borrowings	10.001.889	-	3,40	-	22.793.305	-
TL bank borrowings	82.715.583	-	8,48	-	82.715.583	-
					<b>120.263.461</b>	<b>14.702.994</b>

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**NOTE 4 - FINANCIAL LIABILITIES (Continued)**

**Current portion of long term bank borrowings**

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
TL bank borrowings	86.406.875	-	12,24	-	86.406.875	-
EUR bank borrowings	10.794.950	-	2,51	-	31.212.518	-
					<b>117.619.393</b>	<b>-</b>

**b) Long-term financial liabilities**

**Long-term bank borrowings**

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
EUR bank borrowings	79.782.504	80.092.571	2,65	2,64	230.683.131	235.191.834
TL bank borrowings	182.998.556	100.459.111	8,25	10,83	182.998.556	100.459.111
					<b>413.681.687</b>	<b>335.650.945</b>
Prepaid commission for debt (*)					<b>(1.466.920)</b>	<b>(1.763.344)</b>
<b>Total long-term financial liabilities</b>					<b>412.214.767</b>	<b>333.887.601</b>

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

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

Year	Amount
2015	69.871.258
2016	250.872.571
2017	61.958.571
2018	30.979.287
	<b>413.681.687</b>

As of September 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:

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#### NOTE 4 - FINANCIAL LIABILITIES (Continued)

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 September 30, 2014.

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

	Carrying value		Fair value	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Bank borrowings	<b>651.564.541</b>	350.353.939	<b>641.777.338</b>	340.317.920

As of September 30, 2014, fair values of the bank borrowings, for EUR bank borrowings is 3,06%, for USD bank borrowings is 2,85% and for TL bank borrowings is 12,46% 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%).

#### NOTE 5 - TRADE RECEIVABLES AND PAYABLES

	September 30, 2014	December 31, 2013
<b>Short-term trade receivables:</b>		
Customer current accounts	<b>397.178.787</b>	304.819.369
Notes receivables	<b>16.954.066</b>	16.455.393
Protested notes	<b>1.771.443</b>	5.163.779
	<b>415.904.296</b>	326.438.541
Less: Provision for doubtful receivables	<b>(40.870.479)</b>	(42.169.877)
Unearned financial income	<b>(3.246.348)</b>	(2.153.740)
<b>Short-term trade receivables</b>	<b>371.787.469</b>	282.114.924
Due from related parties (Note 20)	<b>200.867.115</b>	80.797.729
<b>Total short-term trade receivables</b>	<b>572.654.584</b>	362.912.653



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**NOTE 5 - TRADE RECEIVABLES AND PAYABLES (Continued)**

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

	2014	2013
<b>At January 1</b>	<b>(42.169.877)</b>	(37.784.114)
Transfer from long-term	-	(108.672)
Cancellations during the year (Note 15)	<b>1.299.398</b>	686.306
Charge during the year (Note 15)	-	(4.757.657)
<b>At September 30</b>	<b>(40.870.479)</b>	(41.964.137)
	<b>September 30, 2014</b>	December 31, 2013
<b>Long-term trade receivables:</b>		
Notes receivables	<b>117.102</b>	391.920
Less: Provision for doubtful receivables	<b>(117.102)</b>	(139.484)
Unearned financial income	-	(1.777)
<b>Long-term trade receivables</b>	-	250.659

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

	2014	2013
<b>At January 1</b>	<b>(139.484)</b>	(527.671)
Transfer to short term	-	108.672
Cancellations during the year (Note 15)	<b>22.382</b>	-
Charge during the year (Note 15)	-	(125.185)
<b>At September 30</b>	<b>(117.102)</b>	(544.184)
	<b>September 30, 2014</b>	December 31, 2013
<b>Trade payables:</b>		
Supplier current accounts	<b>372.458.306</b>	278.698.990
Less: Unincurred financial expense	<b>(4.184.634)</b>	(1.955.902)
<b>Trade payables</b>	<b>368.273.672</b>	276.743.088
Due to related parties (Note 20)	<b>5.526.090</b>	29.346.571
<b>Total trade payables</b>	<b>373.799.762</b>	306.089.659

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

**NOTE 6 – INVENTORIES**

	<b>September 30, 2014</b>	December 31, 2013
Raw materials	<b>155.719.135</b>	151.293.846
Work in progress	<b>2.858.014</b>	4.345.695
Finished goods	<b>95.513.638</b>	45.944.910
Commercial goods	<b>83.031.712</b>	93.471.041
Spare parts	<b>31.711.005</b>	22.048.260
Goods in transit (*)	<b>52.988.854</b>	107.812.377
	<b>421.822.358</b>	424.916.129
Provision for impairment of inventory (-)	<b>(10.766.708)</b>	(11.517.571)
	<b>411.055.650</b>	413.398.558

The cost of inventories recognised as expense in the current period, amounted to TL 1.545.360.294 (September 30, 2013: TL 1.162.492.281).

(\*) 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:

	<b>2014</b>	2013
<b>At January 1</b>	<b>(11.517.571)</b>	(5.769.405)
Released of inventory sold during the period	<b>1.462.705</b>	2.213.417
Charge during the period for impairment of inventory	<b>(711.842)</b>	(5.917.037)
<b>At September 30</b>	<b>(10.766.708)</b>	(9.473.025)

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

	<b>September 30, 2014</b>	December 31, 2013
Raw materials	<b>(6.958.536)</b>	(6.659.076)
Finished goods	<b>(2.166.351)</b>	(1.514.692)
Spare parts	<b>(1.641.821)</b>	(1.299.257)
	<b>(10.766.708)</b>	(9.473.025)

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**NOTE 7 - PROPERTY, PLANT AND EQUIPMENT**

	January 1, 2014	Additions	Disposals	Transfers	September 30, 2014
<b><u>Cost</u></b>					
Land	34.957.864	735.500	-	(15.373.716)	20.319.648
Land improvements	5.967.701	38.718	(75.841)	11.902.488	17.833.066
Buildings	53.297.382	13.836.865	-	156.344.870	223.479.117
Machinery and equipment	409.412.790	17.254.003	(8.140.377)	11.347.477	429.873.893
Special costs	2.712.138	379.960	-	-	3.092.098
Motor vehicles	1.915.576	1.370.589	(207.940)	-	3.078.225
Furniture and fixtures	36.581.561	3.953.566	(123.984)	8.225.152	48.636.295
Construction in progress	108.180.493	74.068.537	-	(172.446.271)	9.802.759
	<b>653.025.505</b>	<b>111.637.738</b>	<b>(8.548.142)</b>	<b>-</b>	<b>756.115.101</b>
<b><u>Accumulated depreciation</u></b>					
Land improvements	3.584.995	237.656	(54.467)	-	3.768.184
Buildings	38.195.591	1.988.107	-	-	40.183.698
Machinery and equipment	309.305.795	13.066.890	(8.140.377)	-	314.232.308
Special costs	2.653.578	17.874	-	-	2.671.452
Motor vehicles	1.416.890	209.743	(194.540)	-	1.432.093
Furniture and fixtures	23.675.359	3.321.563	(74.501)	-	26.922.421
	<b>378.832.208</b>	<b>18.841.833</b>	<b>(8.463.885)</b>	<b>-</b>	<b>389.210.156</b>
<b>Net book value</b>	<b>274.193.297</b>				<b>366.904.945</b>

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**NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

	January 1, 2013	Additions	Disposals	Transfers	September 30, 2013
<b><u>Cost</u></b>					
Land	30.171.026	500.000	-	-	30.671.026
Land improvements	5.448.242	343.983	-	94.335	5.886.560
Buildings	52.951.936	345.446	-	-	53.297.382
Machinery and equipment	379.404.095	7.221.392	(3.859.657)	22.505.128	405.270.958
Special costs	2.705.188	6.950	-	-	2.712.138
Motor vehicles	1.906.576	9.000	-	-	1.915.576
Furniture and fixtures	31.440.063	1.421.138	(614.781)	1.675.603	33.922.023
Construction in progress	18.201.769	66.668.450	(34.650)	(24.585.196)	60.250.373
	522.228.895	76.516.359	(4.509.088)	(310.130)(*)	593.926.036
<b><u>Accumulated depreciation</u></b>					
Land improvements	3.344.573	147.907	-	-	3.492.480
Buildings	36.651.959	1.155.730	-	-	37.807.689
Machinery and equipment	300.372.133	9.870.201	(3.171.654)	-	307.070.680
Special costs	2.641.633	9.115	-	-	2.650.748
Motor vehicles	1.204.620	162.056	-	-	1.366.676
Furniture and fixtures	21.020.832	2.399.690	(614.128)	-	22.806.394
	365.235.750	13.744.699	(3.785.782)	-	375.194.667
<b>Net book value</b>	156.993.145				218.731.369

(\*)Transferred to intangible assets.

For the period ended at September 30, 2014, of the total depreciation expense amounting to TL 18.841.833 (September 30, 2013: TL 13.744.699), TL 13.255.186 (September 30, 2013: TL 10.149.301) is allocated to production costs, TL 2.731.870 (September 30, 2013: TL 2.116.920) is allocated to general administrative expenses, TL 2.004.628 (September 30, 2013: TL 919.933) is allocated to research and development expenses and TL 850.149 (September 30, 2013: TL 558.545) is allocated to marketing, selling and distribution expenses. The depreciation expense amounting to TL 1.566.306 (September 30, 2013: TL 752.507) 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 11.558.301 which is classified under the tangible assets as of September 30, 2014 (September 30, 2013: TL 2.350.808).

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

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**NOTE 8 - INTANGIBLE ASSETS**

	January 1, 2014	Additions	Disposals	Transfers	September 30, 2014
<b><u>Cost</u></b>					
Rights	10.940.879	759.220	(170.292)	-	11.529.807
Development costs	37.265.628	-	-	9.376.165	46.641.793
Development costs in progress	50.243.240	14.512.256	-	(9.376.165)	55.379.331
	<b>98.449.747</b>	<b>15.271.476</b>	<b>(170.292)</b>	<b>-</b>	<b>113.550.931</b>

**Accumulated amortisation**

Rights	6.436.499	1.358.393	-	-	7.794.892
Development costs	14.717.042	5.819.856	-	-	20.536.898
	<b>21.153.541</b>	<b>7.178.249</b>	<b>-</b>	<b>-</b>	<b>28.331.790</b>

**Net book value**

**77.296.206**

**85.219.141**

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

**Accumulated amortisation**

Rights	5.205.768	858.117	-	-	6.063.885
Development costs	9.020.277	4.125.163	-	-	13.145.440
	<b>14.226.045</b>	<b>4.983.280</b>	<b>-</b>	<b>-</b>	<b>19.209.325</b>

**Net book value**

**34.892.008**

**38.145.146**

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 September 30, 2014, of the total amortisation expenses amounting to TL 7.178.249 (September 30, 2013: TL 4.983.280), TL 955.626 (September 30, 2013: TL 633.647) is allocated to production costs, TL 196.953 (September 30, 2013: TL 132.165) is allocated to general administrative expenses, TL 5.964.379 (September 30, 2013: TL 4.182.597) is allocated to research and development expenses and TL 61.291 (September 30, 2013: TL 34.871) is allocated to marketing, selling and distribution expenses.

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**NOTE 9 - OTHER ASSETS AND LIABILITIES**

	September 30, 2014	December 31, 2013
<b>a) Other current assets:</b>		
Deferred value added tax ("VAT")	81.035.243	59.756.795
Reclaimed VAT	42.703.155	39.648.268
Other	2.200.685	257.623
	<b>125.939.083</b>	<b>99.662.686</b>
<b>b) Deferred income:</b>		
Deferred income (*)	4.670.378	5.600.348
Advances taken	1.622.838	5.699.609
<b>Other short-term liabilities</b>	<b>6.293.216</b>	<b>11.299.957</b>

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

**NOTE 10 - PREPAID EXPENSES**

**Long-term prepaid expenses**

	September 30, 2014	December 31, 2013
Advances given for fixed assets	35.905.636	20.260.797
<b>Prepaid expenses</b>	<b>35.905.636</b>	<b>20.260.797</b>

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**NOTE 11 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

**a) Short-term provisions**

**Short-term provision for employee benefits**

	<b>September 30, 2014</b>	December 31, 2013
Provision for unused vacation	<b>1.999.391</b>	979.368
	<b>1.999.391</b>	979.368

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

	<b>2014</b>	2013
<b>At January 1</b>	<b>979.368</b>	715.856
Charge for the period, net	<b>1.020.023</b>	472.506
<b>At September 30</b>	<b>1.999.391</b>	1.188.362

**Other short-term provisions**

	<b>September 30, 2014</b>	December 31, 2013
Warranty provision	<b>19.381.184</b>	16.908.966
Provision for legal cases (*)	<b>4.563.170</b>	4.097.031
Other provisions	<b>6.873.921</b>	1.338.564
	<b>30.818.275</b>	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:

	<b>2014</b>	2013
<b>At January 1</b>	<b>33.069.517</b>	30.746.095
Used during the period	<b>(30.223.482)</b>	(29.355.203)
Charge for the period	<b>35.493.488</b>	32.814.287
<b>At September 30</b>	<b>38.339.523</b>	34.205.179

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

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

	2014	2013
<b>At January 1</b>	<b>4.097.031</b>	1.369.143
Charge for the period, net (Note 15)	<b>466.139</b>	149.999
<b>At September 30</b>	<b>4.563.170</b>	1.519.142

**b) Long-term provisions**

**Long-term provision for employee benefits**

	September 30, 2014	December 31, 2013
Provision for employee termination benefits	<b>13.701.503</b>	15.435.367
	<b>13.701.503</b>	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 September 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:

	September 30, 2014	December 31, 2013
Inflation rate (%)	<b>4,50</b>	4,50
Discount rate (%)	<b>9,50</b>	9,50
Turnover rate to estimate the probability of retirement (%)	<b>97,70</b>	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.



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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
<b>At January 1</b>	<b>15.435.367</b>	9.004.102
Interest cost	334.342	347.558
Current service cost	1.099.770	2.192.971
Benefits paid by the company	(3.040.487)	(1.834.487)
Actuarial loss	(127.489)	26.253
<b>At September 30</b>	<b>13.701.503</b>	9.736.397

**Other long-term provisions**

	September 30, 2014	December 31, 2013
Warranty provision	18.958.339	16.160.551
	<b>18.958.339</b>	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:

	September 30, 2014	December 31, 2013
A. The total amount of collaterals given on behalf of its own legal entity	96.809.234	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	-	-
	<b>96.809.234</b>	9.327.007

As at September 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, USD 37.913.842 and TL 2.669.681. (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**

	Foreign currency amount						TL equivalent	
	September 30, 2014			December 31, 2013			September 30, 2014	December 31, 2013
	EUR	USD	TL	EUR	USD	TL		
Letters of guarantees received	73.530	270.000	367.046.080	1.569.142	303.000	326.287.850	367.873.989	331.542.328
Direct debit	-	-	263.731.041	-	-	244.616.204	263.731.041	244.616.204
Mortgages	-	-	5.452.214	-	-	5.452.214	5.452.214	5.452.214
Security bonds	-	-	2.500.000	-	-	2.722.000	2.500.000	2.722.000
Cash foreign currency guarantees	-	8.488	-	-	8.457	-	19.343	18.051
							<b>639.576.587</b>	<b>584.350.797</b>

**NOTE 12 - PROVISION FOR EMPLOYEE BENEFITS**

**Liabilities for employee benefits**

	September 30, 2014	December 31, 2013
Taxes payable and liabilities (*)	10.710.988	6.272.971
Accrued liabilities and premiums paid to the personnel	9.316.562	4.685.626
	<b>20.027.550</b>	<b>10.958.597</b>

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

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**NOTE 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 September 30, 2014 and December 31, 2013 are as follows:

	<b>September 30, 2014</b>		September 30, 2014	
	<b>Participation (%)</b>	<b>Share Amount (TL)</b>	Participation (%)	Share Amount (TL)
Koç Holding	<b>37,50</b>	<b>20.013.375</b>	37,50	20.013.375
CNHI Osterreich	<b>37,50</b>	<b>20.013.375</b>	37,50	20.013.375
Public quotation	<b>24,93</b>	<b>13.306.859</b>	24,93	13.306.859
Other	<b>0,07</b>	<b>35.391</b>	0,07	35.391
	<b>100,00</b>	<b>53.369.000</b>	100,00	53.369.000
<b>Adjustments to share capital</b>		<b>39.014.356</b>		39.014.356
		<b>92.383.356</b>		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 September 30, 2014, 24,77% (December 31, 2013: 24,66%) of the Company shares are quoted at BIST.

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**BETWEEN 1 JANUARY-30 SEPTEMBER 2014 (Continued)**

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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 206.471.855 and retained earnings amounting to TL 251.614.728 for the period ended September 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 12.508.359 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**

	<b>January 1 - September 30, 2014</b>	<b>July 1 - September 30, 2014</b>	January 1 - September 30, 2013	July 1 - September 30, 2013
Domestic sales	<b>1.462.090.000</b>	<b>498.034.063</b>	1.257.663.823	392.119.129
Export sales	<b>719.417.271</b>	<b>247.800.622</b>	487.981.464	163.308.860
	<b>2.181.507.271</b>	<b>745.834.685</b>	1.745.645.287	555.427.989
Less: Discounts and returns	<b>(160.990.453)</b>	<b>(56.128.024)</b>	(137.031.415)	(49.656.116)
<b>Sales income (net)</b>	<b>2.020.516.818</b>	<b>689.706.661</b>	1.608.613.872	505.771.873
Cost of sales	<b>(1.651.945.809)</b>	<b>(575.497.833)</b>	(1.254.787.094)	(387.636.430)
<b>Gross profit</b>	<b>368.571.009</b>	<b>114.208.828</b>	353.826.778	118.135.443

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**NOTE 15 – OTHER OPERATING INCOME/ EXPENSES**

	<b>January 1 - September 30, 2014</b>	<b>July 1 - September 30, 2014</b>	January 1 - September 30, 2013	July 1 - September 30, 2013
Foreign exchange gain from trade receivable/ payables	<b>342.776.062</b>	<b>118.288.352</b>	230.286.755	113.237.961
Financial income from credit sales	<b>34.377.360</b>	<b>11.010.688</b>	9.351.882	4.617.981
Termination of provision for doubtful receivables (Note 5)	<b>1.321.780</b>	<b>143.454</b>	686.306	198.719
Reversal of provision for litigation expenses (Note 11)	<b>428.714</b>	-	-	-
Incentive income	<b>441.787</b>	<b>211.662</b>	285.499	95.166
Other income	<b>2.057.026</b>	<b>649.625</b>	1.344.745	242.757
<b>Other operating income</b>	<b>381.402.729</b>	<b>130.303.781</b>	241.955.187	118.392.584
Foreign exchange loss from trade receivable/ payables	<b>(350.124.952)</b>	<b>(115.536.951)</b>	(214.706.048)	(102.792.817)
Financial expense on credit purchases	<b>(28.771.913)</b>	<b>(8.608.280)</b>	(6.204.804)	(2.881.403)
Provision for doubtful receivables (Note 5)	-	-	(4.882.842)	(3.916.439)
Provision for litigation expenses (Note 11)	<b>(894.853)</b>	<b>(442.357)</b>	(149.999)	(49.999)
Other expenses	<b>(2.861.441)</b>	<b>721.366</b>	(309.246)	(59.099)
<b>Other operating expenses</b>	<b>(382.653.159)</b>	<b>(123.866.222)</b>	(226.252.939)	(109.699.757)

**NOTE 16 - FINANCIAL INCOME**

	<b>January 1 - September 30, 2014</b>	<b>July 1 - September 30, 2014</b>	January 1 - September 30, 2013	July 1 - September 30, 2013
Foreign exchange gain (*)	<b>33.903.110</b>	<b>3.964.386</b>	38.361.640	6.790.582
Interest income	<b>6.857.395</b>	<b>1.132.933</b>	7.293.402	1.411.742
<b>Financial income</b>	<b>40.760.505</b>	<b>5.097.319</b>	45.655.042	8.202.324

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

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**NOTE 17 - FINANCIAL EXPENSE**

	<b>January 1 - September 30, 2014</b>	<b>July 1 - September 30, 2014</b>	<b>January 1 - September 30, 2013</b>	<b>July 1 - September 30, 2013</b>
Foreign exchange loss (*)	<b>(19.592.218)</b>	<b>(5.009.887)</b>	(58.314.980)	(18.212.692)
Interest expenses on bank borrowings	<b>(26.720.895)</b>	<b>(12.318.160)</b>	(8.595.495)	(1.741.676)
Other	<b>(1.216.600)</b>	-	(2.488.417)	(614.465)
<b>Financial expenses</b>	<b>(47.529.713)</b>	<b>(17.328.047)</b>	(69.398.892)	(20.568.833)

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

**NOTE 18 - TAX ASSETS AND LIABILITIES**

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Corporate taxes payable	<b>50.723.529</b>	55.246.090
Less: Prepaid taxes	<b>(33.150.369)</b>	(46.721.512)
<b>Total tax payable - net</b>	<b>17.573.160</b>	8.524.578

	<b>January 1 - September 30, 2014</b>	<b>July 1 - September 30, 2014</b>	<b>January 1 - September 30, 2013</b>	<b>July 1 - September 30, 2013</b>
Current period corporate tax expense	<b>(50.723.529)</b>	<b>(12.525.579)</b>	(54.208.905)	(18.489.316)
Deferred tax income	<b>19.172.733</b>	<b>5.549.379</b>	19.711.602	8.893.640
<b>Tax expense</b>	<b>(31.550.796)</b>	<b>(6.976.200)</b>	(34.497.303)	(9.595.676)

Corporation tax is payable, at a rate of 20% as of September 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 September 30, 2014 and December 31, 2013 are as follows:

	Temporary differences		Deferred tax assets/(liabilities)	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Property, plant and equipment and intangible assets, restatement and useful life differences	36.353.346	20.270.382	(7.270.669)	(4.054.076)
Unearned finance income on due from related parties	(34.897)	(26.287)	6.979	5.257
Provision for employee termination benefits	(13.701.503)	(15.435.367)	2.740.303	3.087.073
Capitalized unincurred financial expense on inventory	(4.542.754)	(3.289.951)	908.551	657.990
Warranty provision	(38.339.523)	(33.069.517)	7.667.905	6.613.903
Provision for lawsuits	(4.563.170)	(4.097.031)	912.634	819.406
Unearned finance income on trade receivables and payables	714.513	(282.633)	(142.903)	56.527
Provision for doubtful receivables	(7.080.396)	(7.489.117)	1.416.079	1.497.823
Provision for impairment of inventory	(10.766.708)	(11.517.572)	2.153.342	2.303.514
Sales premium accrued	(58.226.943)	(13.560.049)	11.645.389	2.712.010
Other expense provisions	(26.047.438)	(925.022)	5.209.488	185.004
Investment incentive	-	-	30.197.459	22.553.029
Deferred income	(654.707)	(368.483)	130.941	73.697
Other	(576.281)	(161.855)	115.255	32.372
<b>Deferred tax assets</b>			<b>55.690.753</b>	<b>36.543.529</b>

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

	2014	2013
<b>At January 1</b>	<b>36.543.529</b>	21.551.493
Reflected to profit for the period	19.172.733	19.711.602
Reflected to other comprehensive income / (expense)	(25.509)	5.251
<b>At September 30</b>	<b>55.690.753</b>	41.268.346

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

	September 30, 2014	December 31, 2013
<b>Profit before tax</b>	<b>227.634.128</b>	239.829.081
Tax calculated at enacted tax rate	45.526.826	47.965.816
Investment deduction	(11.853.246)	(11.631.793)
Research and development deductions	(2.800.415)	(2.265.937)
Disallowable expenses	542.145	508.275
Other	135.486	(79.058)
<b>Total tax charge</b>	<b>31.550.796</b>	34.497.303



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#### NOTE 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.

	<b>January 1 - September 30, 2014</b>	<b>July 1 - September 30, 2014</b>	January 1 - September 30, 2013	July 1 - September 30, 2013
Net profit for the period	<b>196.083.332</b>	<b>54.259.622</b>	205.331.778	68.406.604
Weighted average number of the ordinary shares	<b>5.336.900.000</b>	<b>5.336.900.000</b>	5.336.900.000	5.336.900.000
Earnings per share (1 Kr nominal value per share as TL)	<b>0,0367</b>	<b>0,0102</b>	0,0385	0,0128

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

#### NOTE 20 - RELATED PARTY EXPLANATIONS

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

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

	<b>September 30, 2014</b>	December 31, 2013
<b>a) Bank deposits and borrowings</b>		
<b>Deposits with related parties:</b>		
Yapı ve Kredi Bankası A.Ş. (“Yapı Kredi”)	<b>3.100.654</b>	28.481.316
	<b>3.100.654</b>	28.481.316

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**NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)**

	September 30, 2014	December 31, 2013
<b>Borrowings from related parties:</b>		
Yapı Kredi	40.072.667	-
	<b>40.072.667</b>	-
<b>b) Due from related parties</b>		
<b>Due from group companies</b>		
CNHI International SA (“CNHI International”) (*)	188.440.244	60.196.245
CNHI Italy SPA (“CNHI Italy”)	7.059.345	8.686.937
Ark İnşaat Sanayi ve Ticaret A.Ş. (“Ark İnşaat”)	1.139.096	-
CNHI Latin America Ltda.	992.064	1.003.496
CNHI Argentina SA (“CNHI Argentina”)	639.803	10.309.551
Zer Merkezi Hizmetler ve Ticaret A.Ş. (“Zer”)	574.319	-
Other	2.057.141	627.787
	<b>200.902.012</b>	80.824.016
Less: Unearned financial income	(34.897)	(26.287)
	<b>200.867.115</b>	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.		
<b>c) Due to related parties</b>		
Koç Holding	825.011	1.939.893
<b>Due to shareholders</b>	<b>825.011</b>	1.939.893
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. (“Opet Fuchs”)	1.714.466	4.374.305
New Holland Fiat India Pvt. Ltd. (“New Holland India”)	1.039.288	2.512.605
Otokoç Otomotiv San. ve Tic. A.Ş. (“Otokoç”)	576.109	279.575
Koçtaş Yapı Marketleri A.Ş. (“Koçtaş”)	256.969	605.461
Opet Petrolcülük A.Ş. (“Opet”)	86.977	60.882
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (“Koç Sistem”)	6.709	3.609.295
Ark İnşaat	2.741	7.565.470
Zer	-	6.397.486
Otokar Otomotiv ve Savunma Sanayi A.Ş. (“Otokar”)	-	760.127
Other	1.067.510	1.409.163
<b>Due to group companies</b>	<b>4.750.769</b>	27.574.369
Less: Unearned financial expenses	(49.690)	(167.691)
	<b>5.526.090</b>	29.346.571

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN 1 JANUARY-30 SEPTEMBER 2014 (Continued)**

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

**NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)**

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

**a) Product sales to related parties**

	<b>January 1 - September 30, 2014</b>	<b>July 1 - September 30, 2014</b>	January 1 - September 30, 2013	July 1 - September 30, 2013
<b>Product sales to group companies:</b>				
CNHI International (*)	<b>701.325.762</b>	<b>245.092.376</b>	468.752.076	153.924.673
CNHI Italy	<b>9.962.300</b>	<b>2.218.142</b>	5.290.163	1.603.761
CNHI Argentina S.A	<b>4.756.721</b>	<b>311.884</b>	7.150.542	6.605.938
CNHI Latin America Ltda.	<b>3.985.367</b>	<b>1.239.092</b>	5.971.956	1.108.459
Other	<b>1.004.224</b>	<b>231.393</b>	852.067	103.284
	<b>721.034.374</b>	<b>249.092.887</b>	488.016.804	163.346.115

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

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

	<b>January 1 - September 30, 2014</b>	<b>July 1 - September 30, 2014</b>	January 1 - September 30, 2013	July 1 - September 30, 2013
<b>Other income from group companies</b>				
CNHI International	<b>461.576</b>	<b>295.087</b>	21.780	20.433
	<b>461.576</b>	<b>295.087</b>	21.780	20.433
<b>Other expenses from group companies</b>				
CNHI International	-	-	(20.903)	(470)
	-	-	(20.903)	(470)

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN 1 JANUARY-30 SEPTEMBER 2014 (Continued)**

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

**NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)**

**c) Product purchases from related parties**

	<b>January 1 - September 30, 2014</b>	<b>July 1 - September 30, 2014</b>	<b>January 1 - September 30, 2013</b>	<b>July 1 - September 30, 2013</b>
<b>Product purchases from group companies</b>				
CNHI International (1)	<b>150.120.580</b>	<b>42.857.635</b>	236.845.529	89.701.925
Opet Fuchs (2)	<b>29.841.034</b>	<b>8.344.098</b>	25.046.471	8.630.139
New Holland India (3)	<b>17.616.247</b>	<b>1.362.354</b>	16.800.324	4.981.407
Zer (4)	<b>7.672.220</b>	<b>3.278.003</b>	4.799.079	2.089.135
Koç Sistem(5)	<b>5.584.046</b>	<b>1.998.802</b>	-	-
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	<b>2.863.734</b>	<b>986.580</b>	1.736.636	537.420
Opet (2)	<b>872.244</b>	<b>327.922</b>	636.817	233.990
Other	<b>3.615.406</b>	<b>1.348.700</b>	3.197.386	1.080.918
	<b>218.185.511</b>	<b>60.504.094</b>	289.062.242	107.254.934

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

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

(3) The company purchases spare parts.

(4) The company purchases corporate commercial goods and consumables.

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

**d) Service purchases from related parties**

	<b>January 1 - September 30, 2014</b>	<b>July 1 - September 30, 2014</b>	<b>January 1 - September 30, 2013</b>	<b>July 1 - September 30, 2013</b>
<b>Service purchases from shareholders:</b>				
Koç Holding (3)	<b>2.631.258</b>	<b>1.048.743</b>	1.806.400	568.800
	<b>2.631.258</b>	<b>1.048.743</b>	1.806.400	568.800
<b>Service purchase from group companies:</b>				
Ark İnşaat San. ve Tic. A.Ş. (1)	<b>65.384.610</b>	<b>12.815.551</b>	45.630.902	24.895.313
Zer (2)	<b>34.310.947</b>	<b>9.796.412</b>	32.800.630	9.637.913
CNHI International (8)	<b>7.813.267</b>	<b>974.517</b>	1.611.555	568.800
Otokar (4)	<b>4.710.539</b>	<b>763.960</b>	5.683.389	2.454.456
Eltek Elektrik Enerjisi İth.İhr. ve Toptan Tic.A.Ş. ("Eltek") (7)	<b>5.421.489</b>	<b>1.839.997</b>	-	-
Setur (5)	<b>3.968.136</b>	<b>1.298.476</b>	2.944.306	472.498
Ram Sigorta Aracılık Hizmetleri A.Ş. (6)	<b>1.586.112</b>	<b>541.729</b>	851.860	111.487
Otokoç	<b>1.411.698</b>	<b>534.628</b>	916.706	320.100
Aygaz Doğal Gaz Toptan Satış A.Ş.	-	-	170.022	-
Other	<b>563.153</b>	<b>233.959</b>	1.004.618	188.981
	<b>125.169.951</b>	<b>28.799.229</b>	91.613.988	38.649.548
	<b>127.801.209</b>	<b>29.847.972</b>	93.420.388	39.218.348

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN 1 JANUARY-30 SEPTEMBER 2014 (Continued)**

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

**NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)**

- (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., in the extent of insurance policies signed by 3rd party insurance companies, is related with the interim period including premium amounts paid and accrued on September 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 services taken for the production of Tier 4 engines in Türk Traktör factory.

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

**Financial income and expense from group companies**

	<b>January 1 - September 30, 2014</b>	<b>July 1 - September 30, 2014</b>	<b>January 1 - September 30, 2013</b>	<b>July 1 - September 30, 2013</b>
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**Interest income**

Yapı Kredi	<b>830.842</b>	<b>-</b>	<b>364.758</b>	<b>-</b>
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	<b>January 1 - September 30, 2014</b>	<b>July 1 - September 30, 2014</b>	<b>January 1 - September 30, 2013</b>	<b>July 1 - September 30, 2013</b>
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**Interest expense**

Yapı Kredi Finansal Kiralama	<b>-</b>	<b>-</b>	<b>(23)</b>	<b>-</b>
Yapı Kredi	<b>(2.110.000)</b>	<b>(466.971)</b>	<b>(647)</b>	<b>-</b>
	<b>(2.110.000)</b>	<b>(466.971)</b>	<b>(670)</b>	<b>-</b>

**iv) Dividends paid to related parties:**

	<b>January 1 - September 30, 2014</b>	<b>January 1 - September 30, 2013</b>
Koç Holding	<b>112.500.000</b>	<b>75.000.000</b>
CNHI Osterreich	<b>112.500.000</b>	<b>75.000.000</b>
Public quotation	<b>74.801.056</b>	<b>49.867.371</b>
Other	<b>198.944</b>	<b>132.629</b>
	<b>300.000.000</b>	<b>200.000.000</b>

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN 1 JANUARY-30 SEPTEMBER 2014 (Continued)**

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

**NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)**

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

	<b>January 1 - September 30, 2014</b>	<b>July 1 - September 30, 2014</b>	January 1 - September 30, 2013	July 1 - September 30, 2013
Remuneration of key management personnel(*)	<b>5.732.304</b>	<b>1.242.453</b>	3.332.098	1.123.619

(\*) 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.

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

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

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

a) Market risk

Foreign currency risk

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

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.****SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 SEPTEMBER 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 amounts of foreign currency assets, liabilities and TL equivalents of the Company as of September 30, 2014 and December 31, 2013 are as follows:

	September 30, 2014					
	TL equivalent	USD	EUR	GBP	CHF	YEN
1. Trade receivables	247.656.320	1.565.987	84.418.489	-	-	-
2. Monetary financial assets (Including banks accounts) (Note 3)	67.459.902	933.907	22.585.550	7.324	287	-
3. Other	49.305.779	6.237.047	10.222.896	-	-	266.593.938
<b>4. Current assets (1+2+3)</b>	<b>364.422.001</b>	<b>8.736.941</b>	<b>117.226.935</b>	<b>7.324</b>	<b>287</b>	<b>266.593.938</b>
5. Trade receivables	-	-	-	-	-	-
6. Other	35.907.959	1.019	12.418.080	-	-	-
<b>7. Non-current assets (5+6)</b>	<b>35.907.959</b>	<b>1.019</b>	<b>12.418.080</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>8. Total assets (4+7)</b>	<b>400.329.960</b>	<b>8.737.960</b>	<b>129.645.015</b>	<b>7.324</b>	<b>287</b>	<b>266.593.938</b>
9. Trade payables	96.954.732	-	33.532.106	-	-	-
10. Financial liabilities (Note 4)	68.760.396	10.001.889	15.897.867	-	-	-
11. Other monetary liabilities	5.482.269	-	1.896.060	-	-	-
<b>12. Current liabilities (9+10+11)</b>	<b>171.197.397</b>	<b>10.001.889</b>	<b>51.326.033</b>	<b>-</b>	<b>-</b>	<b>-</b>
13. Financial liabilities (Note 4)	230.683.131	-	79.782.504	-	-	-
<b>14. Non-current liabilities (13)</b>	<b>230.683.131</b>	<b>-</b>	<b>79.782.504</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>15. Total liabilities (12+14)</b>	<b>401.880.528</b>	<b>10.001.889</b>	<b>131.108.537</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>16. Net foreign currency asset/ (liability) position (8-15)</b>	<b>(1.550.568)</b>	<b>(1.263.929)</b>	<b>(1.463.522)</b>	<b>7.324</b>	<b>287</b>	<b>266.593.938</b>
<b>17. Net monetary foreign currency asset/ (liability) position (8-15)</b>	<b>(1.550.568)</b>	<b>(1.263.929)</b>	<b>(1.463.522)</b>	<b>7.324</b>	<b>287</b>	<b>266.593.938</b>

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.****SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 SEPTEMBER 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					
	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
<b>4. Current assets (1+2+3)</b>	<b>265.844.732</b>	<b>11.330.075</b>	<b>82.161.503</b>	<b>89.728</b>	<b>969</b>	<b>3.871.040</b>
5. Trade receivables	250.659	76.489	29.766	-	-	-
6. Other	20.262.971	1.019	6.899.641	-	-	-
<b>7. Non-current assets (5+6)</b>	<b>20.513.630</b>	<b>77.508</b>	<b>6.929.407</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>8. Total assets (4+7)</b>	<b>286.358.362</b>	<b>11.407.583</b>	<b>89.090.910</b>	<b>89.728</b>	<b>969</b>	<b>3.871.040</b>
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	-	-	-
<b>12. Current liabilities (9+10+11)</b>	<b>80.063.561</b>	<b>10.023.533</b>	<b>19.767.392</b>	<b>57.509</b>	<b>-</b>	<b>20.831.892</b>
13. Financial liabilities (Note 4)	235.191.834	-	80.092.571	-	-	-
<b>14. Non-current liabilities (13)</b>	<b>235.191.834</b>	<b>-</b>	<b>80.092.571</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>15. Total liabilities (12+14)</b>	<b>315.255.395</b>	<b>10.023.533</b>	<b>99.859.963</b>	<b>57.509</b>	<b>-</b>	<b>20.831.892</b>
<b>16. Net foreign currency asset/ (liability) position (8-15)</b>	<b>(28.897.033)</b>	<b>1.384.050</b>	<b>(10.769.053)</b>	<b>32.219</b>	<b>969</b>	<b>(16.960.852)</b>
<b>17. Net monetary foreign currency asset/ (liability) position (8-15)</b>	<b>(28.897.033)</b>	<b>1.384.050</b>	<b>(10.769.053)</b>	<b>32.219</b>	<b>969</b>	<b>(16.960.852)</b>



**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN 1 JANUARY-30 SEPTEMBER 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 September 30, 2014 and 2013 are as follows:

	<b>January 1 - September 30, 2014</b>	<b>July 1 - September 30, 2014</b>	January 1 - September 30, 2013	July 1 - September 30, 2013
Total export amount	<b>719.417.271</b>	<b>247.800.622</b>	487.981.464	163.308.860
Total import amount	<b>539.879.579</b>	<b>189.029.681</b>	413.821.833	100.552.924

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 September 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:

	<b>September 30, 2014</b>			
	<b>Profit/ loss</b>		<b>Shareholders' equity</b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>
<b>Had TL appreciate/(depreciate) by 10% against USD</b>				
Profit/ (loss) from USD net asset position	<b>(288.037)</b>	<b>288.037</b>	-	-
Hedged amount against USD risk (-)	-	-	-	-
<b>Net effect of USD</b>	<b>(288.037)</b>	<b>288.037</b>	-	-
<b>Had TL appreciate/ (depreciate) by 10% against EUR</b>				
Profit/(loss) from EUR net liability position	<b>(423.163)</b>	<b>423.163</b>	-	-
Hedged amount against EUR risk (-)	-	-	-	-
<b>Net effect of EUR</b>	<b>(423.163)</b>	<b>423.163</b>	-	-
<b>Had TL appreciate/ (depreciate) by 10% against other</b>				
Profit/(loss) from other net liability position	<b>556.143</b>	<b>(556.143)</b>	-	-
Hedged amount against other (-)	-	-	-	-
<b>Net effect of other</b>	<b>556.143</b>	<b>(556.143)</b>	-	-
<b>Total net effect</b>	<b>(155.057)</b>	<b>155.057</b>	-	-

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN 1 JANUARY-30 SEPTEMBER 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			
	Profit/ loss		Shareholders' equity	
	Appreciation of foreign currency	Appreciation of foreign currency	Appreciation of foreign currency	Appreciation of foreign currency
<b>Had TL appreciate/ (depreciate) by 10% against USD</b>				
Profit/ (loss) from USD net asset position	295.398	(295.398)	-	-
Hedged amount against USD risk (-)	-	-	-	-
<b>Net effect of USD</b>	295.398	(295.398)	-	-
<b>Had TL appreciate/(depreciate) by 10% against EUR</b>				
Profit/ (loss) from EUR net liability position	(3.162.332)	3.162.332	-	-
Hedged amount against EUR risk (-)	-	-	-	-
<b>Net effect of EUR</b>	(3.162.332)	3.162.332	-	-
<b>Had TL appreciate/(depreciate) by 10% against other</b>				
Profit/ (loss) from other net liability position	(22.769)	22.769	-	-
Hedged amount against other (-)	-	-	-	-
<b>Net effect of other</b>	(22.769)	22.769	-	-
<b>Total net effect</b>	<b>(2.889.703)</b>	<b>2.889.703</b>	-	-

*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**

	<b>September 30, 2014</b>	December 31, 2013
Time deposits	<b>97.351.931</b>	199.334.896
Financial liabilities	<b>431.609.998</b>	129.864.519

**Financial instruments with floating interest rate**

	<b>September 30, 2014</b>	December 31, 2013
Financial liabilities	<b>218.487.623</b>	218.726.076

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

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**BETWEEN 1 JANUARY-30 SEPTEMBER 2014 (Continued)**

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

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**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 September 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 6.445 (September 30, 2013: TL 6.241).

b) Credit risk

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

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD  
BETWEEN 1 JANUARY-30 SEPTEMBER 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 Company's maximum exposure to credit risk as of September 30, 2014 and December 31, 2013 is as follows:

	September 30, 2014					
	Trade receivables		Other receivables			
	Related party	Third party	Related party	Third party	Bank deposits	Derivative instruments
Net book value of financial assets which are undue and not impaired	200.867.115	342.102.852	-	357.379	120.918.853	-
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	-	26.857.911	-	-	-	-
Net book value of impaired assets	-	2.826.706	-	-	-	-
- Due dated (Gross book value)	-	43.053.810	-	-	-	-
- Provision (-)	-	(40.227.104)	-	-	-	-
- Undue (Gross book value)	-	760.477	-	-	-	-
- Provision (-)	-	(760.477)	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
<b>Amount exposed to maximum credit risk (*)</b>	<b>200.867.115</b>	<b>371.787.469</b>	<b>-</b>	<b>357.379</b>	<b>120.918.853</b>	<b>-</b>

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

As of September 30, 2014, the guarantee amount of the maximum exposure to credit risk is TL 639.576.587. Besides, all assets which are due but not impaired and are impaired are guaranteed.

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD  
BETWEEN 1 JANUARY-30 SEPTEMBER 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					
	Trade Receivables			Other receivables		
	Related party	Third party	Related party	Third party	Bank deposits	Derivative instruments
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 financial assets which are undue	-	-	-	-	-	-
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	-	-	-	-	-	-
<b>Amount exposed to maximum credit risk (*)</b>	<b>80.797.729</b>	<b>282.365.583</b>	<b>-</b>	<b>355.102</b>	<b>209.322.936</b>	<b>-</b>

(\*) 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 SEPTEMBER 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.

	<b>September 30, 2014</b>	December 31, 2013
Less: Cash and cash equivalents	<b>(120.918.853)</b>	(209.322.936)
Financial liabilities	<b>650.097.621</b>	348.590.595
<b>Net financial debt</b>	<b>529.178.768</b>	139.267.659
Total shareholders' equity	<b>639.503.034</b>	743.317.722
<b>Net financial debt/ shareholders' equity multiplier</b>	<b>0,83</b>	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 SEPTEMBER 2014 (Continued)**

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

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**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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