

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

**Convenience translation into English of condensed financial  
statements for the interim period between January 1 –  
September 30, 2015 (originally issued in Turkish)**

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

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2015**

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

		<b>Current Period Unaudited</b>	<b>Prior Period Audited</b>
	<b>Notes</b>	<b>30 September 2015</b>	<b>31 December 2014</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>		<b>1.518.556.157</b>	<b>1.319.190.508</b>
Cash and cash equivalents	3	<b>247.691.778</b>	269.229.023
Trade receivables:			
- Other parties	5	<b>470.572.953</b>	362.442.800
- Due from related parties	19	<b>174.944.805</b>	98.446.054
Inventories	6	<b>492.246.147</b>	436.283.247
Prepaid expenses		<b>959.538</b>	5.032.605
Other current assets	9	<b>132.140.936</b>	147.756.779
<b>NON-CURRENT ASSETS</b>		<b>642.876.659</b>	<b>594.856.341</b>
Trade receivables:			
- Other parties	5	<b>51.619</b>	-
Other receivables:			
- Other parties		<b>358.158</b>	357.419
Property, plant and equipment	7	<b>456.475.388</b>	454.154.723
Intangible assets	8	<b>112.744.019</b>	93.760.081
Prepaid expenses		<b>489.954</b>	832.613
Deferred tax assets	17	<b>72.757.521</b>	45.751.505
<b>TOTAL ASSETS</b>		<b>2.161.432.816</b>	<b>1.914.046.849</b>

The financial statements prepared as at and for the period ended September 30, 2015 have been approved by the Board of Directors on October 23, 2015.

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

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

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2015**

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

		<b>Current Period Unaudited</b>	<b>Prior Period Audited</b>
	<b>Notes</b>	<b>30 September 2015</b>	<b>31 December 2014</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
		<b>919.693.372</b>	737.879.961
Short-term financial liabilities	4	<b>965.618</b>	121.626.528
Short-term portion of long term financial liabilities	4	<b>273.144.425</b>	94.964.073
Trade payables:			
- Other parties	5	<b>519.447.544</b>	403.905.945
- Due to related parties	19	<b>18.548.291</b>	44.766.757
Employee benefit obligations	11	<b>20.707.925</b>	16.273.738
Other payables:			
- Other parties		<b>5.295.548</b>	11.740.493
Government incentives and aids		<b>3.190.084</b>	3.183.083
Deferred income	9	<b>6.104.595</b>	11.859.067
Provision for taxation on income		<b>26.435.422</b>	-
Short-term provisions:			
- Provision for employee benefits	10	<b>2.365.383</b>	1.488.479
- Other provisions	10	<b>43.488.537</b>	28.071.798
<b>NON-CURRENT LIABILITIES</b>			
		<b>568.372.428</b>	471.304.173
Long-term financial liabilities	4	<b>529.123.938</b>	441.660.937
Long-term provisions:			
- Provision for employee benefits	10	<b>13.764.769</b>	8.986.321
- Other provisions	10	<b>25.483.721</b>	20.656.915
<b>SHAREHOLDERS' EQUITY</b>			
		<b>673.367.016</b>	704.862.715
<b>Parent's equity</b>			
Paid-in share capital	12	<b>53.369.000</b>	53.369.000
Adjustments to share capital	12	<b>39.014.356</b>	39.014.356
Merger reserve		<b>(5.569.000)</b>	(5.569.000)
Restricted profit reserves		<b>163.635.422</b>	143.902.267
Other comprehensive income/expense not to be reclassified to profit or loss:			
- Actuarial gain/ (loss) arising from employee benefits		<b>(8.514.674)</b>	207.195
Retained earnings		<b>254.205.742</b>	212.851.625
Net profit for the period		<b>177.226.170</b>	261.087.272
<b>TOTAL LIABILITIES</b>			
		<b>2.161.432.816</b>	1.914.046.849

Provisions, contingent assets and contingent liabilities 10

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

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

**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR  
THE INTERIM PERIOD ENDED SEPTEMBER 30, 2015**

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

	Notes	Current period Unaudited		Prior period Unaudited	
		1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Revenue	13	2.342.760.443	851.502.323	2.020.516.818	689.706.661
Cost of sales (-)	13	(1.902.682.705)	(679.904.885)	(1.651.611.467)	(575.896.671)
<b>GROSS PROFIT</b>		<b>440.077.738</b>	<b>171.597.438</b>	368.905.351	113.809.990
Marketing, selling and distribution expenses (-)		(113.527.348)	(42.609.982)	(86.323.173)	(31.876.255)
General administrative expenses (-)		(43.622.310)	(16.903.110)	(37.009.084)	(13.142.241)
Research and development expenses (-)		(8.323.309)	(3.467.011)	(9.847.704)	(2.379.714)
Other income from operating activities	14	315.645.249	89.742.771	381.402.729	137.263.177
Other expenses from operating activities (-)	14	(289.518.173)	(70.537.170)	(382.653.159)	(130.825.618)
<b>OPERATING PROFIT</b>		<b>300.731.847</b>	<b>127.822.936</b>	234.474.960	72.849.339
Income from investing activities		21.438	-	322.366	218.373
Expenses from investing activities (-)		(1.725)	-	(59.648)	-
<b>OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSES)</b>		<b>300.751.560</b>	<b>127.822.936</b>	234.737.678	73.067.712
Financial income	15	67.465.982	35.013.722	40.760.505	5.097.319
Financial expenses (-)	16	(154.677.582)	(82.932.341)	(47.864.055)	(16.929.209)
<b>PROFIT BEFORE TAXATION ON INCOME</b>		<b>213.539.960</b>	<b>79.904.317</b>	227.634.128	61.235.822
Taxes on income (-)	17	(61.139.339)	(22.896.404)	(50.723.529)	(12.525.579)
Deferred tax income	17	24.825.549	7.760.186	19.172.733	5.549.379
<b>NET PROFIT FOR THE PERIOD</b>		<b>177.226.170</b>	<b>64.768.099</b>	196.083.332	54.259.622
<b>Attribution of net profit:</b>					
Non-controlling interest				-	-
Equity holders of the parent		177.226.170	64.768.099	196.083.332	54.259.622
<b>Other comprehensive income/ (expense)</b>					
Actuarial loss arising from employee benefits	10	(10.902.336)	(1.973.846)	127.489	671.083
Deferred tax effect	17	2.180.467	394.769	(25.509)	(134.217)
<b>Other comprehensive (expense)/income after tax</b>		<b>(8.721.869)</b>	<b>(1.579.077)</b>	101.980	536.866
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>168.504.301</b>	<b>63.189.022</b>	196.185.312	54.796.488
Earnings per share (TL)	18	0,0332	0,0121	0,0367	0,0102

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

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

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

**CONDENSED CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE INTERIM PERIOD BETWEEN JANUARY 1 – SEPTEMBER 30, 2015**

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

				Other comprehensive income/expense not to be reclassified to profit or loss				
	Paid-in share capital	Adjustment to share capital	Merger reserve	Actuarial gain/ (loss) arising from employee benefits	Restricted reserves allocated from profit	Retained earnings	Net profit for the period	Total shareholders' equity
<b>1 January 2015</b>	<b>53.369.000</b>	<b>39.014.356</b>	<b>(5.569.000)</b>	<b>207.195</b>	<b>143.902.267</b>	<b>212.851.625</b>	<b>261.087.272</b>	<b>704.862.715</b>
Transfers	-	-	-	-	19.733.155	241.354.117	(261.087.272)	-
Dividends paid	-	-	-	-	-	(200.000.000)	-	(200.000.000)
Total comprehensive income	-	-	-	(8.721.869)	-	-	177.226.170	168.504.301
<b>30 September 2015</b>	<b>53.369.000</b>	<b>39.014.356</b>	<b>(5.569.000)</b>	<b>(8.514.674)</b>	<b>163.635.422</b>	<b>254.205.742</b>	<b>177.226.170</b>	<b>673.367.016</b>

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

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

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

**CONDENSED CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE INTERIM PERIOD BETWEEN JANUARY 1 – SEPTEMBER 30, 2015**

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

				Other comprehensive income/expense not to be reclassified to profit or loss				
	Paid-in share capital	Adjustment to share capital	Merger reserve	Actuarial gain/ (loss) arising from employee benefits	Restricted reserves allocated from profit	Retained earnings	Net profit for the period	Total shareholders' equity
1 January 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	-	-	-	101.980	-	-	196.083.332	196.185.312
30 September 2014	53.369.000	39.014.356	(5.569.000)	(148.546)	143.902.267	212.851.625	196.083.332	639.503.034

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

## TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

### CONDENSED CASH FLOWS

#### FOR THE INTERIM PERIOD BETWEEN JANUARY 1 – SEPTEMBER 30, 2015

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

		Current period	Prior period
		Unaudited	Unaudited
		1 January- 30 September 2015	1 January- 30 September 2014
	Notes		
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>172.936.424</b>	54.149.970
Net profit for the period		<b>177.226.170</b>	196.083.332
Adjustments to reconcile net profit/loss		<b>169.538.910</b>	89.632.120
Adjustment for amortization and depreciation	7, 8	35.784.263	24.453.776
Adjustment for provision for impairment on inventories	6	9.530.858	(750.863)
Adjustment for provision for employee termination benefits	10	1.815.175	1.434.112
Adjustment for provision for doubtful receivables	14	7.770.491	-
Adjustment for expense accruals		20.243.538	11.271.494
Adjustment for interest income and expense	15, 16	33.789.458	19.863.500
Adjustment for tax expense	17	36.313.790	31.550.796
Adjustment for gain/ loss from sales of property plant and equipment		(19.713)	(262.718)
Adjustment for foreign exchange change effect		24.311.050	2.072.023
<b>Changes in working capital</b>		<b>(139.124.739)</b>	(189.890.535)
Change in trade receivables		(110.762.702)	(92.065.612)
Change in due from related parties		(56.827.818)	(120.647.419)
Change in inventories		(55.398.605)	3.350.537
Change in other current assets		15.615.843	(26.276.403)
Change in other receivables		(738)	(2.277)
Change in prepaid expenses		4.415.725	(20.783.073)
Change in due to related parties		(26.572.157)	(23.801.025)
Change in trade payables		105.233.104	91.836.522
Change in deferred income		(5.754.472)	(5.351.929)
Change in other liabilities		(6.444.947)	(3.198.345)
Change in short term provision for employee termination benefits		876.904	1.020.023
Change in debt for employee termination benefits		4.434.187	9.068.953
Employee termination benefits paid	10	(7.939.063)	(3.040.487)
<b>Net cash provided by operating activities</b>		<b>207.640.341</b>	95.824.917
<b>Tax paid</b>	17	<b>(34.703.917)</b>	(41.674.947)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(57.062.153)</b>	(113.377.161)
Proceeds from sales of property, plant and equipment and intangible assets		138.676	346.975
Payments for purchases of property, plant and equipment and intangible assets		(57.207.829)	(113.784.607)
Proceeds from government grants		7.000	60.471
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(153.544.706)</b>	(29.703.240)
Proceeds from bank borrowings		390.182.867	551.974.586
Repayment of bank borrowings		(314.640.995)	(264.904.935)
Dividends paid	12	(200.000.000)	(300.000.000)
Interest paid		(35.811.255)	(23.654.266)
Interest received		6.724.677	6.881.375
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES(A+B+C)</b>		<b>(37.670.435)</b>	(88.930.431)
<b>D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>		16.506.710	(905.510)
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>(21.163.725)</b>	(89.835.941)
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	3	<b>268.594.918</b>	208.997.296
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)</b>	3	<b>247.431.193</b>	119.161.355

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



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

### **EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

#### **BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

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

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#### **NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS**

Türk Traktör ve Ziraat Makineleri A.Ş. (the “Company”) was established in 1954 in Ankara, as Minneapolis Moline Türk Traktör ve Ziraat Makineleri A.Ş. to undertake the manufacturing and trade of farm tractors, harvesters and other agricultural machinery and equipment. The name of the Company was changed as Türk Traktör Ziraat Makineleri A.Ş. in 1968 upon the purchase of 25% of the shares held by Ege Makina ve Ticaret A.Ş., a group company of the Koç Holding A.Ş. (“Koç Holding”). As of September 30, 2015, major shareholders of the Company are Koç Holding and CNHI Osterreich GmbH (“CNHI Osterreich”) (Note 12). The number of personnel working within the Company as of September 30, 2015 is 3.431. (Permanent: 2.405 temporary: 1.026) (31 December 2014: 3.040 (Permanent: 2.572, temporary: 468)).

The Company conducts marketing and selling activities in the domestic market, through its 137 sales dealers and 99 spare part dealers and 37 heavy construction equipment dealers (December 31, 2014: 136 sales dealers, 96 spare part dealers, 10 heavy construction equipment dealers).

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

The Company is registered in Turkey in the following address:

Güvercin Yolu No: 111-112  
06560 - Gazi Ankara

As of September 30, 2015, the free float of the Company whose shares are traded in the Borsa Istanbul (“BIST”) is 24,78% (December 31, 2014: 24,77%) (Note 12).

#### **NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

##### **2.1 Basis of presentation**

##### **Principles governing the preparation of interim financial statements**

The interim condensed financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (the Communiqué) announced by the Capital Markets Board (“CMB”) (hereinafter will be referred to as “the CMB Accounting Standards”) on June 13, 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Accounting Standards, companies should apply Turkish Accounting Standards/ Turkish Financial Reporting Standards (“TAS/ TFRS”) and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority (“POA”). According to TAS 34 Interim Financial Reporting Standard, companies are free to prepare their financial statements as full set or condensed version. The Company, in this respect, prefers to prepare condensed financial statements at interim periods. Hence the condensed interim financial statements as of September 30 2015 must be interpreted with the Company’s financial statements as of December 31 2014.

## TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

### EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

#### BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)

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

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

The interim condensed financial statements as of September 30, 2015 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.

The classifications made in the statement of profit or loss and other comprehensive income of the Company as of September 30, 2014 is as follows;

- Retirement liability pay interest cost amounting to TL 334.342 previously classified in cost of sales has been classified under financial expenses.
- Interest paid and interest received previously shown under net cash provided by operating activities has been classified under cash flows from financial activities.

#### 2.3 Changes in TFRS:

The accounting policies adopted in preparation of the interim financial statements as at June 30, 2015 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, 2015. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

#### The new standards, amendments and interpretations which are effective as at January 1, 2015 are as follows:

*TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)*

The amendment did not have any impact on the financial statements of the Company..

*Standards issued but not yet effective and not early adopted:*

- TFRS 9 Financial Instruments – Classification and Measurement
- TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)
- TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)
- TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants
- TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)
- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

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

### **EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

#### **BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

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

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

- TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)
- TAS 1: Disclosure Initiative (Amendments to TAS 1)
- Annual Improvements to TFRSs - 2012-2014 Cycle

The Company is in the process of assessing the impact of the amendments and improvements on 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)**

- Annual Improvements – 2010–2012 Cycle
- Annual Improvements – 2011–2013 Cycle
- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments - Final standard (2014)

The Company is in the process of assessing the impact of the amendments and improvements on financial position or performance of the Company.

#### **2.4 Summary of significant accounting policies**

The interim condensed financial statements for the period ended September 30, 2015 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of these interim condensed financial statements for the period ended September 30, 2015 are consistent with those used in the preparation of annual financial statements for the year ended December 31, 2014. Accordingly, these interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2014.

#### **Convenience translation into English of financial statements originally issued in Turkish**

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

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

**EXPLANATORY NOTES TO THE CONDENSED  
INTERIM FINANCIAL STATEMENTS  
BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

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

**NOTE 3 - CASH AND CASH EQUIVALENTS**

	<b>30 September 2015</b>	31 December 2014
Cash	<b>5.520</b>	1.596
Banks:		
- TL denominated demand deposits	<b>4.196.858</b>	4.403.897
- TL denominated time deposits	<b>142.341.062</b>	144.825.231
- Foreign currency denominated demand deposits	<b>2.956.369</b>	4.959.334
- Foreign currency denominated time deposits	<b>98.191.969</b>	115.038.965
	<b>247.691.778</b>	269.229.023

As of September 30, 2015, the weighted average effective annual interest rate for TL and Euro ("EUR") time deposits is 10,53% and 1,31% (December 31, 2014: TL: 9,58%, EUR: 1,55%). As of September 30, 2015 and December 31, 2014, remaining time to maturity of time deposits is less than three months.

The cash and cash equivalents included in the statement of cash flows at September 30, 2015 and December 31, 2014 are as follows:

	<b>30 September 2015</b>	31 December 2014
Cash	<b>5.520</b>	1.596
Banks	<b>247.686.258</b>	269.227.427
Less: Interest accruals	<b>(44.594)</b>	(556.637)
Less: Restricted bank deposits (*)	<b>(215.991)</b>	(77.468)
<b>Cash and cash equivalents</b>	<b>247.431.193</b>	268.594.918

(\*) This account consists of receivables collected via the direct debit system. The blockage on this account is terminated following the closure of the term.

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

**EXPLANATORY NOTES TO THE CONDENSED  
INTERIM FINANCIAL STATEMENTS  
BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

(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	
	30	31	30	31	30	31
	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014
TL	965.618	83.859.778	-	8,30	965.618	83.859.778
USD	-	10.032.699	-	1,78	-	23.264.826
EUR	-	5.141.250	-	2,92	-	14.501.924
					<b>965.618</b>	<b>121.626.528</b>

**Current portion of long term bank borrowings**

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	30	31	30	31	30	31
	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014
EUR	36.584.914	26.459.415	3,00	2,44	125.164.307	74.634.073
TL	147.980.118	20.330.000	10,49	10,79	147.980.118	20.330.000
					<b>273.144.425</b>	<b>94.964.073</b>

**a) Long-term financial liabilities**

**Long-term bank borrowings**

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	30	31	30	31	30	31
	September 2015	December 2014	September 2015	December 2014	September 2015	December 2014
EUR	63.324.668	83.705.125	3,00	2,44	216.646.353	236.107.047
TL	313.892.700	207.328.209	10,49	10,79	313.892.700	207.328.209
					<b>530.539.053</b>	<b>443.435.256</b>
Prepaid commission for debt (*)					<b>(1.415.115)</b>	<b>(1.774.319)</b>
<b>Total long-term financial liabilities</b>					<b>529.123.938</b>	<b>441.660.937</b>

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

## TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

### EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

#### BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)

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

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

Redemption schedule of the long-term bank borrowings as of September 30, 2015 and December 31, 2014 is as follows:

Year	30 September 2015	31 December 2014
2016	52.417.596	305.864.380
2017	412.681.029	83.009.171
2018	64.025.313	52.787.386
	<b>529.123.938</b>	<b>441.660.937</b>

As of September 30, 2015 the Company does have a long-term investment loans with variable interest rate amounting to EUR 64.285.714 and EUR 20.000.000 (December 31, 2014: EUR 75.000.000 and EUR 20.000.000). The EUR 75.000.000 loan's maturity is 5 years with an interest payment of every 6 months and with an interest rate of 2.20% + Euribor. The EUR 20.000.000 loan's maturity is 4 years with an interest payment of every 6 months and with an interest rate of 2,20% + Euribor. There are no principle payments for the following 2 years for both loans. In accordance with the agreement signed with respect to the investment loan used by the Company, there is an obligation of not exceeding the below mentioned rate calculated over the financial statements prepared in accordance with the Turkish Financial Reporting Standards:

Obligation rate is;

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

(\*) Net financial liability is calculated by deducting the total of financial liabilities (including short term and long term financial liabilities) from cash and cash equivalents.

The Company met these conditions as of September 30, 2015.

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

	Carrying value		Fair value	
	30 September 2015	31 December 2014	30 September 2015	31 December 2014
Bank borrowings	804.649.096	660.025.857	780.088.130	659.124.943

As of September 30, 2015, fair values of the bank borrowings, for EUR and TL bank borrowings are annually 2,60%, and 15,27% determined by using the discounted cash flow method over weighted effective discount rates respectively (December 31, 2014: EUR: 2,61%, USD: 1,78%, TL: 10,42%).

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

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

**BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

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

**NOTE 5 - TRADE RECEIVABLES AND PAYABLES**

	<b>30 September 2015</b>	31 December 2014
<b>Short-term trade receivables:</b>		
Customer current accounts	<b>519.499.120</b>	402.918.762
Notes receivables	<b>1.707.768</b>	1.320.755
Protested notes	<b>134.999</b>	617.225
	<b>521.341.887</b>	404.856.742
Less: Provision for doubtful receivables	<b>(46.850.111)</b>	(39.866.049)
Unearned financial income	<b>(3.918.823)</b>	(2.547.893)
<b>Short-term trade receivables</b>	<b>470.572.953</b>	362.442.800
Due from related parties (Note 19)	<b>174.944.805</b>	98.446.054
<b>Total short-term trade receivables</b>	<b>645.517.758</b>	460.888.854

Movements of the provisions for short term doubtful receivables for the periods ended September 30, 2015 and 2014 are as shown below:

	<b>2015</b>	2014
<b>1 January</b>	<b>(39.866.049)</b>	(42.169.877)
Cancellations during the period (Note 14)	<b>786.429</b>	1.299.398
Charge during the period (Note 14) (*)	<b>(7.770.491)</b>	-
<b>30 September</b>	<b>(46.850.111)</b>	(40.870.479)

(\*) It comprised of the valuation of existing doubtful receivable in foreign currency.

	<b>30 September 2015</b>	31 December 2014
<b>Long- term trade receivables:</b>		
Notes receivables	<b>51.729</b>	-
Unearned financial income	<b>(110)</b>	-
	<b>51.619</b>	-

Movements of the provisions for long term doubtful receivables for the periods ended September 30, 2015 and 2014 are as summarized below:

	<b>2015</b>	2014
<b>1 January</b>	<b>(139.484)</b>	(139.484)
Transfer from long term to short term	<b>139.484</b>	-
Charge during the period (Note 14)	-	22.382
<b>30 September</b>	-	(117.102)

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

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

**BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

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

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

	<b>30 September 2015</b>	31 December 2014
<b>Trade payables:</b>		
Supplier current accounts	<b>524.096.845</b>	407.771.045
Less: Unincurred financial expense	<b>(4.649.301)</b>	(3.865.100)
<b>Trade payables</b>	<b>519.447.544</b>	403.905.945
Due to related parties (Note 19)	<b>18.548.291</b>	44.766.757
<b>Total trade payables</b>	<b>537.995.835</b>	448.672.702

**NOTE 6 - INVENTORIES**

	<b>30 September 2015</b>	31 December 2014
Raw materials	<b>172.177.986</b>	197.505.879
Work in progress	<b>11.677.352</b>	3.281.225
Finished goods	<b>110.092.872</b>	57.969.537
Commercial goods	<b>140.557.807</b>	77.897.423
Spare parts	<b>26.300.374</b>	26.636.862
Goods in transit (*)	<b>53.929.828</b>	85.951.535
	<b>514.736.219</b>	449.242.461
Provision for impairment of inventories (-)	<b>(22.490.072)</b>	(12.959.214)
	<b>492.246.147</b>	436.283.247

The cost of inventories recognised as expense in the current period is amounting to TL 1.732.481.373 (September 30, 2014: TL 1.545.360.294).

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

Movement of provisions for impairment of inventories during the period is as follows:

	<b>2015</b>	2014
<b>1 January</b>	<b>(12.959.214)</b>	(11.517.571)
Cancelled due to sales inventory during the period	<b>29.854</b>	1.462.705
Charge during the period for impairment of inventory	<b>(9.560.712)</b>	(711.842)
<b>30 September</b>	<b>(22.490.072)</b>	(10.766.708)



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

**EXPLANATORY NOTES TO THE CONDENSED  
INTERIM FINANCIAL STATEMENTS  
BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

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

**NOTE 6 – INVENTORIES (Continued)**

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

	<b>30 September 2015</b>	30 September 2014
Raw materials	<b>(18.221.746)</b>	(6.958.536)
Commercial goods	<b>(2.067.425)</b>	(2.166.350)
Spare parts	<b>(2.200.901)</b>	(1.641.822)
	<b>(22.490.072)</b>	(10.766.708)

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

	<b>1 January 2015</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>30 September 2015</b>
<b><u>Cost</u></b>					
Land	<b>36.720.200</b>	<b>1.020.000</b>	-	-	<b>37.740.200</b>
Land improvements	<b>10.131.676</b>	<b>18.220</b>	-	-	<b>10.149.896</b>
Buildings	<b>231.094.581</b>	<b>1.679.115</b>	-	-	<b>232.773.696</b>
Machinery and equipment	<b>504.823.284</b>	<b>14.247.515</b>	<b>(207.107)</b>	<b>150</b>	<b>518.863.842</b>
Special costs	<b>3.688.626</b>	<b>165.000</b>	-	-	<b>3.853.626</b>
Motor vehicles	<b>3.871.096</b>	<b>830.334</b>	-	-	<b>4.701.430</b>
Furniture and fixtures	<b>54.885.289</b>	<b>3.062.047</b>	<b>(7.365)</b>	-	<b>57.939.971</b>
Construction in progress	<b>2.281.359</b>	<b>10.531.719</b>	-	<b>(150)</b>	<b>12.812.928</b>
	<b>847.496.111</b>	<b>31.553.950</b>	<b>(214.472)</b>	-	<b>878.835.589</b>
<b><u>Accumulated depreciation</u></b>					
Land improvements	<b>3.772.816</b>	<b>243.250</b>	-	-	<b>4.016.066</b>
Buildings	<b>41.049.056</b>	<b>3.807.826</b>	-	-	<b>44.856.882</b>
Machinery and equipment	<b>315.748.332</b>	<b>19.308.043</b>	<b>(91.925)</b>	-	<b>334.964.450</b>
Special costs	<b>2.694.892</b>	<b>92.609</b>	-	-	<b>2.787.501</b>
Motor vehicles	<b>1.557.280</b>	<b>482.988</b>	-	-	<b>2.040.268</b>
Furniture and fixtures	<b>28.519.012</b>	<b>5.179.606</b>	<b>(3.584)</b>	-	<b>33.695.034</b>
	<b>393.341.388</b>	<b>29.114.322</b>	<b>(95.509)</b>	-	<b>422.360.201</b>
<b>Net book value</b>	<b>454.154.723</b>				<b>456.475.388</b>

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

**EXPLANATORY NOTES TO THE CONDENSED  
INTERIM FINANCIAL STATEMENTS  
BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

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

**NOT 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

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

For the period ended at September 30, 2015, of the total depreciation expense amounting to TL 29.114.322 (September 30, 2014: TL 18.841.833), TL 21.613.287 (September 30, 2014: TL 13.255.186) is allocated to production costs, TL 3.808.580 (September 30, 2014: TL 2.731.870) is allocated to general administrative expenses, TL 2.204.439 (September 30, 2014: TL 2.004.628) is allocated to research and development expenses and TL 1.488.016 (September 30, 2014: TL 850.149) is allocated to marketing, selling and distribution expenses. The depreciation expense amounting to TL 2.173.978 (September 30, 2014: TL 1.566.306) is capitalized during the period as it is related to the development costs.

The Company has no capitalized borrowing cost of the foreign currency denominated investment loan classified under construction in progress as of September 30, 2015 (September 30, 2014: 11.558.301).

There is no mortgage on property, plant and equipment as of September 30, 2015 (December 31, 2014: None).

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

**EXPLANATORY NOTES TO THE CONDENSED  
INTERIM FINANCIAL STATEMENTS  
BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

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

**NOTE 8 - INTANGIBLE ASSETS**

	1 January 2015	Additions	Disposals	Transfers	30 September 2015
<b>Cost</b>					
Rights	13.633.435	5.822.609	-	-	19.456.044
Development costs	51.732.049	-	-	2.069.200	53.801.249
Development costs in progress	59.344.378	22.005.248	-	(2.069.200)	79.280.426
	<b>124.709.862</b>	<b>27.827.857</b>	-	-	<b>152.537.719</b>

**Accumulated amortisation**

Rights	8.315.558	1.888.996	-	-	10.204.554
Development costs	22.634.223	6.954.923	-	-	29.589.146
	<b>30.949.781</b>	<b>8.843.919</b>	-	-	<b>39.793.700</b>

<b>Net book value</b>	<b>93.760.081</b>				<b>112.744.019</b>
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	1 January 2014	Additions	Disposals	Transfers	30 September 2014
<b>Cost</b>					
Rights	10.940.879	759.220	(170.292)	-	11.529.807
Development costs	37.265.628	-	-	9.376.165	46.641.793
Development costs in progress	50.243.240	14.512.256	-	(9.376.165)	55.379.331
	<b>98.449.747</b>	<b>15.271.476</b>	<b>(170.292)</b>	-	<b>113.550.931</b>

**Accumulated amortisation**

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

<b>Net book value</b>	<b>77.296.206</b>				<b>85.219.141</b>
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Development costs includes intangible assets generated by the Company. Capitalized development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. The amortisation is not calculated for development costs in progress as the development process has not yet been completed.

For the period ended at September 30, 2015, of the total amortisation expenses amounting to TL 8.843.919 (September 30, 2014: TL 7.178.249), TL 1.402.315 (September 30, 2014: TL 955.626) is allocated to production costs, TL 247.108 (September 30, 2014: TL 196.953) is allocated to general administrative expenses, TL 7.097.951 (September 30, 2014: TL 5.964.379) is allocated to research and development expenses and TL 96.545 (September 30, 2014: TL 61.291) is allocated to marketing, selling and distribution expenses.

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

**EXPLANATORY NOTES TO THE CONDENSED  
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BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

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

**NOTE 9 - OTHER ASSETS AND LIABILITIES**

	<b>30 September 2015</b>	31 December 2014
<b>a) Other current assets:</b>		
Deferred value added tax ("VAT")	<b>80.338.566</b>	72.988.039
Reclaimed VAT	<b>51.448.709</b>	71.660.884
Assets related to prepaid tax	-	2.796.797
Other	<b>353.661</b>	311.059
	<b>132.140.936</b>	147.756.779
<b>b) Deferred income:</b>		
Deferred income (*)	<b>5.937.333</b>	9.311.734
Advances received	<b>167.262</b>	2.547.333
	<b>6.104.595</b>	11.859.067

(\*) Deferred income represents the sales amount of the tractors for which the invoices are issued but are not yet shipped to customers as of September 30, 2015 and December 31, 2014.

**NOTE 10 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

**a) Short-term provisions**

**Short-term provision for employee benefits**

	<b>30 September 2015</b>	31 December 2014
Provision for unused vacation	<b>2.365.383</b>	1.488.479
	<b>2.365.383</b>	1.488.479

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

	<b>2015</b>	2014
<b>1 January</b>	<b>1.488.479</b>	979.368
Charge/ (used) for the period- net	<b>876.904</b>	1.020.023
<b>30 September</b>	<b>2.365.383</b>	1.999.391

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

**EXPLANATORY NOTES TO THE CONDENSED  
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**BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

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

**NOT 10 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT  
ASSETS (Continued)**

**Other short-term provisions**

	<b>30 September 2015</b>	31 December 2014
Warranty provision	<b>25.531.528</b>	20.609.316
Provision for legal cases (*)	<b>9.219.490</b>	7.343.170
Other provisions	<b>8.737.519</b>	119.312
	<b>43.488.537</b>	28.071.798

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

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

	<b>2015</b>	2014
<b>1 January</b>	<b>7.343.170</b>	4.097.031
Charge/(payment) for the period- net (Note 14)	<b>1.876.320</b>	466.139
<b>30 September</b>	<b>9.219.490</b>	4.563.170

**b) Long-term provisions**

**Long-term provision for employee benefits**

	<b>30 September 2015</b>	31 December 2014
Provision for employee termination benefits	<b>13.764.769</b>	8.986.321
	<b>13.764.769</b>	8.986.321

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 3.828,37 for each year of service as of September 30, 2015 (December 31, 2014: TL 3.438,22).

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

**EXPLANATORY NOTES TO THE CONDENSED  
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**BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

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

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

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:

	<b>30 September 2015</b>	31 December 2014
Inflation rate (%)	<b>4,50</b>	4,50
Discount rate (%)	<b>8,16</b>	8,16
Turnover rate to estimate the probability of retirement (%)	<b>93,47</b>	93,09

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Company's employee termination benefit ceiling is adjusted once in every 6 months, it calculated over TL 3.828,37 valid as of October 1, 2015.

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

	<b>2015</b>	2014
<b>1 January</b>	<b>8.986.321</b>	15.435.367
Interest cost	<b>549.963</b>	334.342
Current period service cost	<b>1.265.212</b>	1.099.770
Payments during the period	<b>(7.939.063)</b>	(3.040.487)
Actuarial loss	<b>10.902.336</b>	(127.489)
<b>30 September</b>	<b>13.764.769</b>	13.701.503

Sensitivity analysis of key assumptions used for termination benefits calculations as at September 30, 2015 are as follows:

	Net Discount Rate		Turnover related to the probability of retirement	
<b>Sensitivity level</b>	<b>%0,5 decrease</b>	<b>%0,5 increase</b>	<b>%0,5 decrease</b>	<b>%0,5 increase</b>
Rate	(%3,0)	(%4,0)	(92,97)	(93,97)
Change in employee benefits liability	538.059	(497.245)	(551.206)	595.116

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

**EXPLANATORY NOTES TO THE CONDENSED  
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(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

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

**Other long - term provisions**

	<b>30 September 2015</b>	31 December 2014
Warranty provision	<b>25.483.721</b>	20.656.915
	<b>25.483.721</b>	20.656.915

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

	<b>2015</b>	2014
<b>January 1</b>	<b>41.266.231</b>	33.069.517
Used during the period	<b>(26.707.867)</b>	(30.223.482)
Charge for the period	<b>36.456.885</b>	35.493.488
<b>September, 30</b>	<b>51.015.249</b>	38.339.523

**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 September 30, 2015 and December 31, 2014 the Company's guarantee/pledge/mortgage positions are as follows:

	<b>30 September 2015</b>	31 December 2014
A. The total amount of collaterals given on behalf of its own legal entity	<b>13.114.124</b>	101.091.071
B. The total amount of collaterals given in favor of the companies in the scope of full consolidation	-	-
C. The total amount of collaterals given for the purpose of providing debt to third parties in the course of ordinary business activities	-	-
D. The total amount of other collaterals given	-	-
i. The total amount of collaterals given in favor of the parent companies	-	-
ii. The total amount of collaterals given in favor of other group companies which are not in the scope of items B and C	-	-
iii. The total amount of collaterals given in favor of third parties other than the parties stated in item C	-	-
	<b>13.114.124</b>	101.091.071

As at September 30, 2015, the Company has given its own legal entity on behalf of the original collateral denominated in foreign currency amounts of EUR 2.698.578 and USD 34.104 (December 31, 2014: EUR 2.676.108 and USD 38.860.836).

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

**d) Contingent Assets**

	30 September 2015			Original currency amount 31 December 2014			TL equivalent	
	EUR	USD	TL	EUR	USD	TL	30	31
							September	December
							2015	2014
Letters of guarantees received	579.358	270.000	435.665.050	73.530	270.000	381.193.800	438.468.839	382.027.310
Direct debit	-	-	275.998.945	-	-	295.670.892	275.998.945	295.670.892
Mortgages	-	-	788.714	-	-	788.714	788.714	788.714
Security bonds	-	-	2.500.000	-	-	2.500.000	2.500.000	2.500.000
Cash TL guarantees	-	-	-	-	-	177.530	-	177.530
							<b>717.756.498</b>	681.164.446

**NOTE 11 - PROVISION FOR EMPLOYEE BENEFITS**

**Liabilities for employee benefits**

	30 September 2015	31 December 2014
Taxes payable and liabilities (*)	11.675.090	10.330.249
Premium accruals and due to personnel	9.032.835	5.943.489
	<b>20.707.925</b>	16.273.738

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



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**NOT 12 - SHAREHOLDERS' EQUITY**

**Paid-in share capital**

The Company's registered share capital amounts to TL 250.000.000 (31 December 2014: TL 250.000.000).

The Company's share capital is composed of 5.336.900.000 units of shares each Kr 1 nominal value. The nominal value of share capital is TL 53.369.000.

The composition of the Company's statutory share capital at September 30, 2015 and December 31, 2014 are as follows:

	<b>30</b>		<b>31</b>	
	<b>September</b>		<b>December</b>	
	<b>2015</b>		<b>2014</b>	
	<b>Participation</b>	<b>Share</b>	<b>Participation</b>	<b>Share</b>
	<b>(%)</b>	<b>amount</b>	<b>(%)</b>	<b>amount</b>
		<b>(TL)</b>		<b>(TL)</b>
Koç Holding	<b>37,50</b>	<b>20.013.375</b>	37,50	20.013.375
CNHI Osterreich	<b>37,50</b>	<b>20.013.375</b>	37,50	20.013.375
Public quotation	<b>24,95</b>	<b>13.315.978</b>	24,93	13.306.859
Other	<b>0,05</b>	<b>26.272</b>	0,07	35.391
	<b>100,00</b>	<b>53.369.000</b>	100,00	53.369.000
<b>Adjustments to share capital</b>		<b>39.014.356</b>		39.014.356
		<b>92.383.356</b>		92.383.356

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

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

As of June 11, 2004, the Company has been quoted to BIST and its shares started to be traded in the stock exchange market from that date. As of September 30, 2015, 24,78% (December 31, 2014: 24,77%) of the Company shares are quoted at BIST.

**Kar dağıtımı**

In the statutory financial statements of the Company, in addition to the statutory profit amounting to TL 265.098.272 and retained earnings amounting to TL 247.101.101 for the period ended September 30, 2015; 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 11.345.591 if dividend distribution is made.

The decision of dividend payment amounting to TL 200.000.000, taken in the Company's General Assembly dated March 18, 2015 and payment has made to shareholders in cash in March 25, 2015 (Note 19). Dividend payment distribution has been 3,75 Kr per share (2014: 5,62 Kr).

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**NOTE 13 - SALES AND COST OF SALES**

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Domestic sales	<b>1.899.112.579</b>	<b>666.098.314</b>	1.462.090.000	498.034.063
Export sales	<b>692.116.395</b>	<b>273.963.633</b>	719.417.271	247.800.622
<b>Sales income (gross)</b>	<b>2.591.228.974</b>	<b>940.061.947</b>	2.181.507.271	745.834.685
Less: Discounts and returns	<b>(248.468.531)</b>	<b>(88.559.624)</b>	(160.990.453)	(56.128.024)
<b>Sales income (net)</b>	<b>2.342.760.443</b>	<b>851.502.323</b>	2.020.516.818	689.706.661
Cost of sales	<b>(1.902.682.705)</b>	<b>(679.904.885)</b>	(1.651.611.467)	(575.896.671)
<b>Gross profit</b>	<b>440.077.738</b>	<b>171.597.438</b>	368.905.351	113.809.990

**NOTE 14 – OTHER OPERATING INCOME/ EXPENSES**

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Foreign exchange gain from trade receivable/ payables	<b>288.790.634</b>	<b>77.986.873</b>	342.776.062	125.247.748
Financial income from credit sales	<b>22.068.284</b>	<b>10.318.357</b>	34.377.360	11.010.688
Termination of provision for doubtful receivables (Note 5)	<b>786.429</b>	<b>193.376</b>	1.321.780	143.454
Incentive income	<b>247.337</b>	<b>61.834</b>	441.787	211.662
Reversal of provision for litigation expenses (Note 10)	-	-	428.714	-
Other income	<b>3.752.565</b>	<b>1.182.331</b>	2.057.026	649.625
<b>Other operating income</b>	<b>315.645.249</b>	<b>89.742.771</b>	381.402.729	137.263.177
Foreign exchange loss from trade receivable/ payables	<b>(262.819.378)</b>	<b>(58.404.463)</b>	(350.124.952)	(122.496.347)
Financial expense on credit purchases	<b>(16.447.574)</b>	<b>(6.213.545)</b>	(28.771.913)	(8.608.280)
Provision for doubtful receivables (Note 5)	<b>(7.770.491)</b>	<b>(5.611.143)</b>	-	-
Provision for litigation expenses (Note 10)	<b>(1.876.320)</b>	<b>(450.968)</b>	(894.853)	(442.357)
Other expenses	<b>(604.410)</b>	<b>142.949</b>	(2.861.441)	721.366
<b>Other operating expenses</b>	<b>(289.518.173)</b>	<b>(70.537.170)</b>	(382.653.159)	(130.825.618)

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**NOTE 15 - FINANCIAL INCOME**

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Foreign exchange gain (*)	<b>61.253.348</b>	<b>32.946.963</b>	33.903.110	3.964.386
Interest income	<b>6.212.634</b>	<b>2.066.759</b>	6.857.395	1.132.933
<b>Financial income</b>	<b>67.465.982</b>	<b>35.013.722</b>	40.760.505	5.097.319

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

**NOTE 16 - FINANCIAL EXPENSES**

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Foreign exchange loss (*)	<b>(112.405.386)</b>	<b>(67.379.357)</b>	(19.592.218)	(5.009.887)
Interest expenses of bank borrowings	<b>(40.002.092)</b>	<b>(14.700.666)</b>	(26.720.895)	(12.318.160)
Other	<b>(2.270.104)</b>	<b>(852.318)</b>	(1.550.942)	398.838
<b>Financial expenses</b>	<b>(154.677.582)</b>	<b>(82.932.341)</b>	(47.864.055)	(16.929.209)

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

**NOTE 17 - TAX ASSETS AND LIABILITIES**

	<b>30 September 2015</b>	<b>31 December 2014</b>
Corporate taxes payable	<b>61.139.339</b>	41.682.033
Less: Prepaid taxes	<b>(34.703.917)</b>	(44.478.830)
<b>(Tax asset)/ tax liability - net</b>	<b>26.435.422</b>	(2.796.797)

Corporation tax is payable, at a rate of 20% as of September 30, 2015 (December 31, 2014: 20%) on the total income of the companies registered in Turkey after adjusting for certain disallowable expenses, exempt income and investment and other allowances (e.g. R&D allowance).

**Deferred taxes**

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements prepared in accordance with the CMB Financial Reporting Standards and their statutory financial statements, using the currently enacted tax rates. These temporary differences result in the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes. The currently enacted tax rate for deferred tax assets and liabilities is 20% (December 31, 2014: 20%).

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**NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)**

The breakdown of cumulative temporary differences and the resulting deferred tax assets/ (liabilities) at September 30, 2015 and December 31, 2014 are as follows:

	Temporary differences		Deferred tax assets/ (liabilities)	
	30 September 2015	31 December 2014	30 September 2015	31 December 2014
Property, plant and equipment and intangible assets, restatement and useful life differences	73.110.496	48.938.089	(14.622.099)	(9.787.618)
Provision for employee termination benefits	(13.764.769)	(8.986.321)	2.752.954	1.797.264
Warranty provision	(51.015.249)	(41.266.231)	10.203.050	8.253.246
Provision for lawsuits	(8.694.796)	(7.343.170)	1.738.959	1.468.634
Unearned finance income/ (expense) on trade receivables and payables	514.944	1.078.777	(102.989)	(215.755)
Provision for doubtful receivables	(2.505.671)	(2.191.705)	501.134	438.341
Provision for impairment of inventory	(22.490.072)	(12.959.214)	4.498.014	2.591.843
Sales premium accrued	(117.277.039)	(13.443.441)	23.455.408	2.688.688
Other expense provisions and accruals	(40.636.060)	134.335	8.127.212	(26.867)
Investment incentive	-	-	34.232.622	36.794.678
Deferred income	(4.117.951)	(4.552.091)	823.590	910.418
Other	(5.748.320)	(4.193.166)	1.149.666	838.633
<b>Deferred tax assets</b>			<b>72.757.521</b>	<b>45.751.505</b>

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

	2015	2014
<b>1 January</b>	<b>45.751.505</b>	36.543.529
Reflected to profit for the period	24.825.549	19.172.733
Reflected to other comprehensive income/ (expense)	2.180.467	(25.509)
<b>30 September</b>	<b>72.757.521</b>	<b>55.690.753</b>

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

	1 January – 30 September 2015	1 January – 30 September 2014
<b>Profit before tax</b>	<b>213.539.960</b>	227.634.128
Tax calculated at enacted tax rate	42.707.992	45.526.826
Investment deduction	(6.092.465)	(11.853.246)
Research and development deductions	(3.566.510)	(2.800.415)
Disallowable expenses	512.256	542.145
Other	2.752.517	135.486
<b>Total tax charge</b>	<b>36.313.790</b>	<b>31.550.796</b>

## TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

### EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

**BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

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#### NOTE 18 - EARNINGS PER SHARE

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

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

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

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	1 January - 30 September 2014	1 July - 30 September 2014
Net profit for the period	<b>177.226.170</b>	<b>64.768.099</b>	196.083.332	54.259.622
Weighted average number of the ordinary shares	<b>5.336.900.000</b>	<b>5.336.900.000</b>	5.336.900.000	5.336.900.000
Earnings per share (1 Kr nominal value per share as TL)	<b>0,0332</b>	<b>0,0121</b>	0,0367	0,0102

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

#### NOTE 19 - RELATED PARTY DISCLOSURES

The Company is jointly controlled by Koç Holding and CNHI Österreich. Related party balances and transaction disclosure are grouped by joint venture companies and group companies of joint venture companies.

Summary of the intercompany balances as of September 30, 2015 and December 31, 2014 and significant intercompany transactions were as follows:

##### i) **Balances with related parties as of September 30, 2015 and December 31, 2014:**

	<b>30 September 2015</b>	31 December 2014
<b>a) Bank deposits and borrowings</b>		
<b>Deposits with related parties:</b>		
Yapı ve Kredi Bankası A.Ş. (“Yapı Kredi”)	<b>64.543.985</b>	2.470.743
	<b>64.543.985</b>	2.470.743

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**NOTE 19 - RELATED PARTY EXPLANATIONS (Continued)**

	<b>30 September 2015</b>	31 December 2014
<b>Bank borrowings due from related parties:</b>		
Yapı Kredi	<b>40.024.222</b>	40.072.667
	<b>40.024.222</b>	40.072.667
	<b>30 September 2015</b>	31 December 2014
<b>b) Due from related parties</b>		
<b>Due from group companies</b>		
CNHI International SA (“CNHI International”) (*)	<b>166.546.334</b>	91.430.770
CNHI Italy SPA (“CNHI Italy”)	<b>4.384.046</b>	4.300.148
CNHI Latin America Ltda.	<b>889.733</b>	1.432.319
CNHI Argentina SA (“CNHI Argentina”)	<b>594.048</b>	494.268
Other	<b>2.513.740</b>	794.245
	<b>174.927.901</b>	98.451.750
Less: Unearned financial income	<b>16.904</b>	(5.696)
	<b>174.944.805</b>	98.446.054
	<b>30 September 2015</b>	31 December 2014
<b>c) Due to related parties:</b>		
Koç Holding	<b>1.046.054</b>	3.711.509
<b>Due to shareholders</b>	<b>1.046.054</b>	3.711.509
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. (“Opet Fuchs”)	<b>7.077.927</b>	8.081.328
Zer Merkezi Hizmetler ve Ticaret A.Ş. (“Zer”)	<b>6.280.745</b>	12.100.893
Eltek Elektrik İth. İhracat ve Toptan Tic. A.Ş. (“Eltek”)	<b>1.339.597</b>	1.680.858
New Holland Fiat India Pvt. Ltd. (“New Holland India”)	<b>787.457</b>	4.177.625
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (“Koç Sistem”)	<b>418.224</b>	2.373.805
Otokoç Otomotiv San. ve Tic. A.Ş. (“Otokoç”)	<b>289.578</b>	510.667
Koçtaş Yapı Marketleri A.Ş. (“Koçtaş”)	<b>284.562</b>	1.153.621
Ram Sigorta Aracılık Hizmetleri A.Ş.	<b>262.334</b>	234.863
Otokar Otomotiv ve Savunma Sanayi A.Ş. (“Otokar”)	<b>228.798</b>	7.312
Opet Petrolcülük A.Ş. (“Opet”)	<b>160.126</b>	171.238
Arçelik A.Ş.	<b>16.134</b>	2.201.521
Ark İnşaat Sanayi ve Ticaret A.Ş.	<b>6.794</b>	6.498.031
Setur Servis Turistik A.Ş. (“Setur”)	-	1.035.020
Other	<b>519.464</b>	1.143.627
<b>Due to group companies</b>	<b>17.671.740</b>	41.370.409
Less: Unearned financial expenses	<b>(169.503)</b>	(315.161)
	<b>18.548.291</b>	44.766.757

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**NOTE 19 - RELATED PARTY EXPLANATIONS (Continued)**

**ii) Sales and purchases transactions with related parties for the periods between  
January 1 – September 30, 2015 and 2014:**

**a) Product sales to related parties**

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
<b>Product sales to group companies</b>				
CNHI International (*)	<b>685.316.802</b>	<b>273.553.927</b>	701.325.762	245.092.376
CNHI Italy	<b>4.430.075</b>	<b>1.835.269</b>	9.962.300	2.218.142
CNHI Latin America Ltda.	<b>2.439.710</b>	<b>722.978</b>	3.985.367	1.239.092
CNHI Argentina S.A	<b>1.404.198</b>	<b>314.915</b>	4.756.721	311.884
Other	<b>1.909.903</b>	<b>894.376</b>	1.004.224	231.393
	<b>695.500.688</b>	<b>277.321.465</b>	721.034.374	249.092.887

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

**b) Service sales to related parties**

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
<b>Service sales to group companies</b>				
CNHI International (1)	<b>2.167.389</b>	<b>1.014.215</b>	461.576	295.087
CNHI Italy(2)	<b>1.012.296</b>	<b>269.042</b>	1.611.554	-
Other	<b>143.298</b>	<b>-</b>	35.849	14.882
	<b>3.322.983</b>	<b>1.283.257</b>	2.108.979	309.969

(1) Services sales to CNHI International is related to engineering, consultancy and various other services.

(2) Services sales to CNHI Italy is related to engineering and other various other services.

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**NOTE 19 - RELATED PARTY EXPLANATIONS (Continued)**

**c) Product purchases from related parties**

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
<b>Product purchases from group companies</b>				
CNHI International (1)	325.675.659	127.327.561	150.120.580	42.857.635
Opet Fuchs (2)	29.296.087	8.743.462	29.841.034	8.344.098
New Holland India (3)	23.670.816	6.040.734	17.616.247	1.362.354
Zer	8.522.421	3.494.121	7.672.220	3.278.003
Akpa Dayanıklı Tüketim LPG ve Akaryakıt				
Ürünleri Pazarlama A.Ş.	2.842.231	1.179.854	2.863.734	986.580
Opet (2)	1.159.543	398.361	872.244	327.922
Other	12.280.048	7.573.851	9.199.452	3.347.502
	<b>403.446.805</b>	<b>154.757.944</b>	218.185.511	60.504.094

(1)The Company purchases tractors, agricultural machineries, engine and spare parts from CNHI International.

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

(3)The Company purchases ponte and front axles for use in production.

**d) Service purchases from related parties**

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
<b>Service purchases from shareholders</b>				
Koç Holding (1)	4.210.251	1.736.750	2.631.258	1.048.743
	<b>4.210.251</b>	<b>1.736.750</b>	2.631.258	1.048.743
<b>Service purchase from group companies:</b>				
Zer (2)	60.060.155	25.589.557	34.310.947	9.796.412
CNHI International (3)	10.865.522	8.041.465	7.813.267	974.517
Eltak (4)	9.414.165	3.485.849	5.421.489	1.839.997
Setur (5)	3.562.485	666.841	3.968.136	1.298.476
Ram Sigorta Aracılık Hizmetleri A.Ş. (6)	1.897.549	185.256	1.586.112	541.729
Otokoç	1.748.109	649.846	1.411.698	534.628
Ark İnşaat San. ve Tic. A.Ş. (7)	1.514.039	5.938	65.384.610	12.815.551
Otokar (8)	1.149.171	504.610	4.710.539	763.960
Koç Sistem	719.351	446.667	3.199	2.863
Other	968.075	650.968	559.954	231.096
	<b>91.898.621</b>	<b>40.226.997</b>	125.169.951	28.799.229
	<b>96.108.872</b>	<b>41.963.747</b>	127.801.209	29.847.972



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

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INTERIM FINANCIAL STATEMENTS**

**BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

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

**NOTE 19 - RELATED PARTY EXPLANATIONS (Continued)**

- (1) Services purchased from Koç Holding are related to human resources, strategy development, consulting and brokerage.
- (2) Services purchased from Zer are related to security, cleaning, transportation and other services.
- (3) Engineering services purchased from CNHI International are related to strategy development, consulting and brokerage for producing Tier 4 engines in Türk Traktör factory.
- (4) Services purchased from Eltek are related to electricity..
- (5) Services purchased from Setur are generally arising from plane tickets, accommodation and associated with various organizations within the sales and marketing activities.
- (6) Insurance service purchased from Ram Sigorta Aracılık Hizmetleri A.Ş. is related to premium amounts paid and accrued ended on September 30, 2015.
- (7) Services purchased from Ark İnşaat San.ve Tic. A.Ş. are related to services taken for construction of assembly factory in Sakarya.
- (8) Service purchased from Otokar are related to assembly and assembly support services.

**iii) Financial income and expenses arising from transactions with related parties for the periods between January 1 – September 30, 2015 and 2014:**

**Financial income and expense from group companies**

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
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**Interest income**

Yapı Kredi	<b>1.685.269</b>	<b>441.576</b>	830.842	-
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	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
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**Interest expense**

Yapı Kredi	<b>(3.306.333)</b>	<b>(1.114.222)</b>	(2.110.000)	(466.971)
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**iv) Dividends paid to related parties:**

	<b>1 January - 30 September 2015</b>	<b>1 January - 30 September 2014</b>
Koç Holding	<b>75.000.000</b>	112.500.000
CNHI Osterreich	<b>75.000.000</b>	112.500.000
	<b>150.000.000</b>	225.000.000

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

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BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

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

**NOTE 19 - RELATED PARTY EXPLANATIONS (Continued)**

- v) **Other transactions with related parties for the periods between January 1 – September 30, 2015 and 2014:**

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Remuneration of key management personnel (*)	<b>4.505.254</b>	1.633.937	5.732.304	1.242.453

- (\*) Key management personnel are identified as members of the Board of Directors, General Manager and Vice General Managers.

**NOTE 20 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS  
ARISING FROM FINANCIAL INSTRUMENTS**

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

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

- a) Market risk

*Foreign currency risk*

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

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

**EXPLANATORY NOTES TO THE CONDENSED  
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**BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

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

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

The amounts of foreign currency assets, liabilities and TL equivalents of the Company as of September 30, 2015 and December 31, 2014 are as follows:

	<b>30 September 2015</b>						
	<b>TL equivalent</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>DKK</b>	<b>CHF</b>	<b>YEN</b>
1. Trade receivables	231.361.531	526.086	67.021.542	-	-	-	18.405.446
2. Monetary financial assets (including banks accounts) (Note 3)	101.148.338	74.186	29.481.258	7.549	5.054	329	913.242
3. Other	50.404.179	1.096.781	13.757.261	-	-	-	-
<b>4. Current assets (1+2+3)</b>	<b>382.914.048</b>	<b>1.697.053</b>	<b>110.260.061</b>	<b>7.549</b>	<b>5.054</b>	<b>329</b>	<b>19.318.688</b>
5. Trade receivables	51.619	-	15.088	-	-	-	-
6. Other	3.101	1.019	-	-	-	-	-
<b>7. Non-current assets (5+6)</b>	<b>54.720</b>	<b>1.019</b>	<b>15.088</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>8. Total assets (4+7)</b>	<b>382.968.768</b>	<b>1.698.072</b>	<b>110.275.149</b>	<b>7.549</b>	<b>5.054</b>	<b>329</b>	<b>19.318.688</b>
9. Trade payables	110.617.443	31.842	27.530.372	-	-	-	644.578.927
10. Financial liabilities (Note 4)	125.164.307	-	36.584.914	-	-	-	-
11. Other monetary liabilities	5.866.478	147.190	1.583.811	-	-	-	-
<b>12. Current liabilities (9+10+11)</b>	<b>241.648.228</b>	<b>179.032</b>	<b>65.699.097</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>644.578.927</b>
13. Financial liabilities (Note 4)	216.646.353	-	63.324.668	-	-	-	-
<b>14. Non-current liabilities (13)</b>	<b>216.646.353</b>	<b>-</b>	<b>63.324.668</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>15. Total liabilities (12+14)</b>	<b>458.294.581</b>	<b>179.032</b>	<b>129.023.765</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>644.578.927</b>
<b>16. Net foreign currency asset/ (liability) position (8-15)</b>	<b>(75.325.813)</b>	<b>1.519.040</b>	<b>(18.748.616)</b>	<b>7.549</b>	<b>5.054</b>	<b>329</b>	<b>(625.260.239)</b>
<b>17. Net monetary foreign currency asset/ (liability) position (8-15)</b>	<b>(75.325.813)</b>	<b>1.519.040</b>	<b>(18.748.616)</b>	<b>7.549</b>	<b>5.054</b>	<b>329</b>	<b>(625.260.239)</b>

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

**EXPLANATORY NOTES TO THE CONDENSED  
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**BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

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

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

	31 December 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	-	-	-	-
<b>4. Current assets (1+2+3)</b>	<b>319.089.168</b>	<b>7.636.950</b>	<b>106.656.206</b>	<b>148.301</b>	<b>-</b>	<b>577</b>	<b>-</b>
5. Trade receivables	-	-	-	-	-	-	-
6. Other	22.760.414	1.019	8.068.228	-	-	-	-
<b>7. Non-current assets (5+6)</b>	<b>22.760.414</b>	<b>1.019</b>	<b>8.068.228</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>8. Total assets (4+7)</b>	<b>341.849.582</b>	<b>7.637.969</b>	<b>114.724.434</b>	<b>148.301</b>	<b>-</b>	<b>577</b>	<b>-</b>
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	-	-	-	-
<b>12. Current liabilities (9+10+11)</b>	<b>175.727.578</b>	<b>10.061.061</b>	<b>54.028.072</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
13. Financial liabilities (Note 4)	236.107.047	-	83.705.125	-	-	-	-
<b>14. Non-current liabilities (13)</b>	<b>236.107.047</b>	<b>-</b>	<b>83.705.125</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>15. Total liabilities (12+14)</b>	<b>411.834.625</b>	<b>10.061.061</b>	<b>137.733.197</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>16. Net foreign currency asset/ (liability) position (8-15)</b>	<b>(69.985.043)</b>	<b>(2.423.092)</b>	<b>(23.008.763)</b>	<b>148.301</b>	<b>-</b>	<b>577</b>	<b>-</b>
<b>17. Net monetary foreign currency asset/ (liability) position (8-15)</b>	<b>(69.985.043)</b>	<b>(2.423.092)</b>	<b>(23.008.763)</b>	<b>148.301</b>	<b>-</b>	<b>577</b>	<b>-</b>

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2015 (Continued)**

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

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

The import and export amounts of the Company for the periods ended September 30, 2015 and 2014 are as follows:

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Total export amount	<b>692.116.395</b>	<b>273.963.633</b>	719.417.271	247.800.622
Total import amount	<b>629.077.686</b>	<b>224.048.785</b>	539.879.579	189.029.681

The Company is exposed to foreign exchange risk primarily with respect to EUR and USD. The effect of the Company’s EUR and USD foreign currency position as of September 30, 2015 and December 31, 2014 under the assumption of the appreciation and depreciation of TL against other currencies by 10% with all other variables held constant, is as follows:

	<b>30 September 2015</b>			
	<b>Profit/ loss</b>		<b>Shareholders’ equity</b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>
<b>Had TL appreciate/ (depreciate) by 10% against USD</b>				
Profit/ (loss) from USD net asset position	<b>462.289</b>	<b>(462.289)</b>	-	-
Hedged amount against USD risk (-)	-	-	-	-
<b>Net effect of USD</b>	<b>462.289</b>	<b>(462.289)</b>	-	-
<b>Had TL appreciate/ (depreciate) by 10% against EUR</b>				
Profit/ (loss) from EUR net liability position	<b>(6.414.276)</b>	<b>6.414.276</b>	-	-
Hedged amount against EUR risk (-)	-	-	-	-
<b>Net effect of EUR</b>	<b>(6.414.276)</b>	<b>6.414.276</b>	-	-
<b>Had TL appreciate/ (depreciate) by 10% against other</b>				
Profit/ (loss) from other net liability position	<b>(1.580.594)</b>	<b>1.580.594</b>	-	-
Hedged amount against other (-)	-	-	-	-
<b>Net effect of other</b>	<b>(1.580.594)</b>	<b>1.580.594</b>	-	-
<b>Total net effect</b>	<b>(7.532.581)</b>	<b>7.532.581</b>	-	-

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2015 (Continued)**

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

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

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

*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**

	30 September 2015	31 December 2014
Time deposits (Note 3)	240.533.031	259.864.196
Financial liabilities (Note 4)	514.196.682	390.336.142

**Financial instruments with floating interest rate**

	30 September 2015	31 December 2014
Financial liabilities (Note 4)	289.037.299	267.915.396

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**FOR THE INTERIM PERIOD BETWEEN 1 JANUARY-30 JUNE 2015 (Continued)**

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

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

For financial instruments with variable interest rates, if the interest on September 30, 2015 in all currencies was higher/lower by 10 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 9.297 (September 30, 2014: TL 6.445).

b) Credit risk

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

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

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

**NOT 20 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

The Company's maximum exposure to credit risk as of September 30, 2015 and December 31, 2014 is as follows:

	30 September 2015					
		Trade Receivables	Other Receivables	Bank deposits	Derivative instruments	
	Related party	Third party	Related party	Third party		
Net book value of financial assets which are undue and not impaired	174.492.584	427.824.869	-	358.158	247.686.258	-
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	452.221	38.197.016	-	-	-	-
Net book value of impaired assets	-	4.602.687	-	-	-	-
- Due dated (Gross book value)	-	51.314.240	-	-	-	-
- Provision (-)	-	(46.711.553)	-	-	-	-
- Undue (Gross book value)	-	138.559	-	-	-	-
- Provision (-)	-	(138.559)	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
<b>Amount exposed to maximum credit risk (*)</b>	<b>174.944.805</b>	<b>470.624.572</b>	<b>-</b>	<b>358.158</b>	<b>247.686.258</b>	<b>-</b>

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

As of September 30, 2015, the guarantee amount of the maximum exposure to credit risk is TL 514.143.068. Besides, all assets which are due but not impaired and are impaired are guaranteed.



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

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**BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

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

**NOT 20 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

	31 December 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	-	-	-	-	-	-
<b>Amount exposed to maximum credit risk (*)</b>	<b>98.446.054</b>	<b>362.442.800</b>	<b>-</b>	<b>357.419</b>	<b>269.227.427</b>	<b>-</b>

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

As of December 31, 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.

## TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

### EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

**BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

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

#### NOT 20 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

c) Liquidity risk

Liquidity risk is managed by maintaining cash and marketable securities, the availability of funding through an adequate amount of committed credit lines and the ability to close out market positions.

Funding risk of the current and future liabilities is managed by providing sustainability of the access to sufficient high quality creditors and the sustainability of the sufficient cash flows obtained from operating activities. The Company management, in order to ensure continuous liquidity, closely follows up the timely collection of receivables, allocates high intensity focus to prevent any financial burden sourcing from late collections and determines cash and non-cash credit limits to be activated in case of need by the Company.

#### Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital on the basis of the net financial debt/shareholder's equity ratio. Net financial debt calculated as total financial liabilities (including short and long term bank borrowings) less cash and cash equivalents. This ratio is calculated as net financial debt divided by total shareholders' equity.

	30 September 2015	31 December 2014
Cash and cash equivalents (Note 3)	247.691.778	269.229.023
Less: Financial liabilities (Note 4)	(803.233.981)	(658.251.538)
<b>Net financial debt</b>	<b>(555.542.203)</b>	<b>(389.022.515)</b>
Total shareholders' equity	673.367.016	704.862.715
<b>Net financial debt/ shareholders' equity</b>	<b>(0,83)</b>	<b>(0,55)</b>

#### *Fair value of financial assets*

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

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

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

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BETWEEN JANUARY 1 - SEPTEMBER 30, 2015 (Continued)**

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

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**NOT 20 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING  
FROM FINANCIAL INSTRUMENTS (Continued)**

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practical to estimate fair value:

*Financial assets*

The fair values of balances denominated in foreign currencies, which are translated at 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 21 - SUBSEQUENT EVENT**

The decision of dividend payment amounting to TL 100.000.000, taken in the Company's Extraordinary General Assembly dated October 22, 2015 and payment will be done to shareholders in cash in October 30, 2015.

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