Türk Traktör ve Ziraat Makineleri A.Ş.

Convenience translation into English of financial statements at December 31, 2014 together with independent auditor's report (originally issued in Turkish)

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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheet of Türk Traktör ve Ziraat Makineleri A.Ş. (the "Company") as at 31 December 2014 and the related statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

Company's management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey and for such internal controls as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and standards on auditing issued by POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments; the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Türk Traktör ve Ziraat Makineleri A.Ş. as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Reports on other responsibilities arising from regulatory requirements

1) Auditors’ report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 378 of Turkish Commercial Code (“TCC”) 6102 is submitted to the Board of Directors of the Company on February 16, 2015.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company’s bookkeeping activities for the period 1 January – 31 December 2014 and financial statements are not in compliance with the code and provisions of the Company’s articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Ferzan Ülgen, SMMM
Partner

February 16, 2015
İstanbul, Türkiye

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

STATEMENTS OF FINANCIAL POSITION FOR YEAR ENDED AT DECEMBER 31, 2014

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

		Current period Audited	Prior period Audited
	Notes	**December 31, 2014**	December 31, 2013
ASSETS			
CURRENT ASSETS		**1.319.190.508**	1.085.713.601
Cash and cash equivalents	3	**269.229.023**	209.322.936
Trade receivables:			
- Trade receivables, other parties	5	**362.442.800**	282.114.924
- Due from related parties	22	**98.446.054**	80.797.729
Inventories	6	**436.283.247**	413.398.558
Prepaid expenses		**5.032.605**	416.768
Other current assets	9	**147.756.779**	99.662.686
NON-CURRENT ASSETS		**594.856.341**	408.899.590
Trade receivables:			
- Trade receivables, other parties	5	**-**	250.659
Other receivables:			
- Other receivables, other parties		**357.419**	355.102
Property, plant and equipment	7	**454.154.723**	274.193.297
Intangible assets	8	**93.760.081**	77.296.206
Prepaid expenses	10	**832.613**	20.260.797
Deferred tax assets	20	**45.751.505**	36.543.529
TOTAL ASSETS		**1.914.046.849**	1.494.613.191

The financial statements prepared as at and for the period ended December 31, 2014 have been approved by the Board of Directors on February 16, 2015 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.

STATEMENTS OF FINANCIAL POSITION FOR THE YEAR ENDED AT DECEMBER 31, 2014

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

	Notes	**Current period Audited December 31, 2014**	Prior period Audited December 31, 2013
LIABILITIES			
CURRENT LIABILITIES		**737.879.961**	385.811.950
Short-term financial liabilities	4	**121.626.528**	14.702.994
Short term portion of long term financial liabilities	4	**94.964.073**	-
Trade payables:			
- Trade payables, other parties	5	**403.905.945**	276.743.088
- Due to related parties	22	**44.766.757**	29.346.571
Employee benefit obligations	12	**16.273.738**	10.958.597
Other payables:			
- Other payables, other parties		**11.740.493**	7.669.767
Government incentives and aids		**3.183.083**	3.242.469
Deferred income	9	**11.859.067**	11.299.957
Provision for taxation on income		**-**	8.524.578
Short-term provisions:			
- Short-term provision for employee benefits	11	**1.488.479**	979.368
- Other short-term provisions	11	**28.071.798**	22.344.561
NON-CURRENT LIABILITIES		**471.304.173**	365.483.519
Long-term financial liabilities	4	**441.660.937**	333.887.601
Long-term provisions:			
- Long-term provision for employee benefits	11	**8.986.321**	15.435.367
- Other long-term provisions	11	**20.656.915**	16.160.551
SHAREHOLDERS' EQUITY		**704.862.715**	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
Other comprehensive income/expense not to be reclassified to profit or loss:			
-Actuarial gain/loss arising from defined benefit plans		**207.195**	(250.526)
Retained earnings		**212.851.625**	262.678.841
Net profit for the period		**261.087.272**	279.905.939
TOTAL LIABILITIES		**1.914.046.849**	1.494.613.191
Provisions, contingent assets and contingent	11		

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED AT DECEMBER 31, 2014

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

	Notes	Current period Audited January 1 - December 31, 2014	Prior period Audited January 1 - December 31, 2013
Sales	14	**2.723.317.809**	2.175.319.881
Cost of sales (-)	14	**(2.234.163.502)**	(1.703.022.950)
GROSS PROFIT		**489.154.307**	472.296.931
Marketing, selling and distribution expenses (-)	15	**(124.101.198)**	(97.248.052)
General administrative expenses (-)	15	**(56.382.394)**	(40.764.494)
Research and development expenses (-)	15	**(11.928.352)**	(9.225.895)
Other operating income	17	**563.688.910**	401.066.375
Other operating expenses (-)	17	**(558.977.074)**	(376.474.610)
OPERATING PROFIT		**301.454.199**	349.650.255
Income from investment activities		**1.751.090**	343.990
Expenses from investment activities (-)		**(60.118)**	(145.224)
Financial income	18	**63.135.514**	53.956.127
Financial expenses (-)	19	**(72.833.800)**	(83.550.577)
PROFIT BEFORE TAXATION ON INCOME		**293.446.885**	320.254.571
Taxation on income (-)	20	**(41.682.033)**	(55.246.090)
Deferred tax income	20	**9.322.420**	14.897.458
NET PROFIT FOR THE YEAR		**261.087.272**	279.905.939
Attributable to:			
Non-controlling interest		**-**	-
Equity holders of the parent		**261.087.272**	279.905.939
Other comprehensive income/ (expense)			
Other comprehensive income/expense not to be reclassified to profit or loss:			
Actuarial loss arising from employee benefits		**572.165**	(472.892)
Deferred tax effect		**(114.444)**	94.578
Other comprehensive income/expense after tax		**457.721**	(378.314)
TOTAL COMPREHENSIVE INCOME		**261.544.993**	279.527.625
Earnings per share (TL)	21	**0,0490**	0,0524

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED AT DECEMBER 31, 2014

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

				Other comprehensive income or loss items not to be reclassified to profit or loss				
	Paid-in share capital	Adjustment to share capital	Merger reserve	Actuarial gain/ (loss) fund arising from benefit plans	Restricted reserves allocated from profit	Retained earnings	Net profit for the period	Total shareholders' equity
January 1, 2014	**53.369.000**	**39.014.356**	**(5.569.000)**	**(250.526)**	**114.169.112**	**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)**
Total comprehensive income	**-**	**-**	**-**	**457.721**	**-**	**-**	**261.087.272**	**261.544.993**
December 31,2014	**53.369.000**	**39.014.356**	**(5.569.000)**	**207.195**	**143.902.267**	**212.851.625**	**261.087.272**	**704.862.715**

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED AT DECEMBER 31, 2014

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

				Other comprehensive income or loss items not to be reclassified to profit or loss				
	Paid-in Share capital	Adjustment to share capital	Merger reserve	Actuarial gain/ (loss) fund arising from benefit plans	Restricted reserves allocated from profit	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
Change in accounting policies (2.2)	-	-	-	127.788	-	(68.377)	(59.411)	-
As of January 1, 2013 - restated	53.369.000	39.014.356	(5.569.000)	127.788	94.435.957	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)
Total comprehensive income/(expense)	-	-	-	(378.314)	-	-	279.905.939	279.905.939
December 31, 2013	53.369.000	39.014.356	(5.569.000)	(250.526)	114.169.112	262.678.841	279.905.939	743.317.722

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED AT DECEMBER 31, 2014

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

	Notes	Current Period Audited 2014	Prior Period Audited 2013
A.Cash flows from operating activities:		**(15.873.835)**	**(26.439.655)**
Net profit for the period		**261.087.272**	**279.905.939**
Adjustments to reconcile net income		**112.224.667**	**36.229.873**
Amortization and depreciation	16	34.062.179	24.626.643
Provision for impairment on inventories	6	1.441.643	5.748.166
Provision for employee termination benefits	11	(437.936)	8.461.689
Provision for doubtful receivables	17	-	5.169.012
Expense accruals		10.223.593	5.983.439
Interest income and expense	18, 19	31.619.562	1.623.477
Tax expense	20	32.359.613	40.348.632
Gain/ loss from sales of property plant and equipment		(1.690.971)	(198.766)
Foreign exchange change effect		4.646.984	(55.532.419)
Changes in working capital:		**(8.903.777)**	**(87.569.240)**
Change in trade receivables		(77.647.217)	(44.901.578)
Change in due from related parties		(20.298.504)	16.791.744
Change in inventories		(25.311.783)	(116.466.685)
Change in other current assets		(48.094.093)	1.739.440
Change in other receivables		(2.317)	(16.864)
Change in prepaid expenses		14.812.347	(19.984.106)
Change in due to related parties		15.517.588	11.881.392
Change in trade payables		127.576.834	67.166.685
Change in deferred income		87.335	(3.306.031)
Change in other liabilities		4.070.726	2.784.982
Change in short term provision for employee termination benefits		509.111	263.512
Change in payables for employee termination benefits		5.315.141	(1.018.415)
Employee termination benefits paid	11	(5.438.945)	(2.503.316)
Net cash provided by operating activities		**364.408.162**	**228.566.572**
Dividends paid	13	(300.000.000)	(200.000.000)
Interest paid		(39.099.280)	(12.622.878)
Interest received		9.023.894	8.832.078
Tax paid		(50.206.611)	(51.215.427)
B. Cash flows from investing activities:		**(228.384.117)**	**(172.973.814)**
Proceeds from sales of property, plant and equipment and intangible assets		3.126.226	1.247.282
Payments for purchases of property, plant and equipment and intangible assets		(231.922.734)	(175.773.794)
Proceeds from government grants		412.391	1.552.698
C. Cash flows from financing activities		**306.581.636**	**6.856.433**
Proceeds from bank borrowings		759.996.287	478.510.949
Repayment of bank borrowings		(453.414.651)	(471.654.516)
Net increase/ (decrease) in cash and cash equivalents before currency translation differences (A+B+C)		**62.323.684**	**(192.557.036)**
D. Currency translation differences (net)		(2.726.062)	25.335.514
Net increase/ (decrease) in cash and cash equivalents (A+B+C+D)		**59.597.622**	**(167.221.522)**
E. Cash and cash equivalents at the beginning 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**	**268.594.918**	**208.997.296**

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

NOTE 1 - ORGANIZATION 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 December 31, 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 December 31, 2014 is 3.040 (Permanent: 2.572, temporary: 468) (2013: 2.572 (Permanent 2.206, temporary 366)).

The Company conducts marketing and selling activities in the domestic market, through its 136 sales dealers, 96 spare part dealers and 10 construction equipment dealers (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 December 31, 2014, the free float of the Company whose shares are traded in the Borsa Istanbul ("BIST") is 24,77% (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 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.

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

The financial statements for the year ended at December 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. Such adjustments are mainly composed of deferred tax, retirement pay liability calculation, economic life and pro-rata depreciation implementation of fixed assets depreciation, the recognition of a provision, evaluation of doubtful receivables and the rediscount of trade receivables and payables.

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 sole classification made in the statement of financial position of the Company as of December 31, 2013 is as follows:

- Retirement liability pay interest cost amounting to TL 430.396 previously classified in the cost of sales account group has been classified under financial expenses.

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

2.3 Changes in TFRS:

The accounting policies adopted in preparation of the financial statements as at December 31, 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.

i) The new standards, amendments and interpretations which are effective as at January 1, 2014 are as follows:

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

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

TFRS 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 and did not have any impact on the financial position or performance of the Company.

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

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

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 financial statements of the Company.

TFRS 10 Consolidated Financial Statements (Amended)

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. This amendment does not have any impact on the financial position or performance of the Company.

ii) 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 financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, 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 Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

TAS 19 Defined Benefit Plans: Employee Contributions (Amended)

TAS 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.

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

TFRS 11 Acquisition of an Interest in a Joint Operation (Amended)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amended) – Bearer Plants

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Annual Improvements to TAS/TFRSs

On September 2014, Public Oversight Authority (POA) has issued the below amendments to the standards in relation to “Annual Improvements - 2010–2012 Cycle” and “Annual Improvements - 2011–2013 Cycle. The changes are effective for annual reporting periods beginning on or after July 1 2014.

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

Annual Improvements - 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.

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

TFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 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.

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

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

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

TAS 40 Investment Property

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

The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

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

Annual Improvements – 2010–2012 Cycle

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.

Annual Improvements – 2011–2013 Cycle

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

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

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

• At cost

• In accordance with IFRS 9 (or IAS 39),

Or

• Using the equity method

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company or the amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

Annual Improvements to IFRSs - 2012-2014 Cycle

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. . The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amended)

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company. or The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

In December 2014, IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

IAS 1: Disclosure Initiative (Amendments to IAS 1)

In December 2014, IASB issued amendments to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the financial statements of the Company.

2.4 Summary of significant accounting policies

The principal accounting policies, consistently applied with prior years, adopted in the preparation of these financial statements are set out below:

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less (Note 3). Deposits with Turkish lira is recognised with cost, foreign currency deposits are translated into Turkish lira by using of the buying exchange rate of the Central Bank of the Republic of Turkey. Time deposits include interest accrued as of balance sheet date.

Recognition of income

Sales is recorded on the basis of accrual over the fair value of the amount received or receivable when product is delivered or services are rendered, the transfers of the risks and benefits related to the product have been made, the amount of income can be determined reliably and it is probable that economic benefits related to the transaction will flow to the Company. Net sales are calculated by deducting the estimated or realized returns and discounts over the sales of products. Sales taxes such as VAT and SCT are not included in revenue (Note 14).

Other revenues such as interest income is recognised on an accrual basis using the effective interest rate method, rent income under operating lease agreements is recognised on an accrual basis and dividend income is recognised when the right to receive dividend is established.

Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price, less the costs of completion and selling expenses (Note 6). Cost elements included in inventories comprise total purchase costs and other costs incurred in bringing the inventories to their present location and condition. The unit cost of inventories is determined on the weighted average basis.

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

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

Prepaid expenses

Prepaid expenses are the amounts generally made to suppliers and which will be transferred to expense and cost accounts in the following period or periods.

Property, plant and equipment

Property, plant and equipment acquired before January 1, 2005 are carried at cost in purchasing power of TL as at December 31, 2004 less accumulated depreciation and impairment losses. Property, plant and equipment acquired after January 1, 2005 are carried at cost less accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis based on the estimated useful lives of the assets (Note 7). Land is not depreciated as it is deemed to have an indefinite life.

The estimated useful lives for property, plant and equipment are as follows:

	Useful lives
Buildings	25-50 years
Land improvements	10-25 years
Machinery and equipment	4-10 years
Motor vehicles	4-5 years
Furniture and fixtures	5-6 years
Special costs	4-10 years

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. Gain or losses on disposals of property, plant and equipment with respect to their restated net book values are included in the related income and expense accounts.

Repair and maintenance expenditures are charged to the income statement as they are incurred. Repair and maintenance expenditures are capitalised if they result in an enlargement or substantial improvement of the respective assets and depreciated over remaining useful life of related asset.

Intangible fixed assets

Intangible fixed assets comprise of rights and computer software. Those acquired before January 1, 2005 are carried at cost in the purchasing power of TL as at December 31, 2004; less accumulated depreciation and impairment losses. Those acquired after January 1, 2005 are carried at cost less accumulated depreciation and impairment losses and are depreciated using the straight-line method over their useful lives of four and five years following the acquisition date. Where impairment indicator exists, the carrying amount of any intangible asset is assessed and written down to its recoverable amount (Note 8).

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

Impairment of assets

Property, plant and equipment and other non-current assets including intangible assets, except deferred tax assets, are reviewed for impairment losses at each balance sheet date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset or any cash generating unit of that asset exceeds its recoverable amount which is the higher of an asset’s net selling price and value in use. Impairment losses are accounted for in the statement of income.

Impairment loss on assets can be reversed to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

Segment reporting

As the Company operates only in production and trade of agricultural machinery and equipment, in Turkey, segment reporting of the financial information is not disclosed.

Financial assets

Financial assets are classified in accordance with the intention at acquisition. Company management determines appropriate classification of its investments at the time of purchase and re-evaluates these classifications in each financial year-end.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Receivables are included in trade and other receivables in the balance sheet. Receivables are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, receivables are stated at amortised cost using the effective yield method. Maturity differences related to trade receivables are presented in other income/expense from main operations (Note 5, Note 17).

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

Impairment of receivables

A risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income.

Trade payables

In subsequent periods, payables are stated at amortised cost using the effective yield method. Maturity differences and foreign exchange gains/ losses related to trade payables are presented in other income/expense from main operations (Note 5, Note 17).

Borrowings

Borrowings consist of bank loans taken from different banks. Loans are recorded at the value after the transaction costs are deducted from the amount of the loan. Bank loans are presented over the discounted cost value by using the effective interest rate in the subsequent periods. The difference between the amount remaining after the transaction costs are deducted and the discounted cost value is reflected in the financial statements as financing costs during the period of the loan (Note 19). When there are assets which take a significant amount of time to be available for use or sale, the borrowing costs directly attributable to their purchase, manufacture or production are included in the cost of the asset until the asset is available for use or sale. Borrowing costs include other costs borne according to the interest and the borrowing (Note 4, Note 19).

Recognition and derecognition of financial assets and liabilities

The Company reflects financial asset or liability reflects the balance sheet when the Company becomes a part of financial instrument agreement. The Company derecognises a part of all financial instruments, only if the Company loses controls rights over the related financial asset. The Company derecognise a financial instrument if only when obligation is removed, cancelled or expired.

All financial instruments are reflected to the financial statements at the commitment date of sales or purchase. Related sales and purchases are generally transactions required delivery of financial assets, regulated by the regulation and forms in the market within the time allowed.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Related Parties

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(i) The entity and the company are members of the same group.
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

For the purpose of these financial statements, shareholders, associated entities, key management personnel and Board of Directors members, in each case together with their families and companies controlled or affiliated with them are considered and referred to as related parties. As a result of ordinary business operations, the Company may have business relations with the related parties.

Foreign currency transactions and balances

Transactions in foreign currencies during the period have been translated into TL at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the statement of income. Non-monetary assets and liabilities, which are recognised at fair value, have been translated into TL at the exchange rates prevailing at the dates of fair value determined. Currency differences arising from trade receivables and payables related to main operations are shown in from operating income/ expenses (Note 17).

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

Earnings per share

Earnings per share disclosed in the statements of income are determined by dividing net income for the period by the weighted average number of shares that have been outstanding during the period (Note 21).

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

Subsequent events

Events after the balance sheet date are those events, even if those events occur after the public announcement of profit or of other selected financial information, that occur between the balance sheet date and the date when the financial statements are authorised for issue. The Company adjusts the amounts recognized in its financial statements to reflect adjusting events after the balance sheet date. The events that occur subsequent to the balance sheet date and not require a correction to be made are disclosed in accompanying notes, where the decisions of the users of financial statements are affected.

Provisions, contingent assets and contingent liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities. The Company does not recognize contingent assets and liabilities. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed, where an inflow of economic benefits is probable (Note 11).

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are not recognised for future operating losses.

In cases where the time value of money is material, provisions are determined as the present value of expenses required to be made to honor the liability. The rate used to discount provisions to their present values is determined taking into account the interest rate in the related markets and the risk associated with the liability. This discount rate does not consider risks associated with future cash flow estimates and should be pre-tax.

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

Leases

The Company - as the lessee

Financial Leases

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other liabilities and reduced as they are paid. The interest element of the finance cost is charged to the statement of income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset (Note 7).

Operating Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Research and development expenses

Research expenditure is recognized as an expense as incurred (Note 15). Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available;
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years (Note 8).

Development assets are tested for impairment annually, in accordance with IAS 36.

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

Government grants and aids

All government grants, including non-monetary government grants followed up at fair values, are taken into account in the financial statements when there is reasonable assurance that the Company will comply with the conditions attaching to it and that the grant will be received or when the grant is actually received by the Company. Government grants shall be recognized in profit or loss on a systematic and pro rata basis over periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. There are investment incentive certificates to which the Company has been entitled by the official authorities in connection with certain capital expenditures. The Company has two incentives Ankara Modernization and Adapazarı Investment as of December 31, 2014.

The rights of the Company due to these incentives are as follows:

a) 100% exemption from customs duty on machinery and equipment to be imported,
b) Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
c) Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
d) Inward processing permission certificates,
e) Cash refund from Tübitak - Teydeb for research and development expenses,
f) Discounted corporate tax incentive,
g) Exemption of taxes and funds,
h) Incentive of environmental costs support by law 9715,
i) Patent incentives,
j) Corporate tax exemption based on investment contribution rates.

Taxes on income

Taxes on income included in statement of income comprise current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years (Note 20).

Deferred income tax is provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes with the enacted tax rates as of the balance sheet date (Note 20).

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Tax bases of assets and liabilities reflect the amounts affecting the future tax bases under the current tax legislation. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will reverse.

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

Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. To the extent that deferred income tax assets will not be utilised, the related amounts have been deducted accordingly.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly, if current tax assets can be offset against current tax liabilities (Note 20).

Payables related to employee benefits

These are the amounts payable within the scope of employee benefits such as remunerations, wages and social security contributions. These amounts are reflected in personnel expenses in the period when they are accrued.

Provisions related to employee benefits

In accordance with the laws in effect, the Company is obliged to pay employment termination benefits to employees whose employment is terminated for reasons other than retirement, resignation or behavior mentioned in the Labour Law. The provision for employment termination benefits has been calculated reflected in the financial statements according to the net current value of the amount of liabilities expected to arise in the future due to the retirement of all employees. Actuarial loss or gain is recognized under other comprehensive expense. According to employment contract, if employment contract ends for any reason, provision of unused vacation has to be paid to employees or right holders. Provision is calculated based on the employee wage when the contract expired.

Statement of cash flow

The statement of cash flows reports cash flows during the year classified by operating, investing and financing activities.

Cash flows from operating activities are derived from the principal revenue producing activities of the Company.

Cash flows related to investing activities represent cash flows generated from and used in the investing activities (fixed assets and financial investments) of the Company.

Cash flows related to financing activities represent cash flows generated from Company’s financing activities and re-payment of such generated cash-in flows.

Cash and cash equivalents include cash in hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less.

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

Share capital and dividends

Ordinary shares are classified as capital. Dividends distributed over ordinary shares are recorded by deducting from retained earnings within the year in which they are declared.

2.5 Significant accounting estimates and decisions

Preparation of the financial statements requires the usage of the estimates and judgements affecting the amounts of the assets and liabilities as of the balance sheet date and the income and expenses recorded through the year and explanations of contingent assets and liabilities. Estimations and assumptions can differ from actual results in spite of these estimations and assumptions are based on Company management's best knowledge.

The useful life of tangible and intangible assets

The Company's management has made significant assumptions in determining the useful life of tangible and intangible assets (Note 2.4).

Provision for doubtful receivables

Company management reviews customer collection history and their current economic situations in order to provide estimates regarding doubtful receivables within Company's trade receivables portfolio (Note 5).

Provision for employment termination benefits

Provisions for retirement payments, discount rate, future salary increases and employee turnover rates are determined by actuarial calculations based on certain assumptions. Due to the long term nature of these plans, such estimates are subject to significant uncertainty (Note 11).

Warranties

Warranty expenses are recorded as a result of repair and maintenance expenses for products produced and sold, authorised services' labour and material costs for products under the scope of the warranty terms without any charge to the customers, initial maintenance costs and estimated costs based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period (Note 11). The Company estimates ratio based on statistical information for possible future warranty services and returns of products, and calculates provision amount with respect to the products sold during the period. The Company gives guarantee services for each tractor sold during two years. The Company reflects estimated cost incurred in one year to short term.

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

Provision for lawsuits

The Company determines lawsuit provision for ongoing legal cases at the preparation date of the Company's statement of financial position by consulting with Company's legal counsel on cases that could potentially lead to a cash outflow (Note 11).

Provision for impairement of inventories

Inventory is evaluated at each period in order to determine whether there is a need to have provision for potential impairment costs at the date of statement of financial position (Note 7).

Deferred tax assets

Deferred tax assets represent the amounts that are recoverable in the future periods which are related to taxes collected over the income as a result of deductible temporary differences, accumulated financial losses transferred into future periods and accumulated tax advantages transferred into future periods.

Deferred tax asset item cannot be used for amounts which are not deductible (constant) in terms of tax regulations.

The Company has recorded its deferred tax asset as of December 31, 2014 since it is highly probable that sufficient profit will be made which will cause a tax liability which may be offsetted in the subsequent periods.

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

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, classification of some balance sheet, income statement items and also for certain disclosures requirement of the POA.

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

NOTE 3 - CASH AND CASH EQUIVALENTS

	2014	2013
Cash	**1.596**	-
Banks:		
- TL denominated demand deposits	**4.403.897**	8.200.808
- TL denominated time deposits	**144.825.231**	132.231.418
- Foreign currency denominated demand deposits	**4.959.334**	1.787.232
- Foreign currency denominated time deposits	**115.038.965**	67.103.478
	269.229.023	209.322.936

As of December 31, 2014, the weighted average effective annual interest rates for TL and Euro ("EUR") time deposits are 9,58% and 1,55% (2013: TL: 8,70%, EUR: 2,42%). As of December 31, 2014 and 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 December 31, 2014 and 2013 are as follows:

	2014	2013
Banks	**269.229.023**	209.322.936
Less: Interest accruals	**(556.637)**	(35.894)
Less: Restricted bank deposits (*)	**(77.468)**	(289.746)
Cash and cash equivalents	**268.594.918**	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.

(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	
	2014	2013	**2014**	2013	**2014**	2013
TL bank borrowings	**83.859.778**	-	**8,30**		**83.859.778**	-
USD bank borrowings	**10.032.699**	-	**1,78**	-	**23.264.826**	-
EUR bank borrowings	**5.141.250**	5.006.979	**2,92**	3,35	**14.501.924**	14.702.994
					121.626.528	14.702.994

Current portion of long term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	2014	2013	**2014**	2013	**2014**	2013
EUR bank borrowings	**26.459.415**	-	**2,44**	-	**74.634.073**	-
TL bank borrowings	**20.330.000**	-	**10,79**	-	**20.330.000**	-
					94.964.073	-

b) Long-term financial liabilities

Long-term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	2014	2013	**2014**	2013	**2014**	2013
EUR bank borrowings	**83.705.125**	80.092.571	**2,44**	2,64	**236.107.047**	235.191.834
TL bank borrowings	**207.328.208**	100.459.111	**10,79**	10,83	**207.328.209**	100.459.111
					443.435.256	335.650.945
Prepaid commission for debt (*)					**(1.774.319)**	(1.763.344)
Total long-term financial liabilities					**441.660.937**	333.887.601

(*) Prepaid commission for debt consists of unrealized commission expenses paid to bank related to borrowings.

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

NOTE 4 - FINANCIAL LIABILITIES (Continued)

Redemption schedule of the long-term bank borrowings as of December 31, 2014 and 2013 are as follows:

Year	**2014**	2013
2015	-	176.575.101
2016	305.864.380	62.925.000
2017	83.009.171	62.925.000
2018	52.787.386	31.462.500
	441.660.937	333.887.601

As of December 31, 2014 the Company has long-term investment loans amounting to EUR 75.000.000 and EUR 20.000.000 (2013: EUR 75.000.000). The 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 with no principle payments for the following 2 years. The EUR 20.000.000 loan's maturity period is 4 years with an interest payment of every 6 months and with an interest rate of 2.20% + Euribor with no principle payments for the following 2 years. In accordance with the agreements signed with respect to the investment loans 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 cash and cash equivalents from total of financial liabilities (including short term and long term financial debts).

The Company met these conditions as of December 31, 2014.

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

	Carrying value			**Fair value**
	2014	2013	**2014**	2013
Bank borrowings	**660.025.857**	350.353.939	**658.251.538**	340.317.920

As of December 31, 2014, fair values of the loans are determined by using the discounted cash flow method over annual average effective discount rates which is 2,61% for EUR loans, 1,78% for USD loans and 10,42% for TL denominated bank borrowings respectively (2013: EUR 3,63% and TL: 12,10%).

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

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

	2014	2013
Short-term trade receivables:		
Customer current accounts	**402.918.762**	304.819.369
Notes receivables	**1.320.755**	16.455.393
Protested notes	**617.225**	5.163.779
	404.856.742	326.438.541
Less: Provision for doubtful receivables	**(39.866.049)**	(42.169.877)
Unearned financial income	**(2.547.893)**	(2.153.740)
Short-term trade receivables	**362.442.800**	282.114.924
Due from related parties (Note 22)	**98.446.054**	80.797.729
Total short-term trade receivables	**460.888.854**	362.912.653

Movements of the provisions for short term doubtful receivables for the years ended December 31, 2014 and 2013 are as shown below:

	2014	2013
January 1	**(42.169.877)**	(37.784.114)
Transfer from long term to short term	**(139.484)**	(388.187)
Cancelled during the year (Note 17)	**2.443.312**	1.171.436
Charge during the year (Note 17)	**-**	(5.169.012)
December 31	**(39.866.049)**	(42.169.877)

	2014	2013
Long-term trade receivables:		
Notes receivables	**-**	391.920
Less: Provision for doubtful receivables	**-**	(139.484)
Unearned financial income	**-**	(1.777)
	-	250.659

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

NOTE 5 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movements of the provisions for long term doubtful receivables for the years ended December 31, 2014 and 2013 are as shown below:

	2014	2013
January 1	**(139.484)**	(527.671)
Transfer from long term to short term	**139.484**	388.187
December 31	**-**	(139.484)

	2014	2013
Trade payables:		
Supplier current accounts	**407.771.045**	278.698.990
Less: Unincurred financial expense	**(3.865.100)**	(1.955.902)
Trade payables	**403.905.945**	276.743.088
Due to related parties (Note 22)	**44.766.757**	29.346.571
Total trade payables	**448.672.702**	306.089.659

NOTE 6 - INVENTORIES

	2014	2013
Raw materials	**197.505.879**	151.293.846
Work in progress	**3.281.225**	4.345.695
Finished goods	**57.969.537**	45.944.910
Commercial goods	**77.897.423**	93.471.041
Spare parts	**26.636.862**	22.048.260
Goods in transit (*)	**85.951.535**	107.812.377
	449.242.461	424.916.129
Provision for impairment of inventory (-)	**(12.959.214)**	(11.517.571)
	436.283.247	413.398.558

The cost of inventories recognised as expense in the current year, amounted to TL 2.027.175.878 (2013: TL 1.524.046.351).

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

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

NOTE 6 – INVENTORIES (Continued)

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

	2014	2013
January 1	**(11.517.571)**	(5.769.405)
Cancelled due to sales of inventory during the year	**1.462.705**	2.212.745
Charge during the year for impairment of inventory	**(2.904.348)**	(7.960.911)
December 31	**(12.959.214)**	(11.517.571)

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

	2014	2013
Raw materials	**(9.293.104)**	(7.595.685)
Commercial goods	**(2.097.278)**	(2.544.396)
Spare parts	**(1.568.832)**	(1.377.490)
	(12.959.214)	(11.517.571)

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

NOTE 7- PROPERTY, PLANT AND EQUIPMENT

	January 1, 2014	Additions	Disposals	Transfers	December 31, 2014
Cost					
Land	**34.957.864**	**2.010.500**	**(248.164)**	**-**	**36.720.200**
Land improvements	**5.967.701**	**38.717**	**(75.841)**	**4.201.099**	**10.131.676**
Buildings	**53.297.382**	**29.801.083**	**(1.223.080)**	**149.219.196**	**231.094.581**
Machinery and equipment	**409.412.790**	**58.581.939**	**(11.439.942)**	**48.268.497**	**504.823.284**
Special costs	**2.712.138**	**976.488**	**-**	**-**	**3.688.626**
Motor vehicles	**1.915.576**	**2.163.460**	**(207.940)**	**-**	**3.871.096**
Furniture and fixtures	**36.581.561**	**10.063.690**	**(123.984)**	**8.364.022**	**54.885.289**
Construction in progress	**108.180.493**	**104.153.680**	**-**	**(210.052.814)**	**2.281.359**
	653.025.505	**207.789.557**	**(13.318.951)**	**-**	**847.496.111**
Accumulated depreciation					
Land improvements	**3.584.995**	**242.288**	**(54.467)**	**-**	**3.772.816**
Buildings	**38.195.591**	**3.205.848**	**(352.383)**	**-**	**41.049.056**
Machinery and equipment	**309.305.795**	**17.820.635**	**(11.378.098)**	**-**	**315.748.332**
Special costs	**2.653.578**	**41.314**	**-**	**-**	**2.694.892**
Motor vehicles	**1.416.890**	**334.930**	**(194.540)**	**-**	**1.557.280**
Furniture and fixtures	**23.675.359**	**4.918.154**	**(74.501)**	**-**	**28.519.012**
	378.832.208	**26.563.169**	**(12.053.989)**	**-**	**393.341.388**
Net book value	**274.193.297**				**454.154.723**

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

NOT 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	January 1, 2013	Additions	Disposals	Transfers	December 31, 2014
Cost					
Land	30.171.026	4.786.838	-	-	34.957.864
Land improvements	5.448.242	425.123	-	94.336	5.967.701
Buildings	52.951.936	345.446	-	-	53.297.382
Machinery and equipment	379.404.095	12.630.855	(5.781.050)	23.158.890	409.412.790
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	4.105.427	(639.532)	1.675.603	36.581.561
Construction in progress	18.201.769	115.232.218	(14.535)	(25.238.959)	108.180.493
	522.228.895	137.541.857	(6.435.117)	(310.130) (*)	653.025.505
Accumulated depreciation					
Land improvements	3.344.573	240.422	-	-	3.584.995
Buildings	36.651.959	1.543.632	-	-	38.195.591
Machinery and equipment	300.372.133	13.694.671	(4.761.009)	-	309.305.795
Special costs	2.641.633	11.945	-	-	2.653.578
Motor vehicles	1.204.620	212.270	-	-	1.416.890
Furniture and fixtures	21.020.832	3.280.119	(625.592)	-	23.675.359
	365.235.750	18.983.059	(5.386.601)		378.832.208
Net book value	156.993.145				274.193.297

(*) Transferred to intangible assets.

For the year ended at December 31, 2014, of the total depreciation expense amounting to TL 26.563.169 (2013: TL 18.983.059), TL 18.959.958 (2013: TL 13.792.439) is allocated to production costs, TL 3.762.675 (2013: TL 2.883.977) is allocated to general administrative expenses, TL 2.609.285 (2013: TL 1.530.037) is allocated to research and development expenses and TL 1.231.251 (2013: TL 776.606) is allocated to marketing, selling and distribution expenses. The depreciation expense amounting to TL 2.297.230 (2013: TL 1.283.912) is capitalized during the year as it is related to the development costs.

The Company has capitalized total TL 7.263.322 financial costs arose from foreign exchange denominated borrowings on construction in progress as of December 31, 2014 (2013: TL 9.505.715).

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

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

NOTE 8 - INTANGIBLE ASSETS

	January 1, 2014	**Additions**	**Disposals**	**Transfers**	**December 31, 2014**
Cost					
Rights	**10.940.879**	**2.862.848**	**(170.292)**	**-**	**13.633.435**
Development costs	**37.632.894**	**-**	**-**	**14.099.155**	**51.732.049**
Development costs in progress	**49.875.974**	**23.567.559**	**-**	**(14.099.155)**	**59.344.378**
	98.449.747	**26.430.407**	**(170.292)**	**-**	**124.709.862**
Accumulated amortisation					
Rights	**6.436.499**	**1.879.059**	**-**	**-**	**8.315.558**
Development costs	**14.717.042**	**7.917.181**	**-**	**-**	**22.634.223**
	21.153.541	**9.796.240**	**-**	**-**	**30.949.781**
Net book value	**77.296.206**				**93.760.081**

	January 1, 2013	Additions	Disposals	Transfers	December 31, 2013
Cost					
Rights	7.955.531	2.675.218	-	310.130	10.940.879
Development costs	27.966.944	269.138	-	9.396.812	37.632.894
Development costs in progress	13.195.578	46.077.208	-	(9.396.812)	49.875.974
	49.118.053	49.021.564	-	310.130	98.449.747
Accumulated amortisation					
Rights	5.205.768	1.230.731	-	-	6.436.499
Development costs	9.020.277	5.696.765	-	-	14.717.042
	14.226.045	6.927.496	-	-	21.153.541
Net book value	34.892.008				77.296.206

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 year ended at December 31, 2014, of the total amortisation expenses amounting to TL 9.796.240 (2013: TL 6.927.496), TL 1.341.213 (2013: TL 894.207) is allocated to production costs, TL 266.169 (2013: TL 186.977) is allocated to general administrative expenses, TL 8.101.760 (2013: TL 5.795.962) is allocated to research and development expenses and TL 87.098 (2013: TL 50.350) is allocated to marketing, selling and distribution expenses.

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

NOTE 9 - OTHER ASSETS AND LIABILITIES

	2014	2013
a) Other current assets:		
Deferred value added tax ("VAT")	**72.988.039**	59.756.795
Reclaimed VAT	**71.660.884**	39.648.268
Assets related to prepaid tax	**2.796.797**	-
Other	**311.059**	257.623
	147.756.779	99.662.686
b) Deferred income:		
Deferred income (*)	**9.311.734**	5.600.348
Advances received	**2.547.333**	5.699.609
Other short-term liabilities	**11.859.067**	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 December 31, 2014 and 2013.

NOTE 10 - PREPAID EXPENSES

Long-term prepaid expenses

	2014	2013
Advances given for fixed assets	**832.613**	20.260.797
Long-term prepaid expenses	**832.613**	20.260.797

NOTE 11 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) Short term provisions

Short term provision for employee benefits

	2014	2013
Provision for unused vacation	**1.488.479**	979.368
	1.488.479	979.368

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

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

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

	2014	2013
January 1	**979.368**	715.856
Charge/ (used) for the year, net	**509.111**	263.512
December 31	**1.488.479**	979.368

Other short term provisions

	2014	2013
Warranty provision	**20.609.316**	16.908.966
Provision for legal cases (*)	**7.343.170**	4.097.031
Other provisions (**)	**119.312**	1.338.564
	28.071.798	22.344.561

(*) The balance represents provision for legal cases which were opened against the Company.
(**) Includes various expense accruals as of December 31, 2013.

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

	2014	2013
January 1	**4.097.031**	1.369.143
Charge for the year (Note 17)	**3.246.139**	2.727.888
December 31	**7.343.170**	4.097.031

b) Long term provisions

Long term provision for employee benefits

	2014	2013
Provision for employee termination benefits	**8.986.321**	15.435.367
	8.986.321	15.435.367

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

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

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 December 31, 2014 (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:

	2014	2013
Inflation rate (%)	**4,50**	4,50
Discount rate (%)	**8,16**	9,50
Turnover rate to estimate the probability of retirement (%)	**93,09**	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 3.541,37 which is effective from January 1, 2015 has been taken into consideration in calculating the provision for employee termination benefits of the Company.

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

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
January 1	**15.435.367**	9.004.102
Interest cost	**1.466.360**	430.396
Current year service cost	**(1.904.296)**	8.031.293
Paid in the year	**(5.438.945)**	(2.503.316)
Actuarial (gain)/loss	**(572.165)**	472.892
December 31	**8.986.321**	15.435.367

Sensitivity analysis of key assumptions used for termination benefits calculations as at December 31, 2014 are as follows:

	Net Discount Rate		Turnover related to the probability of retirement	
Sensitivity level	**%0,5 decrease**	**%0,5 increase**	**%0,5 decrease**	**%0,5 increase**
Rate	(%3,0)	(%4,0)	(%92,59)	(%93,59)
Change in employee benefits liability	579.990	(533.049)	(592.974)	644.345

Other long term provisions

	2014	2013
Warranty provision	**20.656.915**	16.160.551
	20.656.915	16.160.551

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

	2014	2013
January 1	**33.069.517**	30.746.095
Used during the year	**(38.455.529)**	(37.117.210)
Charge for the year (Note 15)	**46.652.243**	39.440.632
December 31	**41.266.231**	33.069.517

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

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

c) Contingent liabilities

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

As of December 31, 2014 and 2013 the Company's guarantee/pledge/mortgage positions are as follows:

	2014	2013
A. The total amount of collaterals given		
on behalf of its own legal entity	**101.091.071**	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	**-**	-
	101.091.071	9.327.007

As at December 31, 2014, the Company has given in its own legal entity on behalf of the original collateral denominated in foreign currency amounts of EUR 2.676.108 and USD 38.860.836 (2013: EUR 2.676.108).

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

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

d) Contingent assets

	Foreign currency amount						**TL equivalent**	
			2014			2013		
	EUR	**USD**	**TL**	EUR	USD	TL	**December 31, 2014**	December 31, 2013
Letters of guarantees received	**73.530**	**270.000**	**381.193.800**	1.569.142	303.000	326.287.850	**382.027.310**	331.542.328
Direct debit	-	-	**295.670.892**	-	-	244.616.204	**295.670.892**	244.616.204
Mortgages	-	-	**788.714**	-	-	5.452.214	**788.714**	5.452.214
Security bonds	-	-	**2.500.000**	-	-	2.722.000	**2.500.000**	2.722.000
Cash TL guarantees	-	-	**177.530**	-	-	-	**177.530**	-
Cash foreign currency guarantees	-		-	-	8.457	-	-	18.051
							681.164.446	584.350.797

NOTE 12 - PROVISION FOR EMPLOYEE BENEFITS

Liabilities for employee benefits

	2014	2013
Taxes payable and liabilities (*)	**10.330.249**	6.272.971
Accrued premiums and liabilities to personnel	**5.943.489**	4.685.626
	16.273.738	10.958.597

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

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

NOTE 13 - SHAREHOLDERS' EQUITY

Paid-in Share Capital

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

		2014		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 in BİST	**24,93**	**13.306.859**	24,93	13.306.859
Other	**0,07**	**35.391**	0,07	35.391
	100,00	**53.369.000**	100,00	53.369.000
Adjustments to share capital		**39.014.356**		39.014.356
		92.383.356		92.383.356

Adjustments to share capital represent the restatement effect of cash and cash equivalent contributions to share capital.

The Company's shares were organized as A, B and C Groups. A and B Group shares are privilege shares, and five Board members are selected from Group A's and five Board members are selected from Group B's nominated candidates.

As of June 11, 2004, the Company has been quoted to BIST and its shares started to be traded in the stock exchange market from that date. As of 31 December 2014, 24,77% (31 December 2013: 24,66%) of the Company shares are quoted at BIST.

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.

In accordance with the CMB regulations effective until 1 January 2008, the inflation adjustment differences arising at the initial application of inflation accounting which are recorded under "accumulated losses" could be netted off from the profit to be distributed based on CMB profit distribution regulations. In addition, the aforementioned amount recorded under "accumulated losses" could be netted off with net income for the period, if any, undistributed prior period profits, and inflation adjustment differences of extraordinary reserves, legal reserves and capital, respectively.

In addition, in accordance with the CMB regulations effective until 1 January 2008, "Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment differences" at the initial application of inflation accounting. "Equity inflation adjustment differences" could have been utilised only in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences arised due to implementing the communique (such as inflation adjustment differences) shall be disclosed as follows:

- if the difference is arising due to the inflation adjustment of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment 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 TAS/TFRS.

Capital adjustment differences have no other use other than being transferred to share capital.

NOTE 13 - SHAREHOLDERS' EQUITY (Continued)

Dividend Distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February 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.

Companies should include at least the following in their profit distribution policies:

a) Whether dividends will be distributed, and if distributed, the dividend distribution rate for shareholders and for others participating in the distribution.
b) Payment type of dividend distribution.
c) Time of dividend distribution; on condition that the distribution procedures to be started at the latest of the end of the annual period in which general assembly meeting was held in which the distribution was agreed upon.
d) Whether dividend advances will be distributed, and if distributed, the related principles.

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.

In dividend distribution, the Company follows a balanced and consistent policy between the benefits of the shareholders and the benefits of the Company in accordance with the Corporate Management Principles. The Board of Directors of the Company has decided; that at least 20% of the distributable net profit for the period calculated in accordance with the TCC, CMB regulations and the main agreement should be distributed to the shareholders as dividends, taking into consideration the economic conditions, long-term investment financing and business plans as well as profitability; that the dividend to be distributed may be realized in cash or by capital increase through bonus shares or partly in cash and partly through bonus shares; that the calculable dividend amount may remain undistributed in the event that it is less than 5% of the paid-in capital; and that this dividend distribution policy should be revised annually by the Board of Directors.

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.

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

NOTE 13 - SHAREHOLDERS' EQUITY (Continued)

In the statutory financial statements of the Company, in addition to the statutory profit amounting to TL 192.001.097 and retained earnings amounting to TL 252.298.747 for the year ended December 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 14.076.203 if dividend distribution is made.

The decision of dividend payment amounting to TL 300.000.000 was taken in the Company's 60th General Assembly dated March 24, 2014 and payment has been made to shareholders in cash on March 25, 2014 (Note 22). Dividend payment distribution has been 5,62 Kr per share (2013: 3,74 Kr).

NOTE 14 - SALES AND COST OF SALES

	January 1 - December 31, 2014	January 1 - December 31, 2013
Domestic sales	**2.007.494.638**	1.658.881.576
Export sales	**944.418.345**	698.327.376
Sales income (gross)	**2.951.912.983**	2.357.208.952
Less: Discounts and returns	**(228.595.174)**	(181.889.071)
Sales income (net)	**2.723.317.809**	2.175.319.881
Cost of sales	**(2.234.163.502)**	(1.703.022.950)
Gross profit	**489.154.307**	472.296.931

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

NOTE 15 – RESARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	January 1 - December 31, 2014	January 1 - December 31, 2013
Marketing, selling and distribution expenses:		
Warranty expenses (Note 11)	**46.652.243**	39.440.632
Personnel expenses	**23.698.018**	16.663.472
Transportation and insurance expenses	**21.407.137**	16.784.868
Press relations, advertisement and promotion expenses	**7.073.610**	5.028.746
Dealers meeting and fair expenses	**6.576.447**	4.553.398
Transportation and travel expenses	**4.261.568**	3.394.615
Remuneration of key management personnel (Note 22.v) (*)	**2.213.863**	1.795.451
Outsourcing expenses	**2.044.999**	1.908.774
Rent expenses	**1.915.672**	1.253.785
Depreciation and amortisation expenses (Note 7, 8) (***)	**1.318.349**	826.956
Service expenses	**1.028.254**	957.761
Material expenses	**989.068**	961.589
Provision for employment termination benefits (Note 1) (**)	**347.441**	291.698
Other	**4.574.529**	3.386.307
	124.101.198	97.248.052

	January 1 - December 31, 2014	January 1 - December 31, 2013
General administrative expenses:		
Personnel expenses	**13.673.900**	11.264.909
Service expenses received from shareholders	**9.160.259**	5.233.921
Entertainment expenses	**4.767.601**	1.849.983
Remuneration of key management personnel (Note 22) (*)	**4.715.983**	4.123.771
Donations and aids	**4.400.318**	4.156.770
Depreciation and amortisation expenses (Note 7, 8) (***)	**4.028.844**	3.070.954
Outsourced expenses	**3.365.086**	1.627.081
Consultancy services	**2.467.419**	1.033.091
Service expenses	**2.197.584**	2.882.347
Taxes and other legal expenses	**1.583.859**	843.081
Transportation and travel expenses	**1.211.215**	797.040
Insurance expenses	**786.700**	484.130
Subscription expenses	**721.162**	662.487
Legal colsultancy and lawsuit expenses	**549.645**	691.418
Provision for employment termination benefits (Note 11) (**)	**235.142**	318.346
Other	**2.517.677**	1.725.165
	56.382.394	40.764.494

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

NOTE 15 – RESARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES (Continued)

	January 1 - December 31, 2014	January 1 - December 31, 2013
Research and development expenses:		
Depreciation and amortisation expenses (Note 7, 8) (***)	**8.413.815**	6.042.087
Personnel expenses	**1.541.716**	1.560.007
Project expenses	**883.365**	641.300
Outsourced expenses	**703.609**	310.965
Provision for employment termination benefits (Note 11) (**)	**7.768**	75.765
Remuneration of key management personnel (Note 22.v) (*)	**-**	79.393
Other	**378.079**	516.378
	11.928.352	9.225.895

(*) The amount of remuneration of key management personnel allocated to production costs is TL 4.113.581 (2013: TL 2.433.006), and capitalized amount is TL 932.989 (2013: TL 943.057).

(**) The amount of provision for employment termination benefits allocated to production costs is TL (2.519.763) (2013: TL 7.345.484). The amount capitalized during this period is TL 25.116 (2013: None).

(***) The amount of depreciation and amortization expenses allocated to production costs is TL 20.301.171 (2013: TL 14.686.646).

NOTE 16 – EXPENSES BY NATURE

	January 1 - December 31, 2014	January 1 - December 31, 2013
Raw materials	**1.705.898.731**	1.210.479.855
Cost of merchandise sold	**302.623.126**	298.825.619
Personnel and provision for employment termination benefits expenses	**165.228.467**	132.476.710
Material expenses	**49.133.777**	42.866.439
Warranty expenses	**46.652.243**	39.440.632
Depreciation and amortisation expenses	**34.062.179**	24.626.643
Transportation and insurance expenses	**29.619.232**	22.520.265
Energy expenses	**14.719.793**	10.936.242
Remuneration of key management personnel	**11.043.427**	8.431.621
Donations and aids	**4.400.318**	4.156.770
Changes in finished goods and work in process	**(10.960.157)**	(3.651.010)
Other	**74.154.310**	59.151.605
	2.426.575.446	1.850.261.391

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

NOTE 17 – OTHER OPERATING INCOME/ EXPENSES

	January 1 - December 31, 2014	January 1 - December 31, 2013
Foreign exchange gain from trade receivables and payables	**510.896.267**	381.095.623
Financial income from credit sales	**45.449.197**	16.042.893
Termination of provision for doubtful receivables (Note 5)	**2.443.312**	1.171.436
Incentive income	**568.373**	400.000
Other income	**4.331.761**	2.356.423
Other operating income	**563.688.910**	401.066.375

	January 1 - December 31, 2014	January 1 - December 31, 2013
Foreign exchange losses on trade receivables and payables	**(520.603.598)**	(355.912.173)
Financial expense on credit purchases	**(34.610.581)**	(9.754.867)
Provision for doubtful receivables (Note 5)	**-**	(5.169.012)
Provision for legal cases (Note 11)	**(3.246.139)**	(2.727.888)
Other expenses	**(516.756)**	(2.910.670)
Other operating expenses	**(558.977.074)**	(376.474.610)

NOTE 18 - FINANCIAL INCOME

	January 1 - December 31, 2014	January 1 - December 31, 2013
Foreign exchange gain(*)	**53.590.877**	45.174.088
Interest income	**9.544.637**	8.782.039
Financial income	**63.135.514**	53.956.127

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

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

NOTE 19 – FINANCIAL EXPENSE

	1 January - 31 December 2014	1 January - 31 December 2013
Foreign exchange losses (*)	**(27.426.711)**	(69.398.458)
Interest expenses of bank borrowings	**(41.164.199)**	(10.405.516)
Other	**(4.242.890)**	(3.746.603)
Financial expenses	**(72.833.800)**	(83.550.577)

(*) Consists of foreign exchange rate expenses from accounts other than trade receivables and payables.

NOTE 20 - TAX ASSETS AND LIABILITIES

	2014	2013
Corporate taxes payable	**41.682.033**	55.246.090
Less: Prepaid taxes	**(44.478.830)**	(46.721.512)
(Tax asset)/ tax liabilty - net	**(2.796.797)**	8.524.578

	January 1 - December 31, 2014	January 1 - December 31, 2013
Current period corporate tax expense	**(41.682.033)**	(55.246.090)
Deferred tax income	**9.322.420**	14.897.458
Tax expense	**(32.359.613)**	(40.348.632)

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

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

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

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

	Temporary differences		Deferred tax assets/ (liabilities)	
	2014	2013	**2014**	2013
Property, plant and equipment and intangible assets, restatement and useful life differences	**48.938.089**	20.270.382	**(9.787.618)**	(4.054.076)
Unearned finance income on due from related parties	**(5.696)**	(26.287)	**1.139**	5.257
Provision for employee termination benefits	**(8.986.321)**	(15.435.367)	**1.797.264**	3.087.073
Warranty provision	**(41.266.231)**	(33.069.517)	**8.253.246**	6.613.903
Provision for lawsuits	**(7.343.170)**	(4.097.031)	**1.468.634**	819.406
Unearned finance income on trade receivables and payables	**1.078.777**	(282.633)	**(215.755)**	56.527
Provision for doubtful receivables	**(2.191.705)**	(7.489.117)	**438.341**	1.497.823
Provision for impairment of inventory	**(12.959.214)**	(11.517.571)	**2.591.843**	2.303.514
Sales premium accrued	**(13.443.441)**	(13.560.049)	**2.688.688**	2.712.010
Other expense provisions	**134.335**	(925.022)	**(26.867)**	185.004
Investment incentive tax assets	**-**	-	**36.794.678**	22.553.029
Deferred income	**(4.552.091)**	(368.483)	**910.418**	73.697
Other	**(4.187.470)**	(3.451.806)	**837.494**	690.362
Deferred tax assets			**45.751.505**	36.543.529

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

	2014	2013
January 1	**36.543.529**	21.551.493
Reflected to profit for the year	**9.322.420**	14.897.458
Reflected to other comprehensive income/ (expense)	**(114.444)**	94.578
December 31	**45.751.505**	36.543.529

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

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

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

	January 1 - December 31, 2014	January 1 - December 31, 2013
Profit before tax	**293.446.885**	320.254.571
Tax calculated at enacted tax rate	**58.689.377**	64.050.914
Investment incentives	**(21.464.950)**	(19.351.996)
Research and development incentives	**(4.930.162)**	(4.429.419)
Disallowable expenses	**191.963**	735.902
Other	**(126.615)**	(656.769)
Total tax charge	**32.359.613**	40.348.632

NOTE 21 - 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 are calculated by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue. Nominal value of one share of company is 1 Kr.

	January 1 - December 31, 2014	January 1 - December 31, 2013
Net profit for the year	**261.087.272**	279.905.939
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)	**0,0490**	0,0524

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

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

NOTE 22 - 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 December 31, 2014 and 2013 and significant intercompany transactions were as follows:

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

	2014	2013
a) Bank deposits and borrowings		
Deposits with related parties:		
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi")	**2.470.743**	28.481.316
	2.470.743	28.481.316

	2014	2013
Borrowings from related parties:		
Yapı Kredi	**40.072.667**	**-**
	40.072.667	**-**

	2014	2013
b) Due from related parties		
Due from group companies		
CNHI International SA ("CNHI International") (*)	**91.430.770**	60.196.245
CNHI Italy SPA ("CNHI Italy")	**4.300.148**	8.686.937
CNHI Latin America Ltda	**1.432.319**	1.003.496
CNHI Argentina SA ("CNHI Argentina")	**494.268**	10.309.551
Other	**794.245**	627.787
	98.451.750	80.824.016
Less: Unearned financial income	**(5.696)**	(26.287)
	98.446.054	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.

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

NOTE 22 - RELATED PARTY EXPLANATIONS (Continued)

	2014	2013
c) Due to related parties		
Trade payable to shareholders		
Koç Holding	**3.711.509**	1.939.893
Due to shareholders	**3.711.509**	1.939.893
Zer Merkezi Hizmetler ve Ticaret A.Ş. (“Zer”)	**12.100.893**	6.397.486
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. (“Opet Fuchs”)	**8.081.328**	4.374.305
Ark İnşaat Sanayi ve Ticaret A.Ş.	**6.498.031**	7.565.470
New Holland Fiat India Pvt. Ltd. (“New Holland India”)	**4.177.625**	2.512.605
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (“Koç Sistem”)	**2.373.805**	3.609.295
Arçelik A.Ş.	**2.201.521**	-
Eltek Elektrik İth. İhracat ve Toptan Tic. A.Ş. (“Eltek”)	**1.680.858**	-
Koçtaş Yapı Marketleri A.Ş. (“Koçtaş”)	**1.153.621**	605.461
Setur Servis Turistik A.Ş. (“Setur”)	**1.035.020**	-
Otokoç Otomotiv San. ve Tic. A.Ş (“Otokoç”)	**510.667**	279.575
Opet Petrolcülük A.Ş. (“Opet”)	**171.238**	60.882
Otokar Otomotiv ve Savunma Sanayi A.Ş. (“Otokar”)	**7.312**	760.127
Other	**1.378.490**	1.409.163
Due to group companies	**41.370.409**	27.574.369
Less: Unearned financial expenses	**(315.161)**	(167.691)
	44.766.757	29.346.571

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

a) Product sales to related parties

	January 1 - December 31, 2014	January l - December 31, 2013
Product sales to group companies		
CNHI International (*)	**922.191.761**	671.762.570
CNHI Italy	**11.119.313**	7.095.227
CNHI Argentina SA	**5.127.373**	11.698.252
CNHI Latin America Ltda.	**5.087.866**	6.875.242
Other	**1.174.208**	972.265
	944.700.521	698.403.556

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

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

NOTE 22 - RELATED PARTY EXPLANATIONS (Continued)

b) Service sales to related companies

	January 1 - December 31, 2014	January l - December 31, 2013
Service sales to group companies		
CNHI International (1)	**5.756.060**	787.560
CNHI Italy(2)	**3.873.674**	3.084.828
Other	**45.961**	-
	9.675.695	3.872.388

(1) Services sold to CNHI International is related to engineering, consultancy and various services.
(2) Services sold to CNHI Italy is related to engineering and various services.

c) Other income and expenses from related parties

	January l - December 31, 2014	January l - December 31, 2013
Other income from group companies		
CNHI International	**-**	618.262
Other	**-**	-
	-	618.262
Other expenses from group companies		
CNHI Italy	**-**	-
Other	**-**	(7.371)
	-	(7.371)

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

NOTE 22 - RELATED PARTY EXPLANATIONS (Continued)

c) Product purchases from related parties

	January l - December 31, 2014	January l - December 31, 2013
Product purchases from group companies		
CNHI International (1)	**132.017.598**	321.977.243
Opet Fuchs (2)	**38.120.534**	29.377.064
New Holland India (3)	**21.438.578**	25.303.899
Zer	**15.296.880**	10.268.269
Koç Sistem	**10.650.683**	2.504.429
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	**4.000.369**	2.406.372
Opet (2)	**1.333.025**	872.629
Other	**5.749.730**	3.916.198
	228.607.397	396.626.103

(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 ponte and front axles for use in production.

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

NOTE 22 - RELATED PARTY EXPLANATIONS (Continued)

d) Service purchases from related parties

	January l - December 31, 2014	January l - December 31, 2013
Service purchases from shareholders		
Koç Holding (3)	**5.077.442**	2.896.856
	5.077.442	2.896.856
Service purchase from group companies		
Ark İnşaat San. ve Tic. A.Ş. (1)	**188.194.156**	80.377.694
Zer (2)	**60.732.522**	51.148.132
CNHI International (4)	**8.785.479**	35.513.794
Eltek(8)	**8.219.613**	-
Setur (6)	**6.880.920**	3.692.927
Otokar (5)	**5.327.189**	7.743.126
Vehbi Koç Vakfı	**4.000.000**	4.000.000
Otokoç	**1.938.601**	1.270.485
Ram Sigorta Aracılık Hizmetleri A.Ş. (7)	**1.878.874**	1.214.453
Koç Sistem	**766.991**	1.513.981
Aygaz Doğalgaz Toptan Satış A.Ş.	**-**	171.282
Other	**3.185.903**	2.680.014
	289.910.248	189.325.888
	294.987.690	192.222.744

(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) Services purchased from CNHI International is related with engineering services for Tier 4, strategy development, consulting and brokerage.
(5) Service purchased from Otokar is related with assembly and assembly support services.
(6) Services purchased from Setur are generally arising from plane tickets, accommodation and associated with various organizations within the sales and marketing activities.
(7) Insurance service purchased from Ram Sigorta Aaracılık Hizmetleri A.Ş. is related interim period include premium amounts paid and accrued ended on 31 December 2014.
(8) Services purchased from Eltek related to electricity.

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

NOTE 22 - RELATED PARTY EXPLANATIONS (Continued)

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

Financial income and expense from group companies

	January 1 - December 31, 2014	January 1 - December 31, 2013
Interest income		
Yapı Kredi	**831.315**	398.629

	January 1 - December 31, 2014	January 1 - December 31, 2013
Interest expense		
Yapı Kredi	**(3.224.222)**	(372.770)
Yapı Kredi Yatırım Menkul Değerler A.Ş.	**-**	(2.790)
Yapı Kredi Finansal Kiralama A.O.	**-**	(23)
	(3.224.222)	(375.583)

iv) Dividends paid to related parties:

	January 1 - December 31, 2014	January 1 - December 31, 2013
Koç Holding	**112.500.000**	75.000.000
CNHI Osterreich	**112.500.000**	75.000.000
Public quotation	**74.801.056**	49.867.371
Other	**198.944**	132.629
	300.000.000	200.000.000

v) Other transactions with related parties for the periods between January 1 – December 31, 2014 and 2013:

	January 1 - December 31, 2014	January 1 - December 31, 2013
Remuneration of key management personnel (*)	**11.976.416**	9.374.678

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

NOTE 23 - 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.

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

NOTE 23 - 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 December 31, 2014 and 2013 are as follows:

	2014						
	TL Equivalent	USD	EUR	GBP	DKK	CHF	YEN
1. Trade receivables	116.805.527	914.419	40.658.376	-	-	-	-
2. Monetary financial assets (including banks accounts) (Note 3)	119.998.299	765.276	41.723.337	148.301	-	577	-
3.Other	82.285.342	5.957.255	24.274.493	-	-	-	-
4. Current assets (1+2+3)	319.089.168	7.636.950	106.656.206	148.301	-	577	-
5. Trade receivables	-	-	-	-	-	-	-
6. Other	22.760.414	1.019	8.068.228	-	-	-	-
7. Non-current assets (5+6)	22.760.414	1.019	8.068.228	-	-	-	-
8. Total assets (4+7)	341.849.582	7.637.969	114.724.434	148.301	-	577	-
9. Trade payables	53.292.272	-	18.893.279	-	-	-	-
10. Financial liabilities (Note 4)	112.400.823	10.032.699	31.600.665	-	-	-	-
11. Other monetary liabilities	10.034.483	28.362	3.534.128		-		
12. Current liabilities (9+10+11)	175.727.578	10.061.061	54.028.072	-	-	-	-
13. Financial liabilities (Note 4)	236.107.047	-	83.705.125	-	-	-	-
14. Non-current liabilities (13)	236.107.047	-	83.705.125	-	-	-	-
15. Total liabilities (12+14)	411.834.625	10.061.061	137.733.197	-	-	-	-
16. Net foreign currency asset/ (liability) position (8-15)	(69.985.043)	(2.423.092)	(23.008.763)	148.301	-	577	-
17. Net monetary foreign currency asset/ (liability) position (8-15)	(69.985.043)	(2.423.092)	(23.008.763)	148.301	-	577	-

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

NOTE 23 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	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)

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

NOTE 23 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The import and export amounts of the Company for the years ended December 31, 2014 and 2013 are as follows:

	January 1- December 31, 2014	January 1 - December 31, 2013
Total export amount	**944.418.345**	698.327.376
Total import amount	**736.170.777**	571.016.789

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 December 31, 2014 and 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:

	2014			
	Profit/ Loss		**Shareholders' equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Had TL appreciate/ (depreciate) by 10% against USD				
Profit/(loss) from USD net asset position	**(561.891)**	**561.891**	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	**(561.891)**	**561.891**	-	-
Had TL appreciate/ (depreciate) by 10% against EUR				
Profit/ (loss) from EUR net liability position	**(6.490.082)**	**6.490.082**	-	-
Hedged amount against EUR risk (-)	-	-	-	-
Net Effect of EUR	**(6.490.082)**	**6.490.082**	-	-
Had TL appreciate/ (depreciate) by 10% against other				
Profit/(loss) from other net liability position	**53.469**	**(53.469)**	-	-
Hedged amount against other (-)	-	-	-	-
Net effect of other	**53.469**	**(53.469)**	-	-
Total net effect	**(6.998.504)**	**6.998.504**	-	-

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

NOTE 23 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	2013			
		Profit/ Loss		Shareholders' equity
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Had TL appreciate/ (depreciate) by 10% against USD				
Profit/(loss) from USD net asset position	295.398	(295.398)	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	295.398	(295.398)	-	-
Had TL appreciate/ (depreciate) by 10% against EUR				
Profit/ (loss) from EUR net liability position	(3.162.332)	3.162.332	-	-
Hedged amount against EUR risk (-)	-	-	-	-
Net Effect of EUR	(3.162.332)	3.162.332	-	-
Had TL appreciate/ (depreciate) by 10% against other				
Profit/(loss) from other net liability position	(22.769)	22.769	-	-
Hedged amount against other (-)	-	-	-	-
Net effect of other	(22.769)	22.769	-	-
Total net effect	(2.889.703)	2.889.703	-	-

Price Risk

The Company does not have financial assets exposed to price risk.

Interest rate risk

The table of the financial instruments that have interest rate sensitivity are shown below:

Financial instruments with fixed interest rate

	2014	2013
Time deposits (Note 3)	**259.864.196**	199.334.896
Financial liabilities (Note 4)	**390.336.142**	129.864.519

Financial instruments with floating interest rate

	2014	2013
Financial liabilities (Note 4)	**267.915.396**	218.726.076

NOTE 23 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

For financial instruments with variable interest rates, if the interest on December 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 1.783 (2013: TL 12.297).

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).

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

NOTE 23 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The Company's maximum exposure to credit risk as of December 31, 2014 and 2013 is as follows:

	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	**98.446.054**	**359.417.489**	**-**	**357.419**	**269.227.427**	**-**
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	**-**	**2.752.280**	**-**	**-**	**-**	**-**
Net book value of impaired assets	**-**	**273.031**	**-**	**-**	**-**	**-**
- Due dated (gross book value)	**-**	**39.770.692**	**-**	**-**	**-**	**-**
- Provision (-)	**-**	**(39.497.661)**	**-**	**-**	**-**	**-**
- Undue (gross book value)	**-**	**368.388**	**-**	**-**	**-**	**-**
- Provision (-)	**-**	**(368.388)**	**-**	**-**	**-**	**-**
Off-balance sheet items exposed to credit risk	**-**	**-**	**-**	**-**	**-**	**-**
Amount exposed to maximum credit risk (*)	**98.446.054**	**362.442.800**	**-**	**357.419**	**269.227.427**	**-**

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

As of December 31, 2014, the guarantee amount of the maximum exposure to credit risk is TL 675.364.122. Besides, all assets which are due but not impaired and are impaired are guaranteed.

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

NOTE 23 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	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 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.

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

NOTE 23 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

As of December 31, 2014 and 2013, assets that are overdue but not impaired are as follows:

			2014		
	Receivables				
	Trade Receivables	**Other Receivables**	**Bank Deposits**	**Derivative Instruments**	**Other**
1-30 days past from maturity	-	-	-	-	-
1-3 months past from maturity	-	-	-	-	-
3-12 months past from maturity	1.840.538	-	-	-	-
1-5 years past from maturity	911.742	-	-	-	-
Over 5 years from maturity	-	-	-	-	-
Total overdue	**2.752.280**	**-**	**-**	**-**	**-**

			2013		
	Receivables				
	Trade Receivables	Other Receivables	Bank Deposits	Derivative Instruments	Other
1-30 days past from maturity	15.725	-	-	-	-
1-3 months past from maturity	29.248	-	-	-	-
3-12 months past from maturity	1.157.733	-	-	-	-
1-5 years past from maturity	1.377.299	-	-	-	-
Over 5 years from maturity	514	-	-	-	-
Total overdue	2.580.519	-	-	-	-

Consist of guarantees, guarantee letters received from customers, collateral securities and mortgages.

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.

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

NOTE 23 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

As of December 31, 2014 and 2013, the undiscounted cash flows and liabilities according to their remaining maturities are presented in the following tables:

	2014					
	Book value	**Less than 3 months**	**Between 3-12 months**	**Between 1-5 years**	**On Demand**	**Total cash outflows according to contract**
Financial liabilities (Note 4)	**658.251.538**	**103.669.787**	**139.431.306**	**476.484.511**	**-**	**719.585.604**
Trade payables (Note 5)	**403.905.945**	**407.771.043**	**-**	**-**	**-**	**407.771.043**
Due to related parties (Note 22)	**44.766.757**	**45.081.918**	**-**	**-**	**-**	**45.081.918**
Other payables	**11.740.493**	**11.740.495**	**-**	**-**	**-**	**11.740.495**
Non-derivative financial instruments	**1.118.664.733**	**568.263.243**	**139.431.306**	**476.484.511**	**-**	**1.184.179.060**
Derivative cash inflows	**-**	**-**	**-**	**-**	**-**	**-**
Derivative cash outflows	**-**	**-**	**-**	**-**	**-**	**-**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**

	2013					
	Book value	Less than 3 months	Between 3-12 months	Between 1-5 years	On Demand	Total cash outflows according to contract
Financial liabilities (Note 4)	348.590.595	46.875	26.336.313	357.790.571	-	384.173.759
Trade payables (Note 5)	276.743.088	278.698.990	-	-	-	278.698.990
Due to related parties (Note 22)	29.346.571	29.514.262	-	-	-	29.514.262
Other payables	7.669.767	7.669.767	-	-	-	7.669.767
Non-derivative financial instruments	662.350.021	315.929.894	26.336.313	357.790.571	-	700.056.778
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-

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.

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

NOTE 23 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	2014	2013
Cash and cash equivalents (Note 3)	**269.229.023**	209.322.936
Less: Financial liabilities (Note 4)	**(658.251.538)**	(348.590.595)
Net financial (debt)/ asset	**(389.022.515)**	(139.267.659)
Total shareholders' equity	**704.862.715**	743.317.723
Net financial debt/ shareholders' equity ratio	**(0,55)**	(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:

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 24 - SUBSEQUENT EVENT

None.