

Türk Traktör ve Ziraat Makineleri A.Ş.

**Convenience translation into English of condensed
financial statements for the interim period between
1 January – 31 March 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 MARCH 31, 2014**

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

		Current period Unaudited	Prior period Audited
		31 March	31 December
	Notes	2014	2013
ASSETS			
CURRENT ASSETS			
		1.241.685.428	1.085.713.601
Cash and cash equivalents	3	205.118.107	209.322.936
Trade receivables			
- Trade receivables, other parties	5	334.747.908	282.114.924
- Due from related parties	20	107.819.056	80.797.729
Inventories	6	491.219.035	413.398.558
Prepaid expenses		3.991.567	416.768
Other current assets	9	98.789.755	99.662.686
NON-CURRENT ASSETS			
		445.740.376	408.899.590
Trade receivables			
- Trade receivables, other parties	5	-	250.659
Other receivables			
- Other receivables, other parties		355.159	355.102
Property, plant and equipment	7	293.959.731	274.193.297
Intangible assets	8	82.107.752	77.296.206
Prepaid expenses	10	20.615.333	20.260.797
Deferred tax assets	18	48.702.401	36.543.529
TOTAL ASSETS			
		1.687.425.804	1.494.613.191

The financial statements prepared as at and for the period ended 31 March 2014 have been approved by the Board of Directors on 25 April 2014 and was signed by the General Manager Marco Votta and Vice President of Financial Affairs Memet İlkan Kamber on behalf of the Board of Directors.

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**INTERIM STATEMENTS OF FINANCIAL POSITION FOR THE PERIOD ENDED
AT MARCH 31, 2014**

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

		Current period Unaudited	Prior period Audited
		31 March	31 December
	Notes	2014	2013
LIABILITIES			
CURRENT LIABILITIES			
		651.536.435	385.811.950
Short-term financial liabilities	4	55.920.351	14.702.994
Trade payables:			
- Trade payables, other parties	5	410.430.269	276.743.088
- Due to related parties	20	24.926.196	29.346.571
Employee benefit obligations	12	28.033.465	10.958.597
Other payables:			
- Other payables, other parties		3.949.405	7.669.767
- Due to related parties	20	64.511.467	-
Government incentives and aids		3.127.405	3.242.469
Deferred income	9	8.075.126	11.299.957
Short-term provision for taxation on income	18	21.957.702	8.524.578
Provisions:			
- Short-term provision for employee benefits	11	1.936.924	979.368
- Other short-term provisions	11	28.668.125	22.344.561
NON-CURRENT LIABILITIES			
		523.137.060	365.483.519
Long-term financial liabilities	4	490.766.784	333.887.601
Long-term provisions:			
- Long-term provision for employee benefits	11	15.422.344	15.435.367
- Long-term other provisions	11	16.947.932	16.160.551
SHAREHOLDERS' EQUITY			
		512.752.309	743.317.722
Parent's equity			
Paid-in 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		(247.326)	(250.526)
Retained earnings		212.851.625	262.678.841
Net profit for the period		69.431.387	279.905.939
TOTAL LIABILITIES			
		1.687.425.804	1.494.613.191

Provisions, contingent assets and contingent 11

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 MARCH 31, 2014

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

		<i>Restated</i>	
		Prior period	
		Unaudited	
	Notes	1 January - 31 March 2014	1 January - 31 March 2013
Sales	14	595.204.223	505.709.789
Cost of sales (-)	14	(470.545.342)	(401.860.299)
GROSS PROFIT		124.658.881	103.849.490
Marketing, selling and distribution expenses (-)		(26.404.972)	(21.528.272)
General administrative expenses (-)		(11.553.947)	(9.122.383)
Research and development expenses (-)		(3.674.388)	(2.473.948)
Other operating income	15	138.570.022	34.782.814
Other operating expenses (-)	15	(142.948.573)	(35.549.807)
OPERATING PROFIT		78.647.023	69.957.894
Investment income		-	139.151
Investment expenses (-)		(14.274)	(1.161)
Financial income	16	18.259.815	17.877.510
Financial expenses (-)	17	(16.922.983)	(15.782.251)
PROFIT BEFORE TAXATION ON INCOME		79.969.581	72.191.143
Taxes on income (-)	18	(22.697.866)	(13.146.551)
Deferred tax income	18	12.159.672	1.240.593
NET PROFIT FOR THE PERIOD		69.431.387	60.285.185
Attributable to:			
Non-controlling interest		-	-
Equity holders of the parent		69.431.387	60.285.185
Other comprehensive income/ (expense)			
Actuarial (loss)/ gain arising from employee benefits		4.000	-
Deferred tax effect		(800)	-
Other comprehensive income/expense after tax		3.200	-
TOTAL COMPREHENSIVE INCOME		69.434.587	60.285.185
Earnings per share (TL)	19	0,0130	0,0113

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 1 JANUARY- 31 MARCH 2014**

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

	Share capital	Adjustment to share capital	Merger reserve	Restricted Profit reserves	Actuarial gain/(loss) arising from employee benefits	Retained earnings	Net profit for the period	Total shareholders' equity
1 January 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)
Net profit for the period	-	-	-	-	-	-	69.431.387	69.431.387
Other comprehensive income/(expense)	-	-	-	-	3.200	-	-	3.200
31 March 2014	53.369.000	39.014.356	(5.569.000)	143.902.267	(247.326)	212.851.625	69.431.387	512.752.309

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 1 JANUARY- 31 MARCH 2014**

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

	Share capital	Adjustment to share capital	Merger reserve	Restricted profit reserves	Actuarial gain/ (loss) arising from employee benefits	Retained earnings	Net profit for the period	Total shareholders' equity
As of 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 policies (2.2)</i>	-	-	-	-	127.788	(68.377)	(59.411)	-
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)
Net profit for the period	-	-	-	-	-	-	60.285.185	60.285.185
Other comprehensive income/(expense)	-	-	-	-	-	-	-	-
31 March 2013	53.369.000	39.014.356	(5.569.000)	114.169.112	127.788	262.678.841	60.285.185	524.075.282

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 ENDED AT MARCH 31, 2014

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

		<i>Restated</i>
	Current period	Prior period
	Unaudited	Unaudited
	31 March	31 March
Notes	2014	2013
A. CASH FLOW FROM OPERATING ACTIVITIES	(168.778.129)	(93.459.358)
Net profit for the period	69.431.387	60.285.185
Adjustments to reconcile net income to net cash provided by operating activities	32.544.889	31.403.630
Amortization and depreciation	7.199.137	5.814.703
Provision for impairment on inventories	6 (1.084.661)	(490.509)
Provision for employee termination benefits	1.153.865	412.507
Provision for doubtful receivables	15 4.878.113	341.670
Expense accruals	7.110.936	4.595.754
Interest income and expense	16, 17 2.348.924	(246.221)
Tax expense	10.538.194	11.905.958
Gain/ loss from sales of property plant and equipment	14.274	(137.990)
Foreign exchange change effect	386.107	9.207.758
Changes in working capital	36.871.664	19.850.785
Increase in trade receivables	(58.986.186)	(43.755.218)
(Increase)/decrease in due from related parties	(27.917.739)	3.413.703
Increase in inventories	(77.625.312)	(34.699.813)
Decrease in other current assets	872.931	4.475.876
Increase in other receivables	(57)	(11.519)
Increase in prepaid expenses	(3.929.334)	(855.429)
Decrease in due to related parties	(4.382.313)	(337.939)
Increase in trade payables	134.403.852	76.598.647
(Decrease)/ increase in deferred income	(3.224.831)	5.238.515
Increase in other liabilities	60.791.117	8.498.728
Increase in short term provision for employee termination benefits	957.556	669.582
Increase in debt for employee termination benefits	17.074.868	1.040.964
Employee termination benefits paid	11 (1.162.888)	(425.312)
Net cash provided by operating activities	138.847.940	111.539.600
Dividends paid	(300.000.000)	(200.000.000)
Interest paid	(3.152.452)	(3.689.023)
Interest received	4.791.125	3.789.758
Tax paid	(9.264.742)	(5.099.693)
B. CASH FLOWS FROM INVESTING ACTIVITIES	(27.401.464)	(15.274.146)
Proceeds from sales of property, plant and equipment and intangible assets	7.101	619.681
Payments for purchases of property, plant and equipment and intangible assets	(27.293.501)	(15.892.666)
Proceeds from government grants	(115.064)	(1.161)
C. CASH FLOWS FROM FINANCING ACTIVITIES	190.492.878	1.278.570
Proceeds from borrowings	206.571.286	83.209.070
Repayment of borrowings	(16.078.408)	(81.930.500)
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)	(5.686.715)	(107.454.934)
D. CURRENCY TRANSLATION DIFFERENCES	(899.055)	(3.103.241)
NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	(6.585.770)	(110.558.175)
E. CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD	3 208.997.296	376.218.818
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	3 202.411.526	265.660.643

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-31 MARCH 2014 (Continued)

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Türk Traktör ve Ziraat Makineleri A.Ş. (the “Company”) was established in 1954 in Ankara, as Minneapolis Moline Türk Traktör ve Ziraat Makineleri A.Ş. to undertake the manufacturing and trade of farm tractors, harvesters and other agricultural machinery and equipment. The name of the Company was changed as Türk Traktör Ziraat Makineleri A.Ş. in 1968 upon the purchase of 25% of the shares held by Ege Makina ve Ticaret A.Ş., a group company of the Koç Holding A.Ş. (“Koç Holding”). As of 31 March 2014, major shareholders of the Company are Koç Holding and CNHI Osterreich GmbH (“CNHI Osterreich”) (Note 13). The number of personnel working within the Company as of 31 March 2014 is 2.695 (31 December 2013: 2.572).

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

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

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

The Company conducts marketing and selling activities in the domestic market, through its 131 sales dealers and 91 spare part dealers (31 December 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 March 31, 2014, the current circulation ratio of the Company whose shares are traded in the Borsa Istanbul (“BIST”) is 24,71% (31 December 2012: 24,66%) (Note 13).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

BETWEEN 1 JANUARY-31 MARCH 2014 (Continued)

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

The main accounting policies used for preparing the Company's financial statements are stated below:

Principles governing the preparation of financial statements

The 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.

The interim condensed financial statements for the period ended at March 31, 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 Comparatives and restatement of prior periods' financial statements

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

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

- Foreign exchange gain from trade receivables and payables amounting to TL 30.888.613 and financial income from credit sales amounting to TL 2.690.972 under the finance income account were classified under other operating income,
- Income from the sale of fixed assets amounting to TL 139.151 shown in the account group of other operating income was classified under income from investment activities,
- Foreign exchange loss from trade receivables and payables amounting to TL 33.396.738 and finance expense on credit purchases amounting to TL 1.811.201 shown in the account of finance expense were classified under other operating income,
- Income from the sales of fixed assets amounting to TL 1.161 shown in the account group of other operating income was classified under income from investment activities.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

BETWEEN 1 JANUARY-31 MARCH 2014 (Continued)

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

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

2.3 Changes in TFRS:

The accounting policies adopted in preparation of the interim financial statements as at 31 March 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 1 January 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 1 January 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 effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. The interpretation is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

Amendments to TAS 36 - (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 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. The amendments are to be applied retrospectively 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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

BETWEEN 1 JANUARY-31 MARCH 2014 (Continued)

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

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

Amendments to TAS 39 - Novation of Derivatives and Continuation of Hedge Accounting

Amendments to TAS 39 Financial Instruments: Recognition and Measurement, 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. The amendments are to be applied retrospectively 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

TFRS 10 Consolidated Financial Statements (Amendment)

TFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with TFRS. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. This amendment does not have any impact on the financial position or performance 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 financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the interim 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. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

BETWEEN 1 JANUARY-31 MARCH 2014 (Continued)

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

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

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 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 is in the process of assessing the impact of the standard on financial position or performance of the Company.

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 1 July 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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

BETWEEN 1 JANUARY-31 MARCH 2014 (Continued)

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

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

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.

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Annual Improvements – 2011–2013 Cycle

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

Amendment to the Basis for Conclusions on IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014.

The amendments will not have an impact on the financial position or performance of the Company.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

Resolutions promulgated by the Public Oversight Authority

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. “The financial statement examples and user guide” became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after December 31, 2012.

2013-1 Financial Statement Examples and User Guide

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

2013-2 Accounting of Combinations under Common Control

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. This resolution did not have any impact on the financial statements of the Company.

2013-3 Accounting of Redeemed Share Certificates

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. This resolution did not have any impact on the financial statements of the Company.

2013-4 Accounting of Cross Shareholding Investments

If a subsidiary of an entity holds shares of the entity then this is defined as cross shareholding investment. Accounting of this cross investment is assessed based on the type of the investment and different recognition principles adopted accordingly. With this resolution, this topic has been assessed under three main headings below and the recognition principles for each one of them has been determined.

- i) the subsidiary holding the equity based financial instruments of the parent,
- ii) the associates or joint ventures holding the equity based financial instruments of the parent,
- iii) the parent’s equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 38 and TFRS 9 by the parent.

This resolution did not have any impact on the financial statements of the Company.

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

2.4 Summary of significant accounting policies

The principal accounting policies consistently applied with the financial statements of the Company reporting 31 December 2013, adopted in the preparation of these financial statements did not have any fundamental change.

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

As at 31 March 2014, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying interim condensed financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

NOTE 3 - CASH AND CASH EQUIVALENTS

	31 March 2014	31 December 2013
Banks		
- TL denominated demand deposits	17.233.400	8.200.808
- TL denominated time deposits	68.120.113	132.231.418
- Foreign currency denominated demand deposits	4.730.924	1.787.232
- Foreign currency denominated time deposits	115.033.670	67.103.478
	205.118.107	209.322.936

As of 31 March 2014, the weighted average effective annual interest rate for TL and Eur time deposits is 10,78% and 2,62% (31 December, 2013: TL: 8,70%, EUR: 2,42%). As of 31 March 2014 and 31 December 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 31 March 2014 and 31 December 2013 is as follows:

	31 March 2014	31 December 2013
Banks	205.118.107	209.322.936
Less: Interest accruals	(28.381)	(35.894)
Less: Restricted bank deposits (*)	(2.678.200)	(289.746)
Cash and cash equivalents	202.411.526	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.

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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	
	31	31	31	31	31	31
	March	December	March	December	March	December
	2014	2013	2014	2013	2014	2013
EUR bank borrowings	5.026.667	5.006.979	3,00	3,35	15.116.192	14.702.994
TL bank borrowings	40.804.159	-	11,00	-	40.804.159	-
					55.920.351	14.702.994

b) Long-term financial liabilities

Long-term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	31	31	31	31	31	31
	March	December	March	December	March	December
	2014	2013	2014	2013	2014	2013
EUR bank borrowings	90.632.613	80.092.571	2,77	2,64	272.550.392	235.191.834
TL bank borrowings	219.882.014	100.459.111	12,00	10,83	219.882.014	100.459.111
					492.432.406	335.650.945
Prepaid commission for debt (*)					(1.665.622)	(1.763.344)
Total long-term financial liabilities					490.766.784	333.887.601

(*) 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 31 March 2014 is as follows:

Year	Amount
2015	261.332.406
2016	134.440.000
2017	64.440.000
2018	32.220.000
	492.432.406

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SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-31 MARCH 2014 (Continued)

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

NOTE 4 - FINANCIAL LIABILITIES (Continued)

As of March 31, 2014 the Company does have a long-term investment loan amounting to EUR 75.000.000 (31 December 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 Financial Reporting Standards by the Public Oversight Authority:

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 March 31, 2014.

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

	Carrying value		Fair value	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Bank Borrowings	548.352.757	350.353.939	535.977.396	340.317.920

As of March 31, 2014, fair values of the loans are determined by using the discounted cash flow method over annual average effective discount rates which is 3,49% for EUR loans and 13,99% for TL denominated bank borrowings respectively (31 December 2013: EUR 3,63%, TL: 12,10%).

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

	31 March 2014	31 December 2013
Short-term trade receivables:		
Customer current accounts	355.428.944	304.819.369
Notes receivables	23.421.263	16.455.393
Protested notes	5.234.042	5.163.779
	384.084.249	326.438.541
Less: Provision for doubtful receivables	(46.864.632)	(42.169.877)
Unearned financial income	(2.471.709)	(2.153.740)
Short-term trade receivables	334.747.908	282.114.924
Due from related parties (Note 20)	107.819.056	80.797.729
Total short-term trade receivables	442.566.964	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 31 March 2014 and 2013 are as shown below:

	2014	2013
1 January	(42.169.877)	(37.784.114)
Cancellations during the year (Note 15)	180.000	191.212
Provision for doubtful receivables (Note 15)	(4.874.755)	(341.670)
31 March	(46.864.632)	(37.934.572)
	31 March 2014	31 December 2013
Long-term trade receivables:		
Notes receivables	142.842	391.920
Less: Provision for doubtful receivables	(142.842)	(139.484)
Unearned financial income	-	(1.777)
	-	250.659

Movements of the provisions for long term doubtful receivables for the periods ended 31 March 2014 and 2013 are as shown below:

	2014	2013
1 January	(139.484)	(527.671)
Collections during the year (Note 15)	-	7.151
Provision for doubtful receivables (Note 15)	(3.358)	-
31 March	(142.842)	(520.520)

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NOTE 5 - TRADE RECEIVABLES AND PAYABLES (Continued)

	31 March 2014	31 December 2013
Trade payables:		
Supplier current accounts	413.167.768	278.698.990
Less: Unincurred financial expense	(2.737.499)	(1.955.902)
Trade payables	410.430.269	276.743.088
Due to related parties (Note 20)	24.926.196	29.346.571
Total trade payables	435.356.465	306.089.659

NOTE 6 - INVENTORIES

	31 March 2014	31 December 2013
Raw materials	161.931.231	151.293.846
Work in progress	14.122.934	4.345.695
Finished goods	91.076.510	45.944.910
Commercial goods	123.256.651	93.471.041
Spare parts	24.138.037	22.048.260
Goods in transit (*)	87.126.582	107.812.377
	501.651.945	424.916.129
Provision for impairment of inventory (-)	(10.432.910)	(11.517.571)
	491.219.035	413.398.558

The cost of inventories recognised as expense in the current period, amounted to TL 480.338.944 (31 March 2013: TL 378.159.494).

(*) 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:

	2014	2013
1 January	(11.517.571)	(5.769.405)
Released of inventory sold during the period	1.084.661	490.509
31 March	(10.432.910)	(5.278.896)

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NOTE 6 – INVENTORIES (Continued)

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

	31 March 2014	31 March 2013
Raw materials	(6.511.024)	(967.007)
Finished goods	-	(1.144.519)
Commercial goods	(2.544.396)	(2.093.081)
Spare parts	(1.377.490)	(1.074.289)
	(10.432.910)	(5.278.896)

NOTE 7- PROPERTY, PLANT AND EQUIPMENT

	1 January 2014	Additions	Disposals	Transfers	31 March 2014
<u>Cost</u>					
Land	34.957.864	245.500	-	-	35.203.364
Land improvements	5.967.701	3.780	(75.843)	-	5.895.638
Buildings	53.297.382	-	-	-	53.297.382
Machinery and equipment	409.412.790	1.107.062	-	-	410.519.852
Special costs	2.712.138	-	-	-	2.712.138
Motor vehicles	1.915.576	-	-	-	1.915.576
Furniture and fixtures	36.581.561	432.625	-	-	37.014.186
Construction in progress	108.180.493	23.340.380	-	-	131.520.873
	653.025.505	25.129.347	(75.843)	-	678.079.009
<u>Accumulated depreciation</u>					
Land improvements	3.584.995	40.893	(54.468)	-	3.571.420
Buildings	38.195.591	387.796	-	-	38.583.387
Machinery and equipment	309.305.795	3.905.371	-	-	313.211.166
Special costs	2.653.578	2.830	-	-	2.656.408
Motor vehicles	1.416.890	50.209	-	-	1.467.099
Furniture and fixtures	23.675.359	954.439	-	-	24.629.798
	378.832.208	5.341.538	(54.468)	-	384.119.278
Net book value	274.193.297				293.959.731

(*) Transferred to intangible assets

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NOT 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

(*) Transferred to intangible assets.

For the period ended at 31 March 2014, of the total depreciation expense amounting to TL 5.341.538 (31 March 2013: TL 4.353.115), TL 3.652.075 (31 March 2013: TL 3.229.791) is allocated to production costs, TL 830.922 (31 March 2013: TL 693.986) is allocated to general administrative expenses, TL 626.111 (31 March 2013: TL 252.214) is allocated to research and development expenses and TL 232.430 (31 March 2013: TL 177.124) is allocated to marketing, selling and distribution expenses. The depreciation expense amounting to TL 412.009 (31 March 2013: TL 179.513) is capitalized during the period as it is related to the development costs.

The Company has capitalized total TL 4.504.994 financial costs arose from foreign exchange denominated borrowings on construction in progress as of March 31, 2014 (31 March 2013: None).

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

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NOTE 8 - INTANGIBLE ASSETS

	1 January 2014	Additions	Disposals	Transfers	31 March 2014
<u>Cost</u>					
Rights	10.940.879	175.446	(170.292)	-	10.946.033
Development costs	37.265.628	-	-	-	37.265.628
Development costs in progress	50.243.240	7.076.000	-	-	57.319.240
	98.449.747	7.251.446	(170.292)	-	105.530.901
<u>Accumulated amortisation</u>					
Rights	6.436.499	438.231	-	-	6.874.730
Development costs	14.717.042	1.831.377	-	-	16.548.419
	21.153.541	2.269.608	-	-	23.423.149
Net book value	77.296.206				82.107.752
	1 January 2013	Additions	Disposals	Transfers	31 March 2013
<u>Cost</u>					
Rights	7.955.531	128.152	-	138.616	8.222.299
Development costs	27.966.944	-	-	-	27.966.944
Development costs in progress	13.195.578	1.736.203	-	-	14.931.781
	49.118.053	1.864.355	-	138.616	51.121.024
<u>Accumulated amortisation</u>					
Rights	5.205.768	266.568	-	-	5.472.336
Development costs	9.020.277	1.374.533	-	-	10.394.810
	14.226.045	1.641.101	-	-	15.867.146
Net book value	34.892.008				35.253.878

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 31 March 2014, of the total amortisation expenses amounting to TL 2.269.608 (31 March 2013: TL1.641.101), TL 299.624 (31 March 2013: TL 197.781) is allocated to production costs, TL 68.171 (31 March 2013: TL 42.497) is allocated to general administrative expenses, TL 1.882.745 (31 March 2013: TL 1.389.978) is allocated to research and development expenses and TL 19.068 (31 March 2013: TL10.845) is allocated to marketing, selling and distribution expenses.

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NOTE 9 - OTHER ASSETS AND LIABILITIES

	31 March 2014	31 December 2013
a) Other current assets:		
Deferred value added tax ("VAT")	61.878.803	59.756.795
Reclaimed VAT	36.597.768	39.648.268
Other	313.184	257.623
	98.789.755	99.662.686
b) Deferred income:		
Advances taken	5.952.221	5.699.609
Deferred income (*)	2.122.905	5.600.348
Other short-term liabilities	8.075.126	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 31 March 2014 and 31 December 2013.

NOTE 10 - PREPAID EXPENSES

Long-term prepaid expenses

	31 March 2014	31 December 2013
Advances given for tangible assets	20.615.333	20.260.797
Prepaid expenses	20.615.333	20.260.797

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NOTE 11 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) Short term provisions

Short term provision for employee benefits

	31 March 2014	31 December 2013
Provision for unused vacation	1.936.924	979.368
	1.936.924	979.368

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

	2014	2013
1 January	979.368	715.856
Charge/ (used) for the year, net	957.556	669.582
31 March	1.936.924	1.385.438

Other short term provisions

	31 March 2014	31 December 2013
Warranty provision	17.963.322	16.908.966
Provision for legal cases (*)	4.294.763	4.097.031
Other provisions (**)	6.410.040	1.338.564
	28.668.125	22.344.561

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

(**) The balance consists of other provision as of March 31, 2014.

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

	2014	2013
1 January	33.069.517	30.746.095
Used during the period	(7.449.047)	(7.643.012)
Charge for the period	9.290.784	7.487.044
31 March	34.911.254	30.590.127

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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
1 January	4.097.031	1.369.143
Charge for the period (Note 15)	197.732	-
31 March	4.294.763	1.369.143

b) Long term provisions

Long term provision for employee benefits

	31 March 2014	31 December 2013
Provision for employee termination benefits	15.422.344	15.435.367
	15.422.344	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 31 March 2014 (31 December 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. Communique 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:

	31 March 2014	31 December 2013
Inflation rate (%)	4,50	4,50
Discount rate (%)	9,50	9,50
Turnover rate to estimate the probability of retirement (%)	98,50	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. The maximum amount of TL 3.438,22 which is effective from 1 April 2014 has been taken into consideration in calculating the provision for employee termination benefits of the Company.

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

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

	2014	2013
1 January	15.435.367	9.004.102
Interest cost	366.590	347.827
Current year service cost	787.275	64.680
Paid in the year	(1.162.888)	(425.312)
Actuarial loss/ (gain)	(4.000)	-
31 March	15.422.344	8.991.297

Other long term provisions

	31 March 2014	31 December 2013
Warranty provision	16.947.932	16.160.551
	16.947.932	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:

	31 March 2014	31 December 2013
A. The total amount of collaterals given on behalf of its own legal entity	54.188.733	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	-	-
	54.188.733	9.327.007

As of 31 March 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 17.653.809 and TL 7.482.830. (31 December 2013: EUR 2.676.108 and TL 1.468.616).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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BETWEEN 1 JANUARY-31 MARCH 2014 (Continued)

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

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

d) Contingent Assets

	31 March 2014			Foreign currency amount 31 December 2013			TL equivalent	
	EUR	USD	TL	EUR	USD	TL	31 March 2014	31 December 2013
Letters of guarantees received	425.600	270.000	335.441.850	1.569.142	303.000	326.287.850	337.312.960	331.542.328
Direct debit	-	-	248.561.079	-	-	244.616.204	248.561.079	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 TL guarantees	-	-	-	-	-	-	-	-
Cash foreign currency guarantees	-	8.457	-	-	8.457	-	18.520	18.051
							594.066.773	584.350.797

NOT 12 - PROVISION FOR EMPLOYEE BENEFITS

Liabilities for employee benefits

	31 March 2014	31 December 2013
Taxes payable and liabilities (*)	22.508.700	6.272.971
Accrued liabilities and premiums paid to the personnel	5.524.765	4.685.626
	28.033.465	10.958.597

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

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BETWEEN 1 JANUARY-31 MARCH 2014 (Continued)

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NOT 13 - SHAREHOLDERS' EQUITY

Paid-in Share Capital

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

	31 March 2014		31December 2013	
	Participation (%)	Share Amount (TL)	Participation (%)	Share Amount (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 11 June 2004, the Company has been quoted to BIST and its shares started to be traded in the stock exchange market from that date. As of March 31, 2014, the current circulation ratio of the Company is 24,71% (31 December 2013: 24,66%).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

BETWEEN 1 JANUARY-31 MARCH 2014 (Continued)

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

NOTE 13 - SHAREHOLDERS' EQUITY (Continued)

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

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

In accordance with the Decree announced at 7 June 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 31 March 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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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BETWEEN 1 JANUARY-31 MARCH 2014 (Continued)

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

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 80.981.348 and retained earnings amounting to TL 255.226.863 for the period ended March 31, 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 9.423.514 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

	1 January - 31 March 2014	1 January - 31 March 2013
Domestic sales	428.957.918	387.024.657
Export sales	212.487.651	156.026.587
Sales income (gross)	641.445.569	543.051.244
Less: Discounts and returns	(46.241.346)	(37.341.455)
Sales income (net)	595.204.223	505.709.789
Cost of sales	(470.545.342)	(401.860.299)
Gross profit	124.658.881	103.849.490

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
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BETWEEN 1 JANUARY-31 MARCH 2014 (Continued)

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

NOTE 15 – OTHER OPERATING INCOME/ EXPENSES

	1 January - 31 March 2014	1 January - 31 March 2013
Foreign exchange gain from trade receivable/ payables	124.403.699	30.888.613
Financial income from credit sales	12.979.061	2.690.972
Termination of provision for doubtful receivables (Note 5)	180.000	198.363
Incentive income	115.062	95.166
Other income	892.200	909.700
Other operating income	138.570.022	34.782.814
Foreign exchange loss from trade receivable/ payables	(126.721.364)	(33.396.738)
Financial expense on credit purchases	(11.114.845)	(1.811.201)
Provision for doubtful receivables (Note 5)	(4.878.113)	(341.670)
Provision for legal cases (Note 11)	(197.732)	-
Other expense	(36.519)	(198)
Other operating expenses	(142.948.573)	(35.549.807)

NOTE 16 - FINANCIAL INCOME

	1 January - 31 March 2014	1 January - 31 March 2013
Foreign exchange gain(*)	13.476.202	13.942.265
Interest income	4.783.613	3.935.245
Financial income	18.259.815	17.877.510

NOTE 17 - FINANCIAL EXPENSE

	1 January - 31 March 2014	1 January - 31 March 2013
Foreign exchange loss (*)	(9.145.386)	(10.990.393)
Interest expenses of bank borrowings	(7.132.537)	(3.689.024)
Other	(645.060)	(1.102.834)
Financial expenses	(16.922.983)	(15.782.251)

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL
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BETWEEN 1 JANUARY-31 MARCH 2014 (Continued)

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

NOTE 18 - TAX ASSETS AND LIABILITIES

	31 March 2014	31 December 2013
Corporate taxes payable	22.697.866	55.246.090
Less: Prepaid taxes	(740.164)	(46.721.512)
Total tax payable - net	21.957.702	8.524.578
	1 January - 31 March 2014	1 January - 31 March 2013
Current period corporate tax expense	(22.697.866)	(13.146.551)
Deferred tax income	12.159.672	1.240.593
Tax expense	(10.538.194)	(11.905.958)

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

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BETWEEN 1 JANUARY-31 MARCH 2014 (Continued)

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

NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

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

	Taxable		Deferred Tax	
	Temporary differences		Assets/ (Liabilities)	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Property, plant and equipment and intangible assets, restatement and useful life differences	18.179.952	20.270.382	(3.635.990)	(4.054.076)
Unearned finance income on due from related parties	(30.171)	(26.287)	6.034	5.257
Provision for employee termination benefits	(15.422.343)	(15.435.367)	3.084.469	3.087.073
Capitalized unincurred financial expense on inventory	(6.816.529)	(3.289.951)	1.363.306	657.990
Warranty provision	(33.911.254)	(33.069.517)	6.782.251	6.613.903
Provision for lawsuits	(4.294.762)	(4.097.031)	858.952	819.406
Unearned finance income on trade receivables and payables	132.450	(282.633)	(26.490)	56.527
Provision for doubtful receivables	(11.619.473)	(7.489.117)	2.323.895	1.497.823
Provision for impairment of inventory	(10.432.911)	(11.517.572)	2.086.582	2.303.514
Sales premium accrued	(33.570.773)	(13.560.049)	6.714.155	2.712.010
Other expense provisions	(16.343.403)	(925.022)	3.268.681	185.004
Investment incentive	-	-	26.699.528	22.553.029
Deferred income	4.385.970	(368.483)	(877.194)	73.697
Other	(271.108)	(161.855)	54.222	32.372
Deferred tax assets			48.702.401	36.543.529

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

	2014	2013
1 January	36.543.529	21.551.493
Reflected in profit for the year	12.159.672	1.240.593
Reflected to other comprehensive income/ (expense)	(800)	-
31 March	48.702.401	22.792.086

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

	31 March 2014	31 March 2013
Profit before tax	79.969.581	72.191.143
Tax calculated at enacted tax rate	15.993.916	14.438.229
Investment incentives	(4.826.548)	(2.627.463)
Research and development deductions	(821.159)	(453.337)
Disallowable expenses	177.837	994.524
Other	14.148	(445.995)
Total tax charge	10.538.194	11.905.958

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NOTE 19 – EARNINGS PER SHARE

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

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

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

	1 January - 31 March 2014	1 January - 31 March 2013
Net profit for the period	69.431.387	60.285.185
Weighted average number of the ordinary shares	5.336.900.000	5.336.900.000
Earnings per share (1 Kr nominal value per share as TL)	0,0130	0,0113

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 31 March 2014 and 31 December 2013 and significant intercompany transactions were as follows:

i) Balances with related parties as of 31 March 2014 and 31 December 2013:

	31 March 2014	31 December 2013
a) Bank deposits and borrowings		
Deposits with related parties:		
Yapı ve Kredi Bankası A.Ş. (“Yapı Kredi”)	32.552.364	28.481.316
	32.552.364	28.481.316

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NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

	31 March 2014	31 December 2013
b) Due from related parties		
Due from group companies		
CNHI International SA (“CNHI International”) (*)	85.913.594	60.196.245
CNHI Argentina SA (“CNHI Argentina”)	11.902.528	10.309.551
CNHI Italy SPA (“CNHI Italy”)	7.840.396	8.686.937
CNHI Latin America Ltda.	1.649.237	1.003.496
Other	543.472	627.787
	107.849.227	80.824.016
Less: Unearned financial income	(30.171)	(26.287)
	107.819.056	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.

c) Due to related parties

Koç Holding	781.774	1.939.893
Due to shareholders	781.774	1.939.893
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. (“Opet Fuchs”)	13.205.639	4.374.305
New Holland Fiat India Pvt. Ltd. (“New Holland India”)	5.420.867	2.512.605
Zer Merkezi Hizmetler ve Ticaret A.Ş. (“Zer”)	2.410.778	6.397.486
Koçtaş Yapı Marketleri A.Ş. (“Koçtaş”)	837.259	605.461
Ark İnşaat Sanayi ve Ticaret A.Ş.	697.339	7.565.470
Setur Servis Turistik A.Ş. (“Setur”)	428.609	-
Otokoç Otomotiv San. ve Tic. A.Ş. (“Otokoç”)	163.805	279.575
Opet Petrolcülük A.Ş. (“Opet”)	60.780	60.882
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (“Koç Sistem”)	-	3.609.295
Otokar Otomotiv ve Savunma Sanayi A.Ş. (“Otokar”)	-	760.127
Other	1.075.507	1.409.163
Due to group companies	24.300.583	27.574.369
Less: Unearned financial expenses	(156.161)	(167.691)
	24.926.196	29.346.571

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NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

d) Due to related parties, other payables

	31 March 2014	31 December 2013
Public quotation	64.467.894	-
Other	43.573	-
	64.511.467 (*)	-

(*)The decision of dividend payment amounting to TL 300.000.000, taken in the Company's General Assembly dated March 24, 2014 (Note 20-iv). As of 31 March 2014, the undistributed dividend amounting to is TL 64.511.467, is shown under "Due to related parties, other payables" and total amount is paid on 2 April 2014.

**ii) Significant sales and purchases transactions with related parties for the periods between
1 January – 31 March 2014 and 2013:**

a) Product sales to related parties

	1 January - 31 March 2014	1 January - 31 March 2013
Product sales to group companies		
CNHI International (*)	203.433.702	147.629.137
CNHI Italy	3.565.101	2.119.854
CNHI Argentina	3.527.452	274.248
CNHI Latin America Ltda.	1.701.514	2.611.488
Other	299.817	115.403
	212.527.586	152.750.130

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

b) Other income and expenses from related parties

	1 January - 31 March 2014	1 January - 31 March 2013
Other income from group companies		
CNHI International	-	21.780

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

NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

c) Product purchases from related parties

	1 January - 31 March 2014	1 January - 31 March 2013
Product purchases from group companies		
CNHI International (1)	54.084.449	96.981.457
Opet Fuchs (2)	11.938.230	8.189.030
New Holland India	9.433.236	5.297.980
Zer	1.326.491	612.695
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	857.465	584.004
Opet (2)	242.374	197.576
Other	917.183	826.009
	78.799.428	112.688.751

(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.

d) Service purchases from related parties

	1 January - 31 March 2014	1 January - 31 March 2013
Service purchases from shareholders		
Koç Holding (3)	750.020	668.800
	750.020	668.800
Service purchase from group companies		
Ark İnşaat San. ve Tic. A.Ş. (1)	16.522.227	5.710.831
Zer (2)	10.147.526	9.452.222
CNHI International	6.017.178	-
Otokar (4)	1.932.374	1.566.398
Setur (5)	1.806.256	1.920.696
Eltek Elektrik Enerjisi İth.İhr.ve Toptan Tic.A.Ş. ("Eltek") (7)	1.403.514	-
Ram Sigorta Aracılık Hizmetleri A.Ş. (6)	842.306	682.172
Otokoç	413.322	296.909
CNH Services srl	-	668.800
Aygaz Doğalgaz Toptan Satış A.Ş.	-	146.077
Other	212.872	480.815
	39.297.575	20.924.920
	40.047.595	21.593.720

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BETWEEN 1 JANUARY-31 MARCH 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 from Koç Holding is related with human resources, strategy development, intermediary and advisory services.
- (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) Balance as of March 31, 2014 consists of paid and accrued premium amounts in extent of agreements signed with insurance companies through Ram Sigorta Aracılık Hizmetleri A.Ş. that operates as insurance agent.
- (7) Services purchased from Eltek is related to electricity purchases.

iii) Financial income and expenses arising from transactions with related parties for the periods between 1 January - 31 March 2014 and 2013:

Financial income and expense from group companies

	1 January - 31 March 2014	1 January - 31 March 2013
Interest Income		
Yapı Kredi	815.728	364.758
	1 January - 31 March 2014	1 January - 31 March 2013
Interest Expense		
Yapı Kredi	(672.000)	-
	(672.000)	-

iv) Dividends paid to related parties:

	1 January - 31 March 2014	1 January - 31 March 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

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NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

v) Other transactions with related parties for the periods between 1 January - 31 March 2014 and 2013:

	1 January - 31 March 2014	1 January - 31 March 2013
Remuneration of key management personnel (*)	1.179.221	1.089.929

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

**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 and loans obtained from banks. 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-31 MARCH 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 31 March 2014 and 31 December 2013 are as follows:

	31 March 2014						
	TL Equivalent	USD	EUR	GBP	DKK	CHF	YEN
1. Trade receivables	134.598.876	379.885	44.482.244	-	-	-	-
2. Monetary financial assets (including banks accounts) (Note 3)	119.764.594	616.486	39.363.863	10.082	-	1.202	-
3. Other	80.544.401	8.450.154	20.630.571	-	-	-	-
4. Current assets (1+2+3)	334.907.871	9.446.525	104.476.678	10.082	-	1.202	-
5. Trade receivables	-	-	-	-	-	-	-
6. Other	20.617.565	1.019	6.855.325	-	-	-	-
7. Non-current assets (5+6)	20.617.565	1.019	6.855.325	-	-	-	-
8. Total assets (4+7)	355.525.436	9.447.544	111.332.003	10.082	-	1.202	-
9. Trade payables	102.473.155	9.954.544	26.681.673	20.264	-	-	17.044.729
10. Financial liabilities (Note 4)	15.116.192	-	5.026.667	-	-	-	-
11. Other monetary liabilities	7.215.917	3.793	2.396.785	-	-	-	-
12. Current liabilities (9+10+11)	124.805.264	9.958.337	34.105.125	20.264	-	-	17.044.729
13. Financial liabilities (Note 4)	272.550.392	-	90.632.613	-	-	-	-
14. Non-current liabilities (13)	272.550.392	-	90.632.613	-	-	-	-
15. Total liabilities (12+14)	397.355.656	9.958.337	124.737.738	20.264	-	-	17.044.729
16. Net foreign currency asset/ (liability) position (8-15)	(41.830.220)	(510.793)	(13.405.735)	(10.182)	-	1.202	(17.044.729)
17. Net monetary foreign currency asset/ (liability) position (8-15)	(41.830.220)	(510.793)	(13.405.735)	(10.182)	-	1.202	(17.044.729)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-31 MARCH 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 2013						
	TL Equivalent	USD	EUR	GBP	DKK	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-31 MARCH 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 31 March 2014 and 2013 are as follows:

	1 January - 31 March 2014	1 January - 31 March 2013
Total export amount	212.487.651	156.026.587
Total import amount	183.637.094	141.384.901

The Company is exposed to foreign exchange risk primarily with respect to EUR and USD. The effect of the Company's EUR and USD foreign currency position as of 31 March 2014 and 31 December 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:

	31 March 2014		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	(111.854)	111.854	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net Effect of USD	(111.854)	111.854	-	-
Had TL appreciate/(depreciate) by 10% against EUR				
Profit/(loss) from EUR net liability position	(4.031.372)	4.031.372	-	-
Hedged amount against EUR risk (-)	-	-	-	-
Net Effect of EUR	(4.031.372)	4.031.372	-	-
Had TL appreciate/(depreciate) by 10% against other				
Profit/(loss) from other net liability position	(39.796)	39.796	-	-
Hedged amount against other (-)	-	-	-	-
Net Effect of Other	(39.796)	39.796	-	-
Total Net Effect	(4.183.022)	4.183.022	-	-

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

BETWEEN 1 JANUARY-31 MARCH 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 2013			Shareholders' equity
	Appreciation of foreign currency	Profit/ Loss Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Had TL appreciate/ (depreciate) by 10% against USD				
Profit/(loss) from USD net asset position	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:

	31 March 2014	31 December 2013
Financial instruments with fixed interest rate		
Time deposits	183.153.783	199.334.896
Financial liabilities	321.103.389	129.864.519
Financial instruments with floating interest rate		
	31 March 2014	31 December 2013
Financial liabilities	225.583.746	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-31 MARCH 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 March 31, 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 6.641 (31 March 2013: None).

b) Credit Risk

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD
BETWEEN 1 JANUARY-31 MARCH 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 March 31, 2014 and December 31, 2013 is as follows:

	31 March 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	107.819.056	318.924.073	-	355.159	205.118.107	-
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	-	10.526.176	-	-	-	-
Net book value of impaired assets	-	5.297.659	-	-	-	-
- Due dated (gross book value)	-	51.478.263	-	-	-	-
- Provision (-)	-	(46.180.604)	-	-	-	-
- Undue (gross book value)	-	826.870	-	-	-	-
- Provision (-)	-	(826.870)	-	-	-	-
Off-balance sheet items exposed to credit risk						
Amount exposed to maximum credit risk (*)	107.819.056	334.747.908	-	355.159	205.118.107	-

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

As of March 31, 2014, the guarantee amount of the maximum exposure to credit risk is TL 512.328.503. 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-31 MARCH 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 2013		Other			
	Related	Trade	Related	Other	Bank	Derivative
	party	Receivables	party	Receivables	deposits	instruments
		Third		Third		
		party		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-31 MARCH 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 cash and cash equivalents less total financial liabilities (including short and long term bank borrowings). This ratio is calculated as net financial debt divided by total shareholders' equity.

	31 March 2014	31 December 2013
Less: Cash and cash equivalents	(205.118.107)	(209.322.936)
Financial liabilities	546.687.135	348.590.595
Net financial (debt)/ asset	341.569.028	139.267.659
Total shareholders' equity	512.752.309	743.317.722
Net financial debt/ shareholders' equity multiplier	0,67	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.

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:

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

BETWEEN 1 JANUARY-31 MARCH 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)**

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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