

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

**Convenience translation into English of condensed financial statements for the interim period between 1 January – 31 March 2015 (originally issued in Turkish)**

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

**INTERIM STATEMENTS OF FINANCIAL POSITION FOR THE PERIOD ENDED  
AT MARCH 31, 2015**

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

|                                    |    | <b>Current<br/>period<br/>Unaudited<br/>31 March<br/>2015</b> | <b>Prior<br/>period<br/>Audited<br/>31 December<br/>2014</b> |
|------------------------------------|----|---|--|
| <b>ASSETS</b>                      |    |   |  |
| <b>CURRENT ASSETS</b>              |    | <b>1.393.859.486</b>  | 1.319.190.508  |
| Cash and cash equivalents          | 3  | <b>162.234.094</b>  | 269.229.023  |
| Trade receivables:                 |    |   |  |
| - Trade receivables, other parties | 5  | <b>419.519.165</b>  | 362.442.800  |
| - Due from related parties         | 20 | <b>145.109.071</b>  | 98.446.054   |
| Inventories                        | 6  | <b>512.215.274</b>  | 436.283.247  |
| Prepaid expenses                   |    | <b>1.563.454</b>  | 5.032.605  |
| Other current assets               | 9  | <b>153.218.428</b>  | 147.756.779  |
| <b>NON-CURRENT ASSETS</b>          |    | <b>608.155.913</b>  | 594.856.341  |
| Other receivables:                 |    |   |  |
| - Other receivables, other parties |    | <b>357.715</b>  | 357.419  |
| Property, plant and equipment      | 7  | <b>449.686.047</b>  | 454.154.723  |
| Intangible assets                  | 8  | <b>96.430.007</b>   | 93.760.081   |
| Prepaid expenses                   | 10 | <b>1.058.287</b>  | 832.613  |
| Deferred tax assets                | 18 | <b>60.623.857</b>   | 45.751.505   |
| <b>TOTAL ASSETS</b>                |    | <b>2.002.015.399</b>  | 1.914.046.849  |

The financial statements prepared as at and for the period ended March 31, 2015 have been approved by the Board of Directors on April 28, 2015.

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

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

**INTERIM STATEMENTS OF FINANCIAL POSITION FOR THE PERIOD ENDED  
AT MARCH 31, 2015**

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

|  |    | <b>Current<br/>period<br/>Unaudited<br/>31 March<br/>2015</b> | <b>Prior<br/>period<br/>Audited<br/>31 December<br/>2014</b> |
|--|----|---|--|
| <b>LIABILITIES</b>   |    |   |  |
| <b>CURRENT LIABILITIES</b>   |    |   |  |
|  |    | <b>820.497.232</b>  | 737.879.961  |
| Short-term financial liabilities   | 4  | <b>26.411.143</b>   | 121.626.528  |
| Short-term portion of long term financial liabilities                        | 4  | <b>170.830.125</b>  | 94.964.073   |
| Trade payables:  |    |   |  |
| - Trade payables, other parties  | 5  | <b>495.232.955</b>  | 403.905.945  |
| - Due to related parties   | 20 | <b>15.056.684</b>   | 44.766.757   |
| Employee benefit obligations   | 12 | <b>21.871.095</b>   | 16.273.738   |
| Other payables:  |    |   |  |
| - Other payables, other parties  |    | <b>16.108.448</b>   | 11.740.493   |
| Government incentives and aids   |    | <b>3.090.332</b>  | 3.183.083  |
| Deferred income  | 9  | <b>13.943.268</b>   | 11.859.067   |
| Provision for taxation on income   |    | <b>21.721.229</b>   | -  |
| Short-term provisions:   |    |   |  |
| - Short-term provision for employee benefits                                 | 11 | <b>2.376.989</b>  | 1.488.479  |
| - Other short-term provisions  | 11 | <b>33.854.964</b>   | 28.071.798   |
| <b>NON-CURRENT LIABILITIES</b>   |    |   |  |
|  |    | <b>632.543.555</b>  | 471.304.173  |
| Long-term financial liabilities  | 4  | <b>602.951.459</b>  | 441.660.937  |
| Long-term provisions:  |    |   |  |
| - Long-term provision for employee benefits                                  | 11 | <b>7.889.929</b>  | 8.986.321  |
| - Other long-term provisions   | 11 | <b>21.702.167</b>   | 20.656.915   |
| <b>SHAREHOLDERS' EQUITY</b>  |    |   |  |
|  |    | <b>548.974.612</b>  | 704.862.715  |
| <b>Parent's equity</b>   |    |   |  |
| Paid-in share capital  | 13 | <b>53.369.000</b>   | 53.369.000   |
| Adjustments to share capital   | 13 | <b>39.014.356</b>   | 39.014.356   |
| Merger reserve   |    | <b>(5.569.000)</b>  | (5.569.000)  |
| Restricted profit reserves   |    | <b>163.635.422</b>  | 143.902.267  |
| Other comprehensive income/expense not to be reclassified to profit or loss: |    |   |  |
| - Actuarial gain/loss arising from defined benefit plans                     |    | <b>223.965</b>  | 207.195  |
| Retained earnings  |    | <b>254.205.742</b>  | 212.851.625  |
| Net profit for the period  |    | <b>44.095.127</b>   | 261.087.272  |
| <b>TOTAL LIABILITIES</b>   |    | <b>2.002.015.399</b>  | 1.914.046.849  |

Provisions, contingent assets and contingent liabilities 11

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

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

**STATEMENTS OF INTERIM PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME FOR THE PERIOD ENDED AT MARCH 31, 2015**

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

|  |              | <b>Current period<br/>Unaudited</b>  | <b>Prior period<br/>Unaudited</b>    |
|--|--------------|--------------------------------------|--------------------------------------|
|  | <b>Notes</b> | <b>1 January -<br/>31 March 2015</b> | <b>1 January -<br/>31 March 2014</b> |
| Sales  | 14           | <b>693.387.896</b>                   | 595.204.223                          |
| Cost of sales (-)  | 14           | <b>(576.002.022)</b>                 | (470.178.752)                        |
| <b>GROSS PROFIT</b>  |              | <b>117.385.874</b>                   | 125.025.471                          |
| Marketing, selling and distribution expenses (-)                             |              | <b>(37.277.015)</b>                  | (26.404.972)                         |
| General administrative expenses (-)  |              | <b>(12.608.944)</b>                  | (11.553.947)                         |
| Research and development expenses (-)  |              | <b>(2.476.073)</b>                   | (3.674.388)                          |
| Other operating income   | 15           | <b>95.207.563</b>                    | 138.570.022                          |
| Other operating expenses (-)   | 15           | <b>(92.170.381)</b>                  | (142.948.573)                        |
| <b>OPERATING PROFIT</b>  |              | <b>68.061.024</b>                    | 79.013.613                           |
| Income from investment activities  |              | <b>21.438</b>                        | -                                    |
| Expenses from investment activities (-)                                      |              | <b>(1.725)</b>                       | (14.274)                             |
| Financial income   | 16           | <b>16.261.676</b>                    | 18.259.815                           |
| Financial expenses (-)   | 17           | <b>(29.474.165)</b>                  | (17.289.573)                         |
| <b>PROFIT BEFORE TAXATION ON INCOME</b>                                      |              | <b>54.868.248</b>                    | 79.969.581                           |
| Taxation on income (-)   | 18           | <b>(25.649.665)</b>                  | (22.697.866)                         |
| Deferred tax income  | 18           | <b>14.876.544</b>                    | 12.159.672                           |
| <b>NET PROFIT FOR THE PERIOD</b>   |              | <b>44.095.127</b>                    | 69.431.387                           |
| <b>Attributable to:</b>  |              |                                      |                                      |
| Non-controlling interest   |              | -                                    | -                                    |
| Equity holders of the parent   |              | <b>44.095.127</b>                    | 69.431.387                           |
| <b>Other comprehensive income/ (expense)</b>                                 |              |                                      |                                      |
| Other comprehensive income/expense not to be reclassified to profit or loss: |              |                                      |                                      |
| Actuarial loss arising from employee benefits                                |              | <b>20.962</b>                        | 4.000                                |
| Deferred tax effect  |              | <b>(4.192)</b>                       | (800)                                |
| <b>Other comprehensive income after tax</b>                                  |              | <b>16.770</b>                        | 3.200                                |
| <b>TOTAL COMPREHENSIVE INCOME</b>  |              | <b>44.111.897</b>                    | 69.434.587                           |
| Earnings per share (TL)  | 19           | <b>0,0083</b>                        | 0,0130                               |

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

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

**CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE INTERIM PERIOD BETWEEN JANUARY 1 – MARCH 31, 2015**

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

|                            | Other comprehensive income or loss items not to be reclassified to profit or loss |                             |                    | Actuarial gain/(loss) fund arising | Restricted reserves   | Retained earnings  | Net profit for the period | Total shareholders' equity |
|----------------------------|---|-----------------------------|--------------------|------------------------------------|-----------------------|--------------------|---------------------------|----------------------------|
|                            | Paid-in share capital   | Adjustment to share capital | Merger reserve     | from benefit plans                 | allocated from profit |                    |                           |                            |
| <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 | -   | -                           | -                  | 16.770                             | -                     | -                  | 44.095.127                | 44.111.897                 |
| <b>31 March 2015</b>       | <b>53.369.000</b>   | <b>39.014.356</b>           | <b>(5.569.000)</b> | <b>223.965</b>                     | <b>163.635.422</b>    | <b>254.205.742</b> | <b>44.095.127</b>         | <b>548.974.612</b>         |

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

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

**CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE INTERIM PERIOD BETWEEN JANUARY 1 – MARCH 31, 2015**

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

|                                  | Paid-in    | Adjustment | Merger      | Other comprehensive<br>income or loss items<br>not to be reclassified to<br>profit or loss | Restricted  | Retained      | Net profit for | Total         |
|----------------------------------|------------|------------|-------------|--|-------------|---------------|----------------|---------------|
|                                  | share      | to share   | reserve     | Actuarial  | reserves    | earnings      | the period     | shareholders' |
|                                  | capital    | capital    |             | fund arising   | Allocated   |               |                | equity        |
|                                  |            |            |             | from benefit   | from profit |               |                |               |
|                                  |            |            |             | plans  |             |               |                |               |
| 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<br>comprehensive<br>income | -          | -          | -           | 3.200  | -           | -             | 69.431.387     | 69.434.587    |
| 31 March 2014                    | 53.369.000 | 39.014.356 | (5.569.000) | (247.326)  | 143.902.267 | 212.851.625   | 69.431.387     | 512.752.309   |

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

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

**STATEMENTS OF CASH FLOWS  
FOR THE INTERIM PERIOD BETWEEN JANUARY 1 – MARCH 31, 2015**

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

|  |              | <b>Current Period</b> | <b>Prior Period</b>  |
|--|--------------|-----------------------|----------------------|
|  |              | <b>Unaudited</b>      | <b>Unaudited</b>     |
|  | <b>Notes</b> | <b>31 March 2015</b>  | <b>31 March 2014</b> |
| <b>A. Cash flows from operating activities:</b>  |              | <b>(230.721.291)</b>  | <b>(168.778.129)</b> |
| <b>Net profit for the period</b>   |              | <b>44.095.127</b>     | <b>69.431.387</b>    |
| <b>Adjustments to reconcile net income</b>   |              | <b>54.528.874</b>     | <b>32.544.889</b>    |
| Amortization and depreciation  |              | 11.592.306            | 7.199.137            |
| Provision for impairment on inventories  | 6            | 5.600.001             | (1.084.661)          |
| Provision for employee termination benefits  | 11           | 7.324.106             | 1.153.865            |
| Provision for doubtful receivables   | 15           | 861.789               | 4.878.113            |
| Expense accruals   |              | 6.828.418             | 7.110.936            |
| Interest income and expense  | 16, 17       | 8.159.003             | 2.348.924            |
| Tax expense  | 18           | 10.773.121            | 10.538.194           |
| Gain/ loss from sales of property plant and equipment  |              | (19.713)              | 14.274               |
| Foreign exchange change effect   |              | 3.409.843             | 386.107              |
| <b>Changes in working capital:</b>   |              | <b>(122.112.140)</b>  | <b>36.871.664</b>    |
| Change in trade receivables  |              | (55.703.676)          | (58.986.186)         |
| Change in due from related parties   |              | (49.863.563)          | (27.917.739)         |
| Change in inventories  |              | (82.141.171)          | (77.625.312)         |
| Change in other current assets   |              | (5.461.649)           | 872.931              |
| Change in other receivables  |              | (296)                 | (57)                 |
| Change in prepaid expenses   |              | 3.243.477             | (3.929.334)          |
| Change in due to related parties   |              | (29.644.946)          | (4.382.313)          |
| Change in trade payables   |              | 93.013.948            | 134.403.852          |
| Change in deferred income  |              | 1.991.450             | (3.224.831)          |
| Change in other liabilities  |              | 4.367.955             | 60.791.117           |
| Change in short term provision for employee termination benefits   |              | 888.510               | 957.556              |
| Change in payables for employee termination benefits   |              | 5.597.357             | 17.074.868           |
| Employee termination benefits paid   | 11           | (8.399.536)           | (1.162.888)          |
| <b>Net cash provided by operating activities</b>   |              | <b>(23.488.139)</b>   | <b>138.847.940</b>   |
| Dividends paid   | 13           | <b>(200.000.000)</b>  | <b>(300.000.000)</b> |
| Interest paid  |              | <b>(6.260.473)</b>    | <b>(3.152.452)</b>   |
| Interest received  |              | <b>2.955.757</b>      | <b>4.791.125</b>     |
| Tax paid   |              | <b>(3.928.436)</b>    | <b>(9.264.742)</b>   |
| <b>B. Cash flows from investing activities:</b>  |              | <b>(9.773.844)</b>    | <b>(27.401.464)</b>  |
| Proceeds from sales of property, plant and equipment and intangible assets                                   |              | 138.675               | 7.101                |
| Payments for purchases of property, plant and equipment and intangible assets                                |              | (9.912.519)           | (27.293.501)         |
| Proceeds from government grants  |              | -                     | (115.064)            |
| <b>C. Cash flows from financing activities</b>   |              | <b>136.621.093</b>    | <b>190.492.878</b>   |
| Proceeds from bank borrowings  |              | 310.001.466           | 206.571.286          |
| Repayment of bank borrowings   |              | (173.380.373)         | (16.078.408)         |
| <b>Net increase/ (decrease) in cash and cash equivalents before currency translation differences (A+B+C)</b> |              | <b>(103.874.042)</b>  | <b>(5.686.715)</b>   |
| <b>D. Currency translation differences (net)</b>   |              | <b>(3.263.226)</b>    | <b>(899.055)</b>     |
| <b>Net increase/ (decrease) in cash and cash equivalents (A+B+C+D)</b>                                       |              | <b>(107.137.268)</b>  | <b>(6.585.770)</b>   |
| <b>E. Cash and cash equivalents at the beginning of the period</b>   | <b>3</b>     | <b>268.594.918</b>    | <b>208.997.296</b>   |
| <b>Cash and cash equivalents at the end of the period (A+B+C+D+E)</b>  | <b>3</b>     | <b>161.457.650</b>    | <b>202.411.526</b>   |

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



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

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

#### **BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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#### **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, construction 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 March 31, 2015, 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 March 31, 2015 is 2.837 (Permanent: 2.300, temporary: 537) (31 December 2014: 3.040 (Permanent 2.572, temporary 468)).

The Company conducts marketing and selling activities in the domestic market, through its 137 tractor sales dealers, 98 spare part dealers and 25 construction equipment dealers (31 December 2014: 136 tractor sales dealers, 96 spare part dealers, 10 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 March 31, 2015, the free float of the Company whose shares are traded in the Borsa Istanbul (“BIST”) is 24,75% (31 December 2014: 24,77%) (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.

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

## TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

The financial statements for the period ended at March 31, 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.

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 March 31, 2014 is as follows:

- Retirement liability pay interest cost amounting to TL 366.590 previously classified in the cost of sales account group has been classified under financial expenses.

#### 2.3 Changes in TFRS:

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

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

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

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

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

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

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

**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

**Annual Improvements to TAS/TFRSs**

In September 2014, 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 1 July 2014.

**Annual Improvements - 2010–2012 Cycle**

*TFRS 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.

*TFRS 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 TFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

*TFRS 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.

*TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets*

The amendment to TAS 16.35(a) and TAS 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.

*TAS 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.

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

*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.

*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 amendments did not have a significant impact on the interim condensed financial statements 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 interim condensed 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 and February 2015, the new standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. 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.

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 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 11 Acquisition of an Interest in a Joint Operation (Amendment)*

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 (Amendment) – 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.

*TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)*

In February 2015, Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 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
- Using the equity method defined in TAS 28

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

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

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

**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

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 amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

##### *TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)*

In February 2015, amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 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 TFRS 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 amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

In February 2015, amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 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.

##### *TAS 1: Disclosure Initiative (Amendments to TAS 1)*

In February 2015, amendments issued to TAS 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.

#### **Annual Improvements to TFRSs - 2012-2014 Cycle**

In February 2015, POA issued, Annual Improvements to TFRSs 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:

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

## TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

-IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal

-IFRS 7 Financial Instruments: Disclosures – clarification on the assessment of servicing contracts for the continuing involvement of financial assets

-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.

#### **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.

##### *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.

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

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

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

#### **BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

##### **IFRS 9 Financial Instruments - 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.

##### **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.

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



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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

**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.

**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:

|                         | <b>Useful lives</b> |
|-------------------------|---------------------|
| 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.

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

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

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

**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

**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).

**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 15).

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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**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 15).

**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 17). 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 17).

**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.

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

**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.

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 15).

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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**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 19).

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.

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

## TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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#### 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. 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.

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

## TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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#### 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 March 31, 2015.

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 18).

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 18).

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.

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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**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 18).

**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.

**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.

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



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

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

**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

##### **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.

##### **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 impairment 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 6).

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

**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 March 31, 2015 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.

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

**NOTE 3 - CASH AND CASH EQUIVALENTS**

|  | <b>31 March<br/>2015</b> | 31 December<br>2014 |
|--|--------------------------|---------------------|
| Cash   | <b>3.596</b>             | 1.596               |
| Banks:   |                          |                     |
| - TL denominated demand deposits               | <b>10.988.164</b>        | 4.403.897           |
| - TL denominated time deposits                 | <b>10.102.704</b>        | 144.825.231         |
| - Foreign currency denominated demand deposits | <b>2.986.358</b>         | 4.959.334           |
| - Foreign currency denominated time deposits   | <b>138.153.272</b>       | 115.038.965         |
|  | <b>162.234.094</b>       | 269.229.023         |

As of March 31, 2015 the weighted average effective annual interest rates for TL and Euro (“EUR”) time deposits are 9,77% and 1,41% (31 December 2014: TL: %9,58 and Avro: %1,55). As of March 31, 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 March 31, 2015 and December 31, 2014 are as follows:

|                                    | <b>31 March<br/>2015</b> | 31 December<br>2014 |
|------------------------------------|--------------------------|---------------------|
| Cash                               | <b>3.596</b>             | 1.596               |
| Banks                              | <b>162.230.498</b>       | 269.227.427         |
| Less: Interest accruals            | <b>(8.056)</b>           | (556.637)           |
| Less: Restricted bank deposits (*) | <b>(768.388)</b>         | (77.468)            |
| <b>Cash and cash equivalents</b>   | <b>161.457.650</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.**

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 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<br>effective interest rate |          | TL equivalent     |                    |
|---------------------|--------------------------|------------|---|----------|-------------------|--------------------|
|                     | 31                       | 31         | p.a. (%)                                    |          | 31                | 31                 |
|                     | March                    | December   | March                                       | December | March             | December           |
|                     | 2015                     | 2014       | 2015  | 2014     | 2015              | 2014               |
| TL bank borrowings  | 225.334                  | 83.859.778 | -   | 8,30     | 225.334           | 83.859.778         |
| USD bank borrowings | 10.032.108               | 10.032.699 | 1,80  | 1,78     | 26.185.809        | 23.264.826         |
| EUR bank borrowings | -                        | 5.141.250  | -   | 2,92     | -                 | 14.501.924         |
|                     |                          |            |   |          | <b>26.411.143</b> | <b>121.626.528</b> |

**Current portion of long term bank borrowings**

|                     | Original currency<br>amount |            | Weighted average<br>effective interest rate p.a. |          | TL equivalent      |                   |
|---------------------|-----------------------------|------------|--|----------|--------------------|-------------------|
|                     | 31                          | 31         | (%)  |          | 31                 | 31                |
|                     | March                       | December   | March  | December | March              | December          |
|                     | 2015                        | 2014       | 2015   | 2014     | 2015               | 2014              |
| EUR bank borrowings | 36.594.237                  | 26.459.415 | 2,71   | 2,44     | 103.594.625        | 74.634.073        |
| TL bank borrowings  | 67.235.500                  | 20.330.000 | 10,21  | 10,79    | 67.235.500         | 20.330.000        |
|                     |                             |            |  |          | <b>170.830.125</b> | <b>94.964.073</b> |

**b) Long-term financial liabilities**

**Long-term bank borrowings**

|  | Original currency<br>amount |             | Weighted average<br>effective interest rate |          | TL equivalent      |                    |
|--|-----------------------------|-------------|---|----------|--------------------|--------------------|
|  | 31                          | 31          | p.a. (%)                                    |          | 31                 | 31                 |
|  | March                       | December    | March                                       | December | March              | December           |
|  | 2015                        | 2014        | 2015  | 2014     | 2015               | 2014               |
| EUR bank borrowings                              | 74.135.417                  | 83.705.125  | 3,05  | 2,44     | 209.869.951        | 236.107.047        |
| TL bank borrowings                               | 394.737.178                 | 207.328.208 | 10,55                                       | 10,79    | 394.737.178        | 207.328.209        |
|  |                             |             |   |          | <b>604.607.129</b> | <b>443.435.256</b> |
| Prepaid commission for<br>debt(*)                |                             |             |   |          | <b>(1.655.670)</b> | <b>(1.774.319)</b> |
| <b>Total long-term financial<br/>liabilities</b> |                             |             |   |          | <b>602.951.459</b> | <b>441.660.937</b> |

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

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

## TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

**BETWEEN JANUARY 1- MARCH 31, 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 March 31, 2015 and December 31, 2014 are as follows:

| Year | 31 March<br>2015   | 31 December<br>2014 |
|------|--------------------|---------------------|
| 2016 | 154.663.845        | 305.864.380         |
| 2017 | 395.309.343        | 83.009.171          |
| 2018 | 52.978.271         | 52.787.386          |
|      | <b>602.951.459</b> | <b>441.660.937</b>  |

As of March 31, 2015 the Company has long-term investment loans amounting to EUR 75.000.000 and EUR 20.000.000 (31 December 2014: EUR 75.000.000 and EUR 20.000.000). 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 March 31, 2015.

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

|                 | Carrying value     |                     | Fair value         |                     |
|-----------------|--------------------|---------------------|--------------------|---------------------|
|                 | 31 March<br>2015   | 31 December<br>2014 | 31 March<br>2015   | 31 December<br>2014 |
| Bank borrowings | <b>801.848.397</b> | 660.025.857         | <b>795.942.548</b> | 658.251.538         |

As of March 31, 2015, fair values of the loans are determined by using the discounted cash flow method over annual average effective discount rates which is 2,57% for EUR loans, 1,77% for USD loans and 11,41% for TL denominated bank borrowings respectively (31 December 2014: TL: %10,42, USD: %1,78 ve EUR: %2,61).

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

**NOTE 5 - TRADE RECEIVABLES AND PAYABLES**

|   | <b>31 March<br/>2015</b> | 31 December<br>2014 |
|---|--------------------------|---------------------|
| <b>Short-term trade receivables:</b>      |                          |                     |
| Customer current accounts                 | <b>461.759.422</b>       | 402.918.762         |
| Notes receivables                         | <b>1.145.102</b>         | 1.320.755           |
| Protested notes                           | <b>107.064</b>           | 617.225             |
|   | <b>463.011.588</b>       | 404.856.742         |
| Less: Provision for doubtful receivables  | <b>(40.298.796)</b>      | (39.866.049)        |
| Unearned financial income                 | <b>(3.193.627)</b>       | (2.547.893)         |
| <b>Short-term trade receivables</b>       | <b>419.519.165</b>       | 362.442.800         |
| Due from related parties (Note 20)        | <b>145.109.071</b>       | 98.446.054          |
| <b>Total short-term trade receivables</b> | <b>564.628.236</b>       | 460.888.854         |

Movements of the provisions for short term doubtful receivables for the periods ended March 31, 2015 and 2014 are as shown below:

|                                       | <b>2015</b>         | 2014         |
|---------------------------------------|---------------------|--------------|
| <b>January 1</b>                      | <b>(39.866.049)</b> | (42.169.877) |
| Cancelled during the period (Note 15) | <b>429.042</b>      | 180.000      |
| Charge during the period (Note 15)    | <b>(861.789)</b>    | (4.874.755)  |
| <b>March 31</b>                       | <b>(40.298.796)</b> | (46.864.632) |

Movements of the provisions for long term doubtful receivables for the periods ended March 31, 2015 and 2014 are as shown below:

|                                       | <b>2015</b>      | 2014      |
|---------------------------------------|------------------|-----------|
| <b>January 1</b>                      | <b>(139.484)</b> | (139.484) |
| Transfer from long term to short term | <b>139.484</b>   | -         |
| Charge during the period (Note 15)    | -                | (3.358)   |
| <b>March 31</b>                       | -                | (142.842) |

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

|                                    | <b>31 March<br/>2015</b> | 31 December<br>2014 |
|------------------------------------|--------------------------|---------------------|
| <b>Trade payables:</b>             |                          |                     |
| Supplier current accounts          | <b>499.427.649</b>       | 407.771.045         |
| Less: Unincurred financial expense | <b>(4.194.694)</b>       | (3.865.100)         |
| <b>Trade payables</b>              | <b>495.232.955</b>       | 403.905.945         |
| Due to related parties (Note 20)   | <b>15.056.684</b>        | 44.766.757          |
| <b>Total trade payables</b>        | <b>510.289.639</b>       | 448.672.702         |

**NOTE 6 - INVENTORIES**

|   | <b>31 March<br/>2015</b> | 31 December<br>2014 |
|---|--------------------------|---------------------|
| Raw materials                             | <b>218.672.712</b>       | 197.505.879         |
| Work in progress                          | <b>4.527.228</b>         | 3.281.225           |
| Finished goods                            | <b>99.576.968</b>        | 57.969.537          |
| Commercial goods                          | <b>100.273.272</b>       | 77.897.423          |
| Spare parts                               | <b>30.159.882</b>        | 26.636.862          |
| Goods in transit (*)                      | <b>77.564.427</b>        | 85.951.535          |
|   | <b>530.774.489</b>       | 449.242.461         |
| Provision for impairment of inventory (-) | <b>(18.559.215)</b>      | (12.959.214)        |
|   | <b>512.215.274</b>       | 436.283.247         |

The cost of inventories recognised as expense in the current period, amounted to TL 537.326.312 (March 31,2014: TL 480.338.944).

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

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

|   | <b>2015</b>         | 2014         |
|---|---------------------|--------------|
| <b>January 1</b>                                    | <b>(12.959.214)</b> | (11.517.571) |
| Cancelled due to sales of inventory during the year | <b>775.600</b>      | 1.084.661    |
| Charge during the year for impairment of inventory  | <b>(6.375.601)</b>  | -            |
| <b>March 31</b>                                     | <b>(18.559.215)</b> | (10.432.910) |

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 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>31 March 2015</b> | 31 March 2014 |
|------------------|----------------------|---------------|
| Raw materials    | <b>(14.893.105)</b>  | (6.511.024)   |
| Commercial goods | <b>(2.097.278)</b>   | (2.544.396)   |
| Spare parts      | <b>(1.568.832)</b>   | (1.377.490)   |
|                  | <b>(18.559.215)</b>  | (10.432.910)  |

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

|  | <b>January 1,<br/>2015</b> | <b>Additions</b> | <b>Disposals</b> | <b>Transfers</b> | <b>March 31,<br/>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>6.750</b>     | -                | -                | <b>10.138.426</b>         |
| Buildings                              | <b>231.094.581</b>         | <b>1.604.177</b> | -                | -                | <b>232.698.758</b>        |
| Machinery and equipment                | <b>504.823.284</b>         | <b>1.513.133</b> | <b>(207.106)</b> | -                | <b>506.129.311</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>3.871.096</b>          |
| Furniture and fixtures                 | <b>54.885.289</b>          | <b>483.139</b>   | <b>(7.365)</b>   | -                | <b>55.361.063</b>         |
| Construction in progress               | <b>2.281.359</b>           | <b>425.390</b>   | -                | -                | <b>2.706.749</b>          |
|  | <b>847.496.111</b>         | <b>5.217.589</b> | <b>(214.471)</b> | -                | <b>852.499.229</b>        |
| <b><u>Accumulated depreciation</u></b> |                            |                  |                  |                  |                           |
| Land improvements                      | <b>3.772.816</b>           | <b>81.040</b>    | -                | -                | <b>3.853.856</b>          |
| Buildings                              | <b>41.049.056</b>          | <b>1.261.373</b> | -                | -                | <b>42.310.429</b>         |
| Machinery and equipment                | <b>315.748.332</b>         | <b>6.314.004</b> | <b>(91.925)</b>  | -                | <b>321.970.411</b>        |
| Special costs                          | <b>2.694.892</b>           | <b>29.750</b>    | -                | -                | <b>2.724.642</b>          |
| Motor vehicles                         | <b>1.557.280</b>           | <b>159.112</b>   | -                | -                | <b>1.716.392</b>          |
| Furniture and fixtures                 | <b>28.519.012</b>          | <b>1.722.024</b> | <b>(3.584)</b>   | -                | <b>30.237.452</b>         |
|  | <b>393.341.388</b>         | <b>9.567.303</b> | <b>(95.509)</b>  | -                | <b>402.813.182</b>        |
| <b>Net book value</b>                  | <b>454.154.723</b>         |                  |                  |                  | <b>449.686.047</b>        |

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



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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

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

For the period ended at March 31, 2015, of the total depreciation expense amounting to TL 9.567.303 (March 31, 2014: TL 5.341.538), TL 7.223.479 (March 31, 2014: TL 3.652.075) is allocated to production costs, TL 1.147.787 (March 31, 2014: TL 830.922) is allocated to general administrative expenses, TL 710.449 (March 31, 2014: TL 626.111) is allocated to research and development expenses and TL 485.588 (March 31, 2014: TL 232.430) is allocated to marketing, selling and distribution expenses. The depreciation expense amounting to TL 718.169 (March 31, 2014: TL 412.009) is capitalized during the period as it is related to the development costs.

The Company has not capitalized financial costs arose from foreign exchange denominated borrowings on construction in progress as of March 31, 2015 (March 31, 2014: TL 4.504.994).

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

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

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

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

**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

**NOTE 8 - INTANGIBLE ASSETS**

|  | January 1,<br>2015 | Additions        | Disposals        | Transfers | March 31,<br>2015  |
|--|--------------------|------------------|------------------|-----------|--------------------|
| <b><u>Cost</u></b>                     |                    |                  |                  |           |                    |
| Rights                                 | 13.633.435         | 549.304          | -                | -         | 14.182.739         |
| Development costs                      | 51.732.049         | -                | -                | 601.362   | 52.333.411         |
| Development costs<br>in progress       | 59.344.378         | 4.863.794        | -                | (601.362) | 63.606.810         |
|  | <b>124.709.862</b> | <b>5.413.098</b> | -                | -         | <b>130.122.960</b> |
| <b><u>Accumulated amortisation</u></b> |                    |                  |                  |           |                    |
| Rights                                 | 8.315.558          | 494.179          | -                | -         | 8.809.737          |
| Development costs                      | 22.634.223         | 2.248.993        | -                | -         | 24.883.216         |
|  | <b>30.949.781</b>  | <b>2.743.172</b> | -                | -         | <b>33.692.953</b>  |
| <b>Net book value</b>                  | <b>93.760.081</b>  |                  |                  |           | <b>96.430.007</b>  |
|  | January 1,<br>2014 | Additions        | Disposals        | Transfers | March 31,<br>2014  |
| <b><u>Cost</u></b>                     |                    |                  |                  |           |                    |
| Rights                                 | 10.940.879         | 175.446          | (170.292)        | -         | 10.946.033         |
| Development costs                      | 37.265.628         | -                | -                | -         | 37.265.628         |
| Development costs<br>in progress       | 50.243.240         | 7.076.000        | -                | -         | 57.319.240         |
|  | <b>98.449.747</b>  | <b>7.251.446</b> | <b>(170.292)</b> | -         | <b>105.530.901</b> |
| <b><u>Accumulated amortisation</u></b> |                    |                  |                  |           |                    |
| Rights                                 | 6.436.499          | 438.231          | -                | -         | 6.874.730          |
| Development costs                      | 14.717.042         | 1.831.377        | -                | -         | 16.548.419         |
|  | <b>21.153.541</b>  | <b>2.269.608</b> | -                | -         | <b>23.423.149</b>  |
| <b>Net book value</b>                  | <b>77.296.206</b>  |                  |                  |           | <b>82.107.752</b>  |

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

For the period ended at March 31, 2015, of the total amortisation expenses amounting to TL 2.743.172 (March 31, 2014: TL 2.269.608 TL), TL 373.114 (March 31, 2014: TL 299.624) is allocated to production costs, TL 59.286 (March 31, 2014: TL 68.171) is allocated to general administrative expenses, TL 2.285.690 (March 31, 2014: TL 1.882.745) is allocated to research and development expenses and TL 25.082 (March 31, 2014: TL 19.068) is allocated to marketing, selling and distribution expenses.

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

**NOTE 9 - OTHER ASSETS AND LIABILITIES**

|                                     | <b>31 March<br/>2015</b> | 31 December<br>2014 |
|-------------------------------------|--------------------------|---------------------|
| <b>a) Other current assets:</b>     |                          |                     |
| Deferred value added tax ("VAT")    | <b>90.656.660</b>        | 72.988.039          |
| Reclaimed VAT                       | <b>62.444.701</b>        | 71.660.884          |
| Assets related to prepaid tax       | -                        | 2.796.797           |
| Other                               | <b>117.067</b>           | 311.059             |
|                                     | <b>153.218.428</b>       | 147.756.779         |
| <b>b) Deferred income:</b>          |                          |                     |
| Deferred income (*)                 | <b>13.267.991</b>        | 9.311.734           |
| Advances received                   | <b>675.277</b>           | 2.547.333           |
| <b>Other short-term liabilities</b> | <b>13.943.268</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 March 31, 2015 and December 31, 2014.

**NOTE 10 - PREPAID EXPENSES**

**Long-term prepaid expenses**

|                                   | <b>31 March<br/>2015</b> | 31 December<br>2014 |
|-----------------------------------|--------------------------|---------------------|
| Advances given for fixed assets   | <b>1.058.287</b>         | 832.613             |
| <b>Long-term prepaid expenses</b> | <b>1.058.287</b>         | 832.613             |

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

**a) Short term provisions**

**Short term provision for employee benefits**

|                               | <b>31 March<br/>2015</b> | 31 December<br>2014 |
|-------------------------------|--------------------------|---------------------|
| Provision for unused vacation | <b>2.376.989</b>         | 1.488.479           |
|                               | <b>2.376.989</b>         | 1.488.479           |

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

|                                  | <b>2015</b>      | 2014      |
|----------------------------------|------------------|-----------|
| <b>January 1</b>                 | <b>1.488.479</b> | 979.368   |
| Charge/ (used) for the year, net | <b>888.510</b>   | 957.556   |
| <b>March 31</b>                  | <b>2.376.989</b> | 1.936.924 |

**Other short term provisions**

|                               | <b>31 March<br/>2015</b> | 31 December<br>2014 |
|-------------------------------|--------------------------|---------------------|
| Warranty provision            | <b>23.051.189</b>        | 20.609.316          |
| Provision for legal cases (*) | <b>7.878.506</b>         | 7.343.170           |
| Other provisions              | <b>2.925.269</b>         | 119.312             |
|                               | <b>33.854.964</b>        | 28.071.798          |

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

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

|                               | <b>2015</b>      | 2014      |
|-------------------------------|------------------|-----------|
| <b>January 1</b>              | <b>7.343.170</b> | 4.097.031 |
| Charge for the year (Note 15) | <b>535.336</b>   | 197.732   |
| <b>March 31</b>               | <b>7.878.506</b> | 4.294.763 |

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

**b) Long term provisions**

**Long term provision for employee benefits**

|   | <b>31 March<br/>2015</b> | 31 December<br>2014 |
|---|--------------------------|---------------------|
| Provision for employee termination benefits | <b>7.889.929</b>         | 8.986.321           |
|   | <b>7.889.929</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 3.541,37 for each year of service as of March 31, 2015 (December 31, 2014: TL 3.438,22).

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>31 March<br/>2015</b> | 31 December<br>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>92,86</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. The maximum amount of TL 3.541,37 which is effective from April 1, 2015 has been taken into consideration in calculating the provision for employee termination benefits of the Company.

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

(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:

|                           | 2015               | 2014        |
|---------------------------|--------------------|-------------|
| <b>January 1</b>          | <b>8.986.321</b>   | 15.435.367  |
| Interest cost             | <b>183.321</b>     | 366.590     |
| Current year service cost | <b>7.140.785</b>   | 787.275     |
| Paid in the year          | <b>(8.399.536)</b> | (1.162.888) |
| Actuarial gain            | <b>(20.962)</b>    | (4.000)     |
| <b>March 31</b>           | <b>7.889.929</b>   | 15.422.344  |

Sensitivity analysis of key assumptions used for termination benefits calculations as at March 31, 2015 are as follows:

| Sensitivity level                     | Net Discount Rate       |                         | Turnover related to the probability of retirement |                           |
|---------------------------------------|-------------------------|-------------------------|---|---------------------------|
|                                       | %0,5 decrease<br>(%3,0) | %0,5 increase<br>(%4,0) | %0,5 decrease<br>(%92,36)                         | %0,5 increase<br>(%93,36) |
| Rate                                  |                         |                         |   |                           |
| Change in employee benefits liability | 509.340                 | (468.779)               | (522.777)   | 567.290                   |

**Other long term provisions**

|                    | 31 March<br>2015  | 31 December<br>2014 |
|--------------------|-------------------|---------------------|
| Warranty provision | <b>21.702.167</b> | 20.656.915          |
|                    | <b>21.702.167</b> | 20.656.915          |

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

|                        | 2015               | 2014        |
|------------------------|--------------------|-------------|
| <b>January 1</b>       | <b>41.266.231</b>  | 33.069.517  |
| Used during the period | <b>(8.754.418)</b> | (7.449.047) |
| Charge for the period  | <b>12.241.543</b>  | 9.290.784   |
| <b>March 31</b>        | <b>44.753.356</b>  | 34.911.254  |

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

(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 March 31, 2015 and December 31, 2014 the Company's guarantee/pledge/mortgage positions are as follows:

|   | <b>31 March<br/>2015</b> | 31 December<br>2014 |
|---|--------------------------|---------------------|
| A. The total amount of collaterals given on behalf of its own legal entity  | <b>11.146.065</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>11.146.065</b>        | 101.091.071         |

As at March 31, 2015, 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 34.104 (December 31, 2014: EUR 2.676.108 and USD 38.860.836).

**d) Contingent assets**

|                                | <b>Foreign currency amount</b> |                |                    |                  |         |             | <b>TL equivalent</b>     |                     |
|--------------------------------|--------------------------------|----------------|--------------------|------------------|---------|-------------|--------------------------|---------------------|
|                                | <b>31 March 2015</b>           |                |                    | 31 December 2014 |         |             | <b>31 March<br/>2015</b> | 31 December<br>2014 |
|                                | <b>EUR</b>                     | <b>USD</b>     | <b>TL</b>          | EUR              | USD     | TL          |                          |                     |
| Letters of guarantees received | <b>259.325</b>                 | <b>270.000</b> | <b>387.305.133</b> | 73.530           | 270.000 | 381.193.800 | <b>388.744.011</b>       | 382.027.310         |
| Direct debit                   | -                              | -              | <b>302.940.381</b> | -                | -       | 295.670.892 | <b>302.940.381</b>       | 295.670.892         |
| Mortgages                      | -                              | -              | <b>788.714</b>     | -                | -       | 788.714     | <b>788.714</b>           | 788.714             |
| Security bonds                 | -                              | -              | <b>2.500.000</b>   | -                | -       | 2.500.000   | <b>2.500.000</b>         | 2.500.000           |
| Cash TL guarantees             | -                              | -              | -                  | -                | -       | 177.530     | -                        | 177.530             |
|                                |                                |                |                    |                  |         |             | <b>694.973.106</b>       | 681.164.446         |

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

## TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

#### NOTE 12 - PROVISION FOR EMPLOYEE BENEFITS

##### Liabilities for employee benefits

|   | 31 March<br>2015  | 31 December<br>2014 |
|---|-------------------|---------------------|
| Taxes payable and liabilities (*)             | 10.377.808        | 10.330.249          |
| Accrued premiums and liabilities to personnel | 11.493.287        | 5.943.489           |
|   | <b>21.871.095</b> | 16.273.738          |

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

#### NOTE 13 - 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 March 31, 2015 and December 31, 2014 are as follows:

|                                     | 31<br>March<br>2015                             | 31<br>December<br>2014                          |
|-------------------------------------|---|---|
|                                     | Share<br>Participation<br>(%)<br>Amount<br>(TL) | Share<br>Participation<br>(%)<br>Amount<br>(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            | 24,95 13.315.616                                | 24,93 13.306.859                                |
| Other                               | 0,05 26.634                                     | 0,07 35.391                                     |
|                                     | <b>100,00 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.

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



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

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

**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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**NOTE 13 - SHAREHOLDERS' EQUITY (Continued)**

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 March 2015, 24,75% (31 December 2014: 24,77%) of the Company shares are quoted at BIST.

**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 arising due to implementing the communiqué (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.

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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**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.

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL  
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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

(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 100.543.201 and retained earnings amounting to TL 247.164.794 for the period ended March 31, 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 11.211.253 if dividend distribution is made.

The decision of dividend payment amounting to TL 200.000.000 was taken in the Company's 61th General Assembly dated March 18, 2015 and payment has been made to shareholders in cash on March 25, 2015 (Note 20). Dividend payment distribution has been 3,75 Kr per share (31 December 2014: 5,62 Kr).

**NOTE 14 - SALES AND COST OF SALES**

|                             | <b>January 1-<br/>March 31, 2015</b> | January 1-<br>March 31, 2014 |
|-----------------------------|--------------------------------------|------------------------------|
| Domestic sales              | <b>550.241.351</b>                   | 428.957.918                  |
| Export sales                | <b>216.913.533</b>                   | 212.487.651                  |
| <b>Sales income (gross)</b> | <b>767.154.884</b>                   | 641.445.569                  |
| Less: Discounts and returns | <b>(73.766.988)</b>                  | (46.241.346)                 |
| <b>Sales income (net)</b>   | <b>693.387.896</b>                   | 595.204.223                  |
| Cost of sales               | <b>(576.002.022)</b>                 | (470.178.752)                |
| <b>Gross profit</b>         | <b>117.385.874</b>                   | 125.025.471                  |

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

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

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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

|  | January 1-<br>March 31, 2015 | January 1-<br>March 31, 2014 |
|--|------------------------------|------------------------------|
| Foreign exchange gain from<br>trade receivables and payables   | <b>87.889.537</b>            | 124.403.699                  |
| Financial income from credit sales                             | <b>5.301.616</b>             | 12.979.061                   |
| Termination of provision for<br>doubtful receivables (Note 5)  | <b>429.042</b>               | 180.000                      |
| Incentive income   | <b>92.752</b>                | 115.062                      |
| Other income   | <b>1.494.616</b>             | 892.200                      |
| <b>Other operating income</b>                                  | <b>95.207.563</b>            | 138.570.022                  |
| Foreign exchange losses from<br>trade receivables and payables | <b>(85.684.919)</b>          | (126.721.364)                |
| Financial expense on credit purchases                          | <b>(5.023.862)</b>           | (11.114.845)                 |
| Provision for doubtful receivables (Note 5)                    | <b>(861.789)</b>             | (4.878.113)                  |
| Provision for legal cases (Note 11)                            | <b>(535.336)</b>             | (197.732)                    |
| Other expenses   | <b>(64.475)</b>              | (36.519)                     |
| <b>Other operating expenses</b>                                | <b>(92.170.381)</b>          | (142.948.573)                |

**NOTE 16 - FINANCIAL INCOME**

|                          | January 1-<br>March 31, 2015 | January 1-<br>March 31, 2014 |
|--------------------------|------------------------------|------------------------------|
| Foreign exchange gain(*) | <b>13.854.500</b>            | 13.476.202                   |
| Interest income          | <b>2.407.176</b>             | 4.783.613                    |
| <b>Financial income</b>  | <b>16.261.676</b>            | 18.259.815                   |

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

**NOTE 17 – FINANCIAL EXPENSE**

|                                      | January 1-<br>March 31, 2015 | January 1-<br>March 31, 2014 |
|--------------------------------------|------------------------------|------------------------------|
| Foreign exchange losses (*)          | <b>(18.177.746)</b>          | (9.145.386)                  |
| Interest expenses of bank borrowings | <b>(10.566.179)</b>          | (7.132.537)                  |
| Other                                | <b>(730.240)</b>             | (1.011.650)                  |
| <b>Financial expenses</b>            | <b>(29.474.165)</b>          | (17.289.573)                 |

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

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**NOTE 18 - TAX ASSETS AND LIABILITIES**

|   | <b>31 March<br/>2015</b>             | <b>31 December<br/>2014</b>  |
|---|--------------------------------------|------------------------------|
| Corporate taxes payable                 | <b>25.649.665</b>                    | 41.682.033                   |
| Less: Prepaid taxes                     | <b>(3.928.436)</b>                   | (44.478.830)                 |
| <b>(Tax asset)/ tax liability - net</b> | <b>21.721.229</b>                    | (2.796.797)                  |
|   | <b>January 1-<br/>March 31, 2015</b> | January 1-<br>March 31, 2014 |
| Current period corporate tax expense    | <b>(25.649.665)</b>                  | (22.697.866)                 |
| Deferred tax income                     | <b>14.876.544</b>                    | 12.159.672                   |
| <b>Tax expense</b>                      | <b>(10.773.121)</b>                  | (10.538.194)                 |

Corporation tax is payable, at a rate of 20% as of 2015 (31 December 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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(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

**NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)**

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

|  | Temporary differences |                     | Deferred tax assets/<br>(liabilities) |                     |
|--|-----------------------|---------------------|---------------------------------------|---------------------|
|  | 31 March<br>2015      | 31 December<br>2014 | 31 March<br>2015                      | 31 December<br>2014 |
| Property, plant and equipment and intangible assets, restatement and useful life differences | <b>53.514.297</b>     | 48.938.089          | <b>(10.702.859)</b>                   | (9.787.618)         |
| Unearned finance income on due from related parties  | <b>(15.981)</b>       | (5.696)             | <b>3.196</b>                          | 1.139               |
| Provision for employee termination benefits  | <b>(7.889.929)</b>    | (8.986.321)         | <b>1.577.986</b>                      | 1.797.264           |
| Warranty provision   | <b>(44.753.356)</b>   | (41.266.231)        | <b>8.950.671</b>                      | 8.253.246           |
| Provision for lawsuits   | <b>(7.878.506)</b>    | (7.343.170)         | <b>1.575.701</b>                      | 1.468.634           |
| Unearned finance income on trade receivables and payables                                    | <b>799.359</b>        | 1.078.777           | <b>(159.872)</b>                      | (215.755)           |
| Provision for doubtful receivables   | <b>(1.762.663)</b>    | (2.191.705)         | <b>352.533</b>                        | 438.341             |
| Provision for impairment of inventory  | <b>(18.559.215)</b>   | (12.959.214)        | <b>3.711.843</b>                      | 2.591.843           |
| Sales premium accrued  | <b>(58.683.905)</b>   | (13.443.441)        | <b>11.736.781</b>                     | 2.688.688           |
| Other expense provisions   | <b>(31.041.416)</b>   | 134.335             | <b>6.208.283</b>                      | (26.867)            |
| Investment incentive tax assets  | -                     | -                   | <b>36.794.678</b>                     | 36.794.678          |
| Deferred income  | <b>12.291</b>         | (4.552.091)         | <b>(2.458)</b>                        | 910.418             |
| Other  | <b>(2.886.862)</b>    | (4.187.470)         | <b>577.374</b>                        | 837.494             |
| <b>Deferred tax assets</b>   |                       |                     | <b>60.623.857</b>                     | 45.751.505          |

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

|  | 2015              | 2014       |
|--|-------------------|------------|
| <b>January 1</b>                                   | <b>45.751.505</b> | 36.543.529 |
| Reflected to profit for the period                 | <b>14.876.544</b> | 12.159.672 |
| Reflected to other comprehensive income/ (expense) | <b>(4.192)</b>    | (800)      |
| <b>March 31</b>                                    | <b>60.623.857</b> | 48.702.401 |

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

|                                     | January 1 –<br>March 31<br>2015 | January 1 –<br>March 31<br>2014 |
|-------------------------------------|---------------------------------|---------------------------------|
| <b>Profit before tax</b>            | <b>54.868.248</b>               | 79.969.581                      |
| Tax calculated at enacted tax rate  | <b>10.973.650</b>               | 15.993.916                      |
| Investment incentives               | -                               | (4.826.548)                     |
| Research and development incentives | <b>(972.759)</b>                | (821.159)                       |
| Disallowable expenses               | <b>172.445</b>                  | 177.837                         |
| Other                               | <b>599.785</b>                  | 14.148                          |
| <b>Total tax charge</b>             | <b>10.773.121</b>               | 10.538.194                      |

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

## TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

#### NOTE 19 - EARNINGS PER SHARE

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

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

Basic earnings per share 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.

|  | <b>January 1-<br/>March 31, 2015</b> | January 1-<br>March 31, 2014 |
|--|--------------------------------------|------------------------------|
| Net profit for the period                                  | <b>44.095.127</b>                    | 69.431.387                   |
| Weighted average number of the<br>ordinary shares          | <b>5.336.900.000</b>                 | 5.336.900.000                |
| Earnings per share<br>(1 Kr nominal value per share as TL) | <b>0,0083</b>                        | 0,0130                       |

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

#### NOTE 20 - RELATED PARTY EXPLANATIONS

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

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

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

|   | <b>31 March<br/>2015</b> | 31 December<br>2014 |
|---|--------------------------|---------------------|
| <b>a) Bank deposits and borrowings</b>    |                          |                     |
| <b>Deposits with related parties:</b>     |                          |                     |
| Yapı ve Kredi Bankası A.Ş. (“Yapı Kredi”) | <b>7.411.911</b>         | 2.470.743           |
|   | <b>7.411.911</b>         | 2.470.743           |

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

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

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

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

|  | <b>31 March<br/>2015</b> | 31 December<br>2014 |
|--|--------------------------|---------------------|
| <b>Borrowings from related parties:</b>          |                          |                     |
| Yapı Kredi                                       | <b>40.072.667</b>        | 40.072.667          |
|  | <b>40.072.667</b>        | 40.072.667          |
|  | <b>31 March<br/>2015</b> | 31 December<br>2014 |
| <b>b) Due from related parties</b>               |                          |                     |
| <b>Due from group companies</b>                  |                          |                     |
| CNHI International SA (“CNHI International”) (*) | <b>137.685.143</b>       | 91.430.770          |
| CNHI Italy SPA (“CNHI Italy”)                    | <b>3.032.868</b>         | 4.300.148           |
| Setur Servis Turistik A.Ş. (“Setur”)             | <b>1.376.613</b>         | -                   |
| CNHI Latin America Ltda.                         | <b>1.005.611</b>         | 1.432.319           |
| CNHI Argentina SA (“CNHI Argentina”)             | <b>796.985</b>           | 494.268             |
| Zer Merkezi Hizmetler ve Ticaret A.Ş. (“Zer”)    | <b>777.526</b>           | -                   |
| Other  | <b>450.306</b>           | 794.245             |
|  | <b>145.125.052</b>       | 98.451.750          |
| Less: Unearned financial income                  | <b>(15.981)</b>          | (5.696)             |
|  | <b>145.109.071</b>       | 98.446.054          |

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

|   | <b>31 March<br/>2015</b> | 31 December<br>2014 |
|---|--------------------------|---------------------|
| <b>c) Due to related parties</b>                            |                          |                     |
| Koç Holding   | <b>823.914</b>           | 3.711.509           |
| <b>Trade payable to shareholders</b>                        | <b>823.914</b>           | 3.711.509           |
| Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. (“Opet Fuchs”) | <b>9.826.426</b>         | 8.081.328           |
| New Holland Fiat India Pvt. Ltd. (“New Holland India”)      | <b>1.803.742</b>         | 4.177.625           |
| Ark İnşaat Sanayi ve Ticaret A.Ş.                           | <b>1.019.962</b>         | 6.498.031           |
| Ram Sigorta Aracılık Hizmetleri A.Ş.                        | <b>808.097</b>           | 234.863             |
| Koçtaş Yapı Marketleri A.Ş. (“Koçtaş”)                      | <b>249.053</b>           | 1.153.621           |
| Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (“Koç Sistem”) | <b>204.065</b>           | 2.373.805           |
| Otokoç Otomotiv San. ve Tic. A.Ş. (“Otokoç”)                | <b>67.632</b>            | 510.667             |
| Arçelik A.Ş.  | <b>16.133</b>            | 2.201.521           |
| Opet Petrolcülük A.Ş. (“Opet”)                              | <b>8.935</b>             | 171.238             |
| Zer   | -                        | 12.100.893          |
| Eltek Elektrik İth. İhracat ve Toptan Tic. A.Ş. (“Eltek”)   | -                        | 1.680.858           |
| Setur   | -                        | 1.035.020           |
| Otokar Otomotiv ve Savunma Sanayi A.Ş. (“Otokar”)           | -                        | 7.312               |
| Other   | <b>366.295</b>           | 1.143.627           |
| <b>Due to group companies</b>                               | <b>14.370.340</b>        | 41.370.409          |
| Less: Unearned financial expenses                           | <b>(137.570)</b>         | (315.161)           |
|   | <b>15.056.684</b>        | 44.766.757          |

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

**ii) Significant sales and purchases transactions with related parties for the periods between  
January 1 – March 31, 2015 and 2014:**

**a) Product sales to related parties**

|   | <b>January 1-<br/>March 31, 2015</b> | January 1-<br>March 31, 2014 |
|---|--------------------------------------|------------------------------|
| <b>Product sales to group companies</b> |                                      |                              |
| CNHI International (*)                  | <b>214.058.239</b>                   | 203.433.702                  |
| CNHI Italy                              | <b>1.288.402</b>                     | 3.565.101                    |
| CNHI Argentina SA                       | <b>760.376</b>                       | 3.527.452                    |
| CNHI Latin America Ltda.                | <b>890.281</b>                       | 1.701.514                    |
| Other                                   | <b>180.476</b>                       | 299.817                      |
|   | <b>217.177.774</b>                   | 212.527.586                  |

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

**b) Service sales to related companies**

|   | <b>January 1-<br/>March 31, 2015</b> | January 1-<br>March 31, 2014 |
|---|--------------------------------------|------------------------------|
| <b>Service sales to group companies</b> |                                      |                              |
| CNHI Italy(1)                           | <b>501.539</b>                       | 1.116.402                    |
| CNHI International (2)                  | <b>127.831</b>                       | 65.196                       |
| Other                                   | <b>138.449</b>                       | 20.967                       |
|   | <b>767.819</b>                       | 1.202.565                    |

(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**

|  | <b>January 1-<br/>March 31, 2015</b> | January 1-<br>March 31, 2014 |
|--|--------------------------------------|------------------------------|
| <b>Other income from group companies</b> |                                      |                              |
| CNHI International                       | <b>753.971</b>                       | -                            |

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

**c) Product purchases from related parties**

|  | <b>January 1-<br/>March 31, 2015</b> | <b>January 1-<br/>March 31, 2014</b> |
|--|--------------------------------------|--------------------------------------|
| <b>Product purchases from group companies</b>                      |                                      |                                      |
| CNHI International (1)   | <b>63.944.111</b>                    | 54.084.449                           |
| Opet Fuchs (2)   | <b>10.068.279</b>                    | 11.938.230                           |
| New Holland India (3)  | <b>5.827.060</b>                     | 9.433.236                            |
| Zer  | <b>1.763.159</b>                     | 1.326.491                            |
| Akpa Dayanıklı Tüketim LPG ve Akaryakıt<br>Ürünleri Pazarlama A.Ş. | <b>876.708</b>                       | 857.465                              |
| Opet (2)   | <b>330.712</b>                       | 242.374                              |
| Other  | <b>717.881</b>                       | 917.183                              |
|  | <b>83.527.910</b>                    | 78.799.428                           |

(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.

**d) Service purchases from related parties**

|  | <b>January 1-<br/>March 31, 2015</b> | <b>January 1-<br/>March 31, 2014</b> |
|--|--------------------------------------|--------------------------------------|
| <b>Service purchases from shareholders</b>   |                                      |                                      |
| Koç Holding (3)                              | <b>1.236.750</b>                     | 750.020                              |
|  | <b>1.236.750</b>                     | 750.020                              |
| <b>Service purchase from group companies</b> |                                      |                                      |
| Zer (2)                                      | <b>9.513.368</b>                     | 10.147.526                           |
| Eltek (8)                                    | <b>2.292.920</b>                     | 1.403.514                            |
| Setur (6)                                    | <b>2.188.591</b>                     | 1.806.256                            |
| Ark İnşaat San. ve Tic. A.Ş. (1)             | <b>1.508.101</b>                     | 16.522.227                           |
| Ram Sigorta Aracılık Hizmetleri A.Ş. (7)     | <b>1.479.154</b>                     | 842.306                              |
| CNHI International (4)                       | <b>1.386.750</b>                     | 6.017.178                            |
| Koç Sistem                                   | <b>854.082</b>                       | 1.882                                |
| Otokoç                                       | <b>356.835</b>                       | 413.322                              |
| Otokar (5)                                   | -                                    | 1.932.374                            |
| Diğer  | <b>276.715</b>                       | 210.990                              |
|  | <b>19.856.516</b>                    | 39.297.575                           |
|  | <b>21.093.266</b>                    | 40.047.595                           |

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

- (1) Services purchased from Ark İnşaat San. ve Tic. A.Ş. is related to services taken for construction of assembly factory in Sakarya.
- (2) Services purchased from Zer are related with security, cleaning, transportation and other services
- (3) Services purchased from Koç Holding is related with human resources, strategy development, consulting and brokerage.
- (4) 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 Aracılık Hizmetleri A.Ş. is related interim period include premium amounts paid and accrued ended on 31 March 2015.
- (8) Services purchased from Eltek related to electricity.

**iii) Financial income and expenses arising from transactions with related parties for the periods between January 1 – March 31, 2015 and 2014:**

**Financial income and expense from group companies**

|   | <b>January 1-<br/>March 31, 2015</b> | January 1-<br>March 31, 2014 |
|---|--------------------------------------|------------------------------|
| <b>Interest income</b>                        |                                      |                              |
| Yapı Kredi                                    | <b>721.743</b>                       | 815.728                      |
|   | <b>January 1-<br/>March 31, 2015</b> | January 1-<br>March 31, 2014 |
| <b>Interest expense</b>                       |                                      |                              |
| Yapı Kredi                                    | <b>(1.090.000)</b>                   | (672.000)                    |
| <b>iv) Dividends paid to related parties:</b> |                                      |                              |
|   | <b>January 1-<br/>March 31, 2015</b> | January 1-<br>March 31, 2014 |
| Koç Holding                                   | <b>75.000.000</b>                    | 112.500.000                  |
| CNHI Osterreich                               | <b>75.000.000</b>                    | 112.500.000                  |
| Public quotation                              | <b>49.901.545</b>                    | 74.801.056                   |
| Other   | <b>98.455</b>                        | 198.944                      |
|   | <b>200.000.000</b>                   | 300.000.000                  |

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

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**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

- v) **Other transactions with related parties for the periods between January 1 – March 31, 2015 and 2014:**

|  | <b>January 1-<br/>March 31, 2015</b> | January 1-<br>March 31, 2014 |
|--|--------------------------------------|------------------------------|
| Remuneration of key management personnel (*) | <b>1.264.505</b>                     | 1.179.221                    |

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

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

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

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

- a) **Market Risk**

*Foreign currency risk*

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

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.****SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

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

|   | 31 March 2015       |                    |                    |               |              |            |                   |
|---|---------------------|--------------------|--------------------|---------------|--------------|------------|-------------------|
|   | TL<br>Equivalent    | USD                | EUR                | GBP           | DKK          | CHF        | YEN               |
| 1.Trade receivables   | 179.024.417         | 936.968            | 62.375.479         | -             | -            | -          | -                 |
| 2. Monetary financial assets (including banks accounts) (Note 3)            | 141.139.630         | 48.156             | 49.796.356         | 10.901        | 5.054        | 525        | -                 |
| 3.Other   | 74.896.667          | 49.479             | 25.829.214         | -             | -            | -          | 75.727.189        |
| <b>4. Current assets (1+2+3)</b>  | <b>395.060.714</b>  | <b>1.034.603</b>   | <b>138.001.049</b> | <b>10.901</b> | <b>5.054</b> | <b>525</b> | <b>75.727.189</b> |
| 5. Trade receivables  | -                   | -                  | -                  | -             | -            | -          | -                 |
| 6. Other  | 2.660               | 1.019              | -                  | -             | -            | -          | -                 |
| <b>7. Non-current assets (5+6)</b>  | <b>2.660</b>        | <b>1.019</b>       | <b>-</b>           | <b>-</b>      | <b>-</b>     | <b>-</b>   | <b>-</b>          |
| <b>8. Total assets (4+7)</b>  | <b>395.063.374</b>  | <b>1.035.622</b>   | <b>138.001.049</b> | <b>10.901</b> | <b>5.054</b> | <b>525</b> | <b>75.727.189</b> |
| 9. Trade payables   | 83.648.442          | -                  | 29.516.483         | -             | -            | -          | 4.147.171         |
| 10.Financial liabilities (Note 4)   | 129.780.434         | 10.032.108         | 36.594.237         | -             | -            | -          | -                 |
| 11.Other monetary liabilities   | 14.078.504          | 214.666            | 4.775.224          | -             | -            | -          | -                 |
| <b>12.Current liabilities (9+10+11)</b>                                     | <b>227.507.380</b>  | <b>10.246.774</b>  | <b>70.885.944</b>  | <b>-</b>      | <b>-</b>     | <b>-</b>   | <b>4.147.171</b>  |
| 13.Financial liabilities (Note 4)   | 209.869.951         | -                  | 74.135.417         | -             | -            | -          | -                 |
| <b>14. Non-current liabilities (13)</b>                                     | <b>209.869.951</b>  | <b>-</b>           | <b>74.135.417</b>  | <b>-</b>      | <b>-</b>     | <b>-</b>   | <b>-</b>          |
| <b>15.Total liabilities (12+14)</b>   | <b>437.377.331</b>  | <b>10.246.774</b>  | <b>145.021.361</b> | <b>-</b>      | <b>-</b>     | <b>-</b>   | <b>4.147.171</b>  |
| <b>16. Net foreign currency asset/ (liability) position (8-15)</b>          | <b>(42.313.957)</b> | <b>(9.211.152)</b> | <b>(7.020.312)</b> | <b>10.901</b> | <b>5.054</b> | <b>525</b> | <b>71.580.018</b> |
| <b>17. Net monetary foreign currency asset/ (liability) position (8-15)</b> | <b>(42.313.957)</b> | <b>(9.211.152)</b> | <b>(7.020.312)</b> | <b>10.901</b> | <b>5.054</b> | <b>525</b> | <b>71.580.018</b> |

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD  
BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

|   | 31 December 2014    |                    |                     |                |          |            |          |
|---|---------------------|--------------------|---------------------|----------------|----------|------------|----------|
|   | TL<br>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> |

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

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

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

**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

The import and export amounts of the Company for the periods ended March 31, 2015 and December 31, 2014 are as follows:

|                     | <b>January 1-<br/>March 31, 2015</b> | January 1-<br>March 31, 2014 |
|---------------------|--------------------------------------|------------------------------|
| Total export amount | <b>216.913.533</b>                   | 212.487.651                  |
| Total import amount | <b>184.270.231</b>                   | 183.637.094                  |

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 March 31, 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>31 March 2015</b>                                |   |   |   |
|---|---|---|---|---|
|   | <b>Profit/ Loss</b>                                 |   | <b>Shareholders' equity</b>                         |   |
|   | <b>Appreciation<br/>of<br/>foreign<br/>currency</b> | <b>Depreciation<br/>of<br/>foreign<br/>currency</b> | <b>Appreciation<br/>of<br/>foreign<br/>currency</b> | <b>Depreciation<br/>of<br/>foreign<br/>currency</b> |
| <b>Had TL appreciate/ (depreciate) by 10%<br/>against USD</b>   |   |   |   |   |
| Profit/(loss) from USD net asset position                       | <b>(2.404.295)</b>                                  | <b>2.404.295</b>                                    | -   | -   |
| Hedged amount against USD risk (-)                              | -   | -   | -   | -   |
| <b>Net effect of USD</b>  | <b>(2.404.295)</b>                                  | <b>2.404.295</b>                                    | -   | -   |
| <b>Had TL appreciate/ (depreciate) by 10%<br/>against EUR</b>   |   |   |   |   |
| Profit/ (loss) from EUR net liability position                  | <b>(1.987.380)</b>                                  | <b>1.987.380</b>                                    | -   | -   |
| Hedged amount against EUR risk (-)                              | -   | -   | -   | -   |
| <b>Net Effect of EUR</b>  | <b>(1.987.380)</b>                                  | <b>1.987.380</b>                                    | -   | -   |
| <b>Had TL appreciate/ (depreciate) by 10%<br/>against other</b> |   |   |   |   |
| Profit/(loss) from other net liability position                 | <b>160.088</b>                                      | <b>(160.088)</b>                                    | -   | -   |
| Hedged amount against other (-)                                 | -   | -   | -   | -   |
| <b>Net effect of other</b>                                      | <b>160.088</b>                                      | <b>(160.088)</b>                                    | -   | -   |
| <b>Total net effect</b>   | <b>(4.231.587)</b>                                  | <b>4.231.587</b>                                    | -   | -   |

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

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

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

**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

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

*Price Risk*

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

*Interest rate risk*

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

**Financial instruments with fixed interest rate**

|                                | <b>31 March<br/>2015</b> | 31 December<br>2014 |
|--------------------------------|--------------------------|---------------------|
| Time deposits (Note 3)         | <b>148.255.976</b>       | 259.864.196         |
| Financial liabilities (Note 4) | <b>530.887.366</b>       | 390.336.142         |

**Financial instruments with floating interest rate**

|                                | <b>31 March<br/>2015</b> | 31 December<br>2014 |
|--------------------------------|--------------------------|---------------------|
| Financial liabilities (Note 4) | <b>269.305.361</b>       | 267.915.396         |

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



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

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

**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

For financial instruments with variable interest rates, if the interest on March 31, 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 8.512 (March 31,2014: TL 6.641).

b) Credit Risk

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD  
BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

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

|   | 31 March 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   | 145.109.071        | 409.020.280        | -                 | 357.715        | 162.230.498        | -                      |
| Net book value of restructured financial assets, otherwise that - will be considered as due dated or impaired | -                  | -                  | -                 | -              | -                  | -                      |
| Net book value of due dated but not impaired assets   | -                  | 10.465.413         | -                 | -              | -                  | -                      |
| Net book value of impaired assets   | -                  | 33.472             | -                 | -              | -                  | -                      |
| - Due dated (gross book value)  | -                  | 40.197.800         | -                 | -              | -                  | -                      |
| - Provision (-)   | -                  | (40.164.328)       | -                 | -              | -                  | -                      |
| - Undue (gross book value)  | -                  | 134.468            | -                 | -              | -                  | -                      |
| - Provision (-)   | -                  | (134.468)          | -                 | -              | -                  | -                      |
| Off-balance sheet items exposed to credit risk  | -                  | -                  | -                 | -              | -                  | -                      |
| <b>Amount exposed to maximum credit risk (*)</b>  | <b>145.109.071</b> | <b>419.519.165</b> | <b>-</b>          | <b>357.715</b> | <b>162.230.498</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 March 31, 2015, the guarantee amount of the maximum exposure to credit risk is TL 639.913.200. Besides, all assets which are due but not impaired and are impaired are guaranteed.

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

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

**SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD  
BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

|   | 31 December<br>2014 |                    |          |                | Other              |             |
|---|---------------------|--------------------|----------|----------------|--------------------|-------------|
|   | Trade               |                    |          |                | Receivables        |             |
|   | Related             | Third              | Related  | Third          | Bank               | Derivative  |
|   | party               | party              | party    | party          | deposits           | 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.

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

## TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

##### c) Liquidity Risk

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

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

##### Capital risk management

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

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

|   | 31 March 2015        | 31 December 2014     |
|---|----------------------|----------------------|
| Cash and cash equivalents (Note 3)                    | 162.234.094          | 269.229.023          |
| Less: Financial liabilities (Note 4)                  | (800.192.727)        | (658.251.538)        |
| <b>Net financial debt</b>                             | <b>(637.958.633)</b> | <b>(389.022.515)</b> |
| Total shareholders' equity                            | 548.974.612          | 704.862.715          |
| <b>Net financial debt/ shareholders' equity ratio</b> | <b>(1,16)</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.

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:

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

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

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

**BETWEEN JANUARY 1- MARCH 31, 2015 (Continued)**

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

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

*Financial assets*

The fair values of balances denominated in foreign currencies, which are translated at period-end exchange rates, are considered to approximate carrying value.

The fair values of cash and cash equivalent are considered to approximate their respective carrying values due to their short-term nature.

The discounted carrying values of trade receivables along with the related allowances for uncollectability are estimated to be their fair values.

*Financial liabilities*

The fair values of short-term and long-term bank borrowings are presented in Note 4.

Trade payables, which are measured at amortised cost, are considered to approximate their carrying value.

**NOTE 22 - SUBSEQUENT EVENT**

None.

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