

Türk Traktör ve Ziraat Makineleri A.Ş.

**Convenience translation into English of condensed
financial statements for the interim period between
January 1 – March 31, 2016 (originally issued in
Turkish)**

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.
CONDENSED STATEMENTS OF
FINANCIAL POSITION FOR JANUARY 1 - MARCH 31, 2016**

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TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2016**

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

		Current period unaudited	Prior period audited
		31 March 2016	31 December 2015
	Notes		
ASSETS			
CURRENT ASSETS		1.744.770.310	1.374.126.059
Cash and cash equivalents	3	442.137.504	244.280.765
Trade receivables:			
- <i>Other parties</i>	5	534.266.396	362.584.747
- <i>Due from related parties</i>	20	44.954.199	107.740.947
Inventories	6	582.377.998	517.663.175
Prepaid expenses	9	2.302.311	554.894
Assets related to current period taxes	18	-	15.947.252
Other current assets	9	138.731.902	125.354.279
NON-CURRENT ASSETS		659.709.373	641.922.277
Trade receivables, other parties	5	5.352.957	5.310.473
Other receivables, other parties		357.942	358.030
Property, plant and equipment	7	464.556.990	469.389.061
Intangible assets	8	125.132.535	120.890.449
Prepaid expenses	10	3.753.720	2.082.459
Deferred tax assets	18	60.555.229	43.891.805
TOTAL ASSETS		2.404.479.683	2.016.048.336

The financial statements prepared as at and for the period ended March 31, 2016 have been approved by the Board of Directors on April 25, 2016.

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2016**

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

		Current period unaudited	Prior period audited
		31 March	31 December
	Notes	2016	2015
LIABILITIES			
CURRENT LIABILITIES			
		1.469.754.628	853.636.480
Short-term financial liabilities	4	370.549	-
Short-term portion of long-term financial liabilities	4	476.856.757	206.845.070
Trade payables:			
- <i>Other parties</i>	5	572.930.648	508.366.554
- <i>Due to related parties</i>	20	20.590.935	44.000.627
Employee benefit obligations	12	8.692.683	15.551.267
Other payables			
- <i>Other parties</i>		15.011.853	14.022.497
- <i>Due to related parties</i>	20	300.000.000	-
Government incentives and aids	9	2.973.663	3.066.415
Deferred income	9	11.624.160	21.273.777
Provision for taxation on income	18	16.472.867	-
Short-term provisions:			
- Short-term provision for employee benefits	11	3.097.969	1.561.738
- Other provisions	11	41.132.544	38.948.535
NON-CURRENT LIABILITIES			
		503.836.965	511.504.451
Long-term financial liabilities	4	456.972.818	465.936.348
Long-term provisions:			
- Long-term provision for employee benefits	11	15.187.363	15.598.307
- Other provisions	11	31.676.784	29.969.796
SHAREHOLDERS' EQUITY			
		430.888.090	650.907.405
Parent's equity			
Paid-in share capital	13	53.369.000	53.369.000
Adjustments to share capital	13	39.014.356	39.014.356
Merger reserve		(5.569.000)	(5.569.000)
Restricted profit reserves		199.995.507	170.262.352
Other comprehensive income/ expense not to be reclassified to profit or loss			
- Actuarial (loss)/ gain arising from defined benefit plans		(10.820.366)	(10.547.680)
Retained earnings		74.645.222	147.578.812
Net profit for the period		80.253.371	256.799.565
TOTAL LIABILITIES			
		2.404.479.683	2.016.048.336

Provisions, contingent assets and contingent liabilities

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR
THE INTERIM PERIOD ENDED MARCH 31, 2016**

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

		Current year Unaudited	Prior year Unaudited
	Notes	1 January - 31 March 2016	1 January - 31 March 2015
Revenue	14	885.833.397	693.387.896
Cost of sales (-)	14	(705.204.870)	(576.002.022)
GROSS PROFIT		180.628.527	117.385.874
Marketing, selling and distribution expenses (-)		(48.205.696)	(37.277.015)
General administrative expenses (-)		(17.140.967)	(12.608.944)
Research and development expenses (-)		(3.012.623)	(2.476.073)
Other income from operating activities	15	26.493.934	95.207.563
Other expenses from operating activities (-)	15	(25.767.982)	(92.170.381)
OPERATING PROFIT		112.995.193	68.061.024
Income from investment activities		-	21.438
Expenses from investment activities (-)		(2.096)	(1.725)
OPERATING INCOME BEFORE FINANCIAL INCOME/ (EXPENSE)		112.993.097	68.080.737
Financial income	16	9.145.253	16.261.676
Financial expenses (-)	17	(23.588.101)	(29.474.165)
PROFIT BEFORE TAXATION ON INCOME		98.550.249	54.868.248
Taxes on income (-)	18	(34.892.131)	(25.649.665)
Deferred tax income	18	16.595.253	14.876.544
NET PROFIT FOR THE PERIOD		80.253.371	44.095.127
Attribution of net profit for the period:			
Non-controlling interest			-
Equity holders of the parent		80.253.371	44.095.127
Other comprehensive (expense)/ income			
Other comprehensive income/expense not to be reclassified to profit or loss:			
Actuarial (loss)/ gain arising from employee benefits		(340.857)	20.962
Deferred tax effect		68.171	(4.192)
Other comprehensive (expense)/ income after tax		(272.686)	16.770
TOTAL COMPREHENSIVE INCOME		79.980.685	44.111.897
Earnings per share (TL)	19	0,0150	0,0083

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6))

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED CHANGES IN SHAREHOLDERS' EQUITY
FOR THE INTERIM PERIOD BETWEEN JANUARY 1 – MARCH 31, 2016**

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

				Other comprehensive income or expense items not to be reclassified to profit or loss				
	Paid in Share Capital	Adjustment to share capital	Merger reserve	Actuarial gain/ (loss) arising from defined benefit plans	Restricted Profit Reserves	Retained earnings	Net profit for the period	Total shareholders' equity
January 1, 2016	53.369.000	39.014.356	(5.569.000)	(10.547.680)	170.262.352	147.578.812	256.799.565	650.907.405
Transfers	-	-	-	-	29.733.155	227.066.410	(256.799.565)	-
Dividends paid	-	-	-	-	-	(300.000.000)	-	(300.000.000)
Comprehensive income								
Net profit for the period	-	-	-	-	-	-	80.253.371	80.253.371
Other comprehensive income								
Actuarial loss from employee benefit	-	-	-	(272.686)	-	-	-	(272.686)
Total other comprehensive income	-	-	-	(272.686)	-	-	-	(272.686)
Total comprehensive income	-	-	-	(272.686)	-	-	80.253.371	79.980.685
March 31, 2016	53.369.000	39.014.356	(5.569.000)	(10.820.366)	199.995.507	74.645.222	80.253.371	430.888.090

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(CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.6))

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED CHANGES IN SHAREHOLDERS' EQUITY
FOR THE INTERIM PERIOD BETWEEN JANUARY 1 – MARCH 31, 2016**

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

				Other comprehensive income or expense items not to be reclassified to profit or loss				
	Paid in Share Capital	Adjustment to share capital	Merger reserve	Actuarial gain/ (loss) arising from defined benefit plans	Restricted Profit Reserves	Retained earnings	Net profit for theperiod	Total shareholders' equity
January 1, 2015	53.369.000	39.014.356	(5.569.000)	207.195	143.902.267	212.851.625	261.087.272	704.862.715
Transfers	-	-	-	-	19.733.155	241.354.117	(261.087.272)	-
Dividends paid	-	-	-	-	-	(200.000.000)	-	(200.000.000)
Comprehensive income								
Net profit for the period	-	-	-	-	-	-	44.095.127	44.095.127
Other comprehensive income								
Actuarial gain from employee benefit	-	-	-	16.770	-	-	-	16.770
Total other comprehensive income	-	-	-	16.770	-	-	-	16.770
Total comprehensive income	-	-	-	16.770	-	-	44.095.127	44.111.897
March 31, 2015	53.369.000	39.014.356	(5.569.000)	223.965	163.635.422	254.205.742	44.095.127	548.974.612

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED CASH FLOWS

FOR THE INTERIM PERIOD BETWEEN JANUARY 1 – MARCH 31, 2016

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

		Current period	Prior period
		Unaudited	Unaudited
	Notes	31 March 2016	31 March 2015
A. CASH FLOWS FROM OPERATING ACTIVITIES		(35.182.169)	(27.416.575)
Net profit for the year		80.253.371	44.095.127
Adjustments to reconcile net profit:		53.401.398	54.528.874
Amortization and depreciation		13.252.015	11.592.306
Provision for impairment on inventories	6	(432.899)	5.600.001
Provision for employee termination benefits	11	864.774	7.324.106
Provision for doubtful receivables	15	379.867	861.789
Expense accruals		3.890.992	6.828.418
Interest income and expense	16, 17	12.950.221	8.159.003
Tax expense	18	18.296.878	10.773.121
Gain/ loss from sales of property plant and equipment		2.096	(19.713)
Foreign exchange effect		4.197.454	3.409.843
Changes in working capital		(166.364.926)	(122.112.140)
Trade receivables		(173.329.864)	(55.703.676)
Due from related parties		61.905.251	(49.863.563)
Inventories		(64.864.276)	(82.141.171)
Other current assets		(13.377.623)	(5.461.649)
Other receivables		88	(296)
Prepaid expenses		(3.418.678)	3.243.477
Due to related parties		(23.374.430)	(29.644.946)
Trade payables		65.786.541	93.013.948
Deferred income		(9.742.368)	1.991.450
Other liabilities		989.361	4.367.955
Short-term provision for employee termination benefits		1.536.231	888.510
Debt for employee termination benefits		(6.858.584)	5.597.357
Employee termination benefits paid	11	(1.616.575)	(8.399.536)
Net cash provided by operating activities		(32.710.157)	(23.488.139)
Tax paid		(2.472.012)	(3.928.436)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(12.664.126)	(9.773.844)
Proceeds from sales of property, plant and equipment and intangible assets		763	138.675
Payments for purchases of property, plant and equipment and intangible assets		(12.664.889)	(9.912.519)
Proceeds from government grants	9	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES		245.681.031	(66.683.623)
Proceeds from bank borrowings		371.243.505	310.001.466
Repayment of bank borrowings		(115.754.073)	(173.380.373)
Dividends paid	13	-	(200.000.000)
Interest paid		(12.618.242)	(6.260.473)
Interest received		2.809.841	2.955.757
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)		197.834.736	(103.874.042)
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		(889.826)	(3.263.226)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		196.944.910	(107.137.268)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3	244.162.165	268.594.918
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	3	441.107.075	161.457.650

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**EXPLANATORY NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENTS
BETWEEN JANUARY 1 - MARCH 31, 2016**

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

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Türk Traktör ve Ziraat Makineleri A.Ş. (the “Company”) was established in 1954 in Ankara, as Minneapolis Moline Türk Traktör ve Ziraat Makineleri A.Ş. to undertake the manufacturing and trade of farm tractors, harvesters and other agricultural machinery and equipment. The name of the Company was changed as Türk Traktör Ziraat Makineleri A.Ş. in 1968 upon the purchase of 25% of the shares held by Ege Makina ve Ticaret A.Ş., a group company of the Koç Holding A.Ş. (“Koç Holding”). As of March 31, 2016, major shareholders of the Company are Koç Holding and CNHI Österreich GmbH (“CNHI Österreich”) (Note 13). The number of personnel working within the Company as of March 31, 2016 is 3.163 (Permanent: 2.685, temporary: 478) (31 December 2015: 3.129 (Permanent: 2.612, temporary: 517)).

The Company conducts marketing and selling activities in the domestic market, through its 134 tractor sales dealers, 102 spare part dealers and 55 construction equipment dealers (31 December 2015: 137 tractor sales dealers, 98 spare part dealers, 52 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, 2016, the free float of the Company whose shares are traded in the Borsa Istanbul (“BIST”) is 24,89% (31 December 2015: 24,89%) (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”).

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 periods ended after March 31, 2013. The accompanying financial statements are prepared in accordance with these templates and a user guide. The financial statements are presented in TRY, which is the functional and presentation currency of the Company.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

BETWEEN JANUARY 1 - MARCH 31, 2016 (Continued)

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

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

The financial statements for the period ended at March 31, 2016 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, provision for inventories, 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 or readjusted when necessary.

2.3 Changes in TFRS:

The accounting policies adopted in preparation of the financial statements as at March 31, 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and IFRIC interpretations effective as of January 1, 2016. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2016 are as follows:

- TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment),
- TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38),
- TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants,
- TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27),
- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)
- TAS 1: Disclosure Initiative (Amendments to TAS 1)
- Annual Improvements to TFRSs - 2012-2014 Cycle

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

Standards issued but not yet effective and not early adopted:

TFRS 9 Financial Instruments – Classification and measurement

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

BETWEEN JANUARY 1 - MARCH 31, 2016 (Continued)

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

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

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

- Annual Improvements – 2010–2012 Cycle
- IFRS 15 Revenue from Contracts with Customers
- Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Amendment)
- IFRS 9 Financial Instruments - Final standard (2014)
- IFRS 16 Leases
- IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)
- IAS 7 'Statement of Cash Flows (Amendments)

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.

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 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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**EXPLANATORY NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENTS
BETWEEN JANUARY 1 - MARCH 31, 2016 (Continued)**
(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

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

Property, plant and equipment

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

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

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

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

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

Intangible assets

Intangible 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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**EXPLANATORY NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENTS
BETWEEN JANUARY 1 - MARCH 31, 2016 (Continued)**
(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

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

Segment reporting

The Company has primary operation of trade of farm tractors, harvesters and other agricultural machinery and equipment to domestic market in Turkey and to related parties in foreign market via shareholder. Furthermore, the Company structure has been organized to operate in one segment rather than separate business segments. Consequently, the business activities of the Company are considered to be in one operating segment and the operating results, resources to be allocated to the segment and assessment of performance are managed in this respect.

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).

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

Payables are stated at amortised cost in subsequent periods 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).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

BETWEEN JANUARY 1 - MARCH 31, 2016 (Continued)

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

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

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 interest and other costs (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.

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.

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

- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Foreign currency transactions and balances

Transactions in foreign currencies during the period have been translated into TL at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the statement of income. Non-monetary assets and liabilities, which are recognised at fair value, have been translated into TL at the exchange rates prevailing at the dates of fair value determined. Currency differences arising from trade receivables and payables related to main operations are shown in from operating income/ expenses (Note 15).

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 (Note 22).

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

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.

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 assets.

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.

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

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 TAS 36.

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 three incentives Ankara Modernization, Adapazarı Investment and Adapazarı Modernization as of March 31, 2016 (Note 9).

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.

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

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.

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 (Note 12).

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 is expired (Note 11).

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

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 (Note 13).

2.5 Significant accounting estimates and judgments

Preparation of the financial statements requires the usage of the estimates and judgments 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 significant accounting estimates and assumptions are as follows:

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).

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

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 7).

Deferred tax assets

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

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

The Company has recorded its deferred tax asset as of March 31, 2016 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 (Note 18).

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.

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NOTE 3 - CASH AND CASH EQUIVALENTS

	31 March 2016	31 December 2015
Cash	5.540	-
Banks:		
- TL denominated demand deposits	6.329.602	4.271.107
- TL denominated time deposits	395.942.448	128.646.337
- Foreign currency denominated demand deposits	2.003.054	1.414.498
- Foreign currency denominated time deposits	37.856.860	109.948.823
	442.137.504	244.280.765

As of March 31, 2016, the weighted average effective annual interest rates for TL and Euro (“EUR”) time deposits are 11,39% and 1,24% (31 December 2015: TL:10,59% ve EUR:1,28%). As of 31 March 2016 and 31 December 2015, 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, 2016 and December 31, 2015 are as follows:

	31 March 2016	31 December 2015
Cash	5.540	-
Banks	442.131.964	244.280.765
Less: Interest accruals	(593.729)	(50.204)
Less: Restricted bank deposits (*)	(436.700)	(68.396)
Cash and cash equivalents	441.107.075	244.162.165

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

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NOTE 4 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

Short-term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015	31 March 2016	31 December 2015
	TL bank borrowings	370.549	-	-	-	370.549
					370.549	-

Current portion of long-term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015	31 March 2016	31 December 2015
	EUR bank borrowings	25.605.776	25.464.365	2,20	2,20	82.145.891
TL bank borrowings	394.710.866	125.929.504	10,55	10,80	394.710.866	125.929.504
					476.856.757	206.845.070

b) Long-term financial liabilities

Long-term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015	31 March 2016	31 December 2015
	EUR bank borrowings	48.494.831	48.227.103	2,20	2,20	155.576.267
TL bank borrowings	302.571.111	313.984.200	13,15	10,80	302.571.111	313.984.200
					458.147.378	467.230.643
Prepaid commission for debt (*)					(1.174.560)	(1.294.295)
Total long-term financial liabilities					456.972.818	465.936.348

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

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NOTE 4 - FINANCIAL LIABILITIES (Continued)

Redemption schedule of the long-term bank borrowings as of March 31, 2016 and December 31, 2015 are as follows:

Year	31 March 2016	31 December 2015
2017	94.364.407	406.469.834
2018	312.297.300	59.466.514
2019	50.311.111	-
	456.972.818	465.936.348

As of March 31, 2016 the Company has long-term investment loans with floating interest rate amounting to EUR 53.571.428 and EUR 20.000.000 (31 December 2015: EUR 53.571.428 and EUR 20.000.000). The EUR 53.571.428 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, 2016.

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

	Carrying value		Fair value	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
Bank borrowings	935.374.684	674.075.713	919.243.426	657.558.399

As of March 31, 2016, fair values of the loans are determined by using the discounted cash flow method over annual average effective discount rates which is 2,20% for EUR loans and 14,50% for TL denominated bank borrowings respectively (31 December 2015: EUR 2,20% and TL: 14,91%).

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NOTE 5 - TRADE RECEIVABLES AND PAYABLES

	31 March 2016	31 December 2015
Short-term trade receivables:		
Customer current accounts	572.724.957	403.804.406
Notes receivables	10.414.993	5.531.406
Protested notes	104.265	206.497
	583.244.215	409.542.309
Less: Provision for doubtful receivables	(43.713.763)	(43.414.424)
Unearned financial income	(5.264.056)	(3.543.138)
Short-term trade receivables	534.266.396	362.584.747
Due from related parties (Note 20)	44.954.199	107.740.947
Total short-term trade receivables	579.220.595	470.325.694

Movements of the provisions for short-term doubtful receivables for the periods ended March 31, 2016 and 2015 are as shown below:

	2016	2015
1 January	(43.414.424)	(39.866.049)
Cancelled during the year (Note 15)	80.528	429.042
Charge during the year (Note 15) (*)	(379.867)	(861.789)
31 March	(43.713.763)	(40.298.796)

(*) Occurred as a result of the revaluation of existing doubtful receivables denominated in foreign currency.

	31 March 2016	31 December 2015
Long-term trade receivables:		
Notes receivables	5.351.226	5.320.942
Unearned financial income	1.731	(10.469)
	5.352.957	5.310.473

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NOTE 5 - TRADE RECEIVABLES AND PAYABLES (Continued)

	31 March 2016	31 December 2015
Trade payables:		
Supplier current accounts	577.242.203	514.311.575
Less: Unincurred financial expense	(4.311.555)	(5.945.021)
Trade payables	572.930.648	508.366.554
Due to related parties (Note 20)	20.590.935	44.000.627
Total trade payables	593.521.583	552.367.181

NOTE 6 - INVENTORIES

	31 March 2016	31 December 2015
Raw materials	175.973.144	178.103.854
Work in progress	3.409.422	3.313.690
Finished goods	128.814.357	117.087.043
Commercial goods	188.105.108	156.532.173
Spare parts	50.841.666	31.835.883
Goods in transit (*)	73.203.494	69.192.624
Gross	620.347.191	556.065.267
Provision for impairment of inventory (-)	(37.969.193)	(38.402.092)
Net	582.377.998	517.663.175

The cost of inventories recognised as expense in the current year, amounted to TL 645.080.075 (31 March 2015: TL 537.326.312).

(*) 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:

	2016	2015
1 January	(38.402.092)	(12.959.214)
Cancelled due to sales of inventory during the period	432.899	775.600
Charge during the period for impairment of inventory	-	(6.375.601)
31 March	(37.969.193)	(18.559.215)

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NOTE 6 – INVENTORIES (Continued)

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

	31 March 2016	31 March 2015
Raw materials	(22.388.336)	(14.893.105)
Finished goods	(339.589)	-
Commercial goods	(13.213.432)	(2.097.278)
Spare parts	(2.027.836)	(1.568.832)
	(37.969.193)	(18.559.215)

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2016	Additions	Disposals	Transfers	31 March 2016
<u>Cost</u>					
Land	37.740.200	-	-	-	37.740.200
Land improvements	11.000.199	-	-	-	11.000.199
Buildings	233.223.415	-	-	-	233.223.415
Machinery and equipment	538.492.812	1.977.750	-	-	540.470.562
Special costs	3.925.826	1.005.976	-	-	4.931.802
Motor vehicles	5.765.808	94.928	-	-	5.860.736
Furniture and fixtures	61.098.414	502.668	(5.018)	-	61.596.064
Construction in progress	10.751.099	2.159.207	-	-	12.910.306
	901.997.773	5.740.529	(5.018)	-	907.733.284
<u>Accumulated depreciation</u>					
Land improvements	4.102.669	88.395	-	-	4.191.064
Buildings	46.132.970	1.275.547	-	-	47.408.517
Machinery and equipment	341.775.030	7.038.831	-	-	348.813.861
Special costs	2.821.035	62.464	-	-	2.883.499
Motor vehicles	2.247.517	229.827	-	-	2.477.344
Furniture and fixtures	35.529.491	1.874.678	(2.160)	-	37.402.009
	432.608.712	10.569.742	(2.160)	-	443.176.294
Net book value	469.389.061				464.556.990

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NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2015	Additions	Disposals	Transfers	31 March 2015
<u>Cost</u>					
Land	36.720.200	1.020.000	-	-	37.740.200
Land improvements	10.131.676	6.750	-	-	10.138.426
Buildings	231.094.581	1.604.177	-	-	232.698.758
Machinery and equipment	504.823.284	1.513.133	(207.106)	-	506.129.311
Special costs	3.688.626	165.000	-	-	3.853.626
Motor vehicles	3.871.096	-	-	-	3.871.096
Furniture and fixtures	54.885.289	483.139	(7.365)	-	55.361.063
Construction in progress	2.281.359	425.390	-	-	2.706.749
	847.496.111	5.217.589	(214.471)	-	852.499.229
<u>Accumulated depreciation</u>					
Land improvements	3.772.816	81.040	-	-	3.853.856
Buildings	41.049.056	1.261.373	-	-	42.310.429
Machinery and equipment	315.748.332	6.314.004	(91.925)	-	321.970.411
Special costs	2.694.892	29.750	-	-	2.724.642
Motor vehicles	1.557.280	159.112	-	-	1.716.392
Furniture and fixtures	28.519.012	1.722.024	(3.584)	-	30.237.452
	393.341.388	9.567.303	(95.509)	-	402.813.182
Net book value	454.154.723				449.686.047

The costs of property, plant and equipments of which useful lives' are over but still in use are as follows:

	31 March 2016	31 December 2015
Land improvements	2.212.571	2.212.571
Buildings	16.507.094	16.507.094
Machinery and equipment	279.122.956	278.387.906
Special costs	2.623.444	2.623.444
Motor vehicles	1.382.185	989.114
Furniture and fixtures	19.764.445	19.428.647
	321.612.695	320.148.776

Allocation of the amortization expenses of property, plant and equipment as of March 31, 2016 and 2015 is as follows:

	31 March 2016	31 March 2015
Production costs	7.695.766	7.223.479
General administrative expenses	1.432.915	1.147.787
Marketing, selling and distribution expenses	636.502	485.588
Research and development expenses	804.559	710.449
	10.569.742	9.567.303

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NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company does not have any capitalized financial costs in current year arising from foreign exchange denominated borrowings on construction in progress as of March 31, 2016 (31 March 2015: None).

There is no mortgage on property, plant and equipment as of March 31, 2016 (31 December 2015: None).

NOTE 8 - INTANGIBLE ASSETS

	1 January 2016	Additions	Disposals	Transfers	31 March 2016
<u>Cost</u>					
Rights	21.907.706	596.292	-	-	22.503.998
Development costs	60.703.150	-	-	10.822.010	71.525.160
Development costs in progress	84.732.997	7.142.791	-	(10.822.010)	81.053.778
	167.343.853	7.739.083	-	-	175.082.936
<u>Accumulated amortisation</u>					
Rights	14.378.652	800.840	-	-	15.179.492
Development costs	32.074.752	2.696.157	-	-	34.770.909
	46.453.404	3.496.997	-	-	49.950.401
Net book value	120.890.449				125.132.535
	1 January 2015	Additions	Disposals	Transfers	31 March 2015
<u>Cost</u>					
Rights	13.633.435	549.304	-	-	14.182.739
Development costs	51.732.049	-	-	601.362	52.333.411
Development costs in progress	59.344.378	4.863.794	-	(601.362)	63.606.810
	124.709.862	5.413.098	-	-	130.122.960
<u>Accumulated amortisation</u>					
Rights	8.315.558	494.179	-	-	8.809.737
Development costs	22.634.223	2.248.993	-	-	24.883.216
	30.949.781	2.743.172	-	-	33.692.953
Net book value	93.760.081				96.430.007

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NOTE 8 - INTANGIBLE ASSETS (Continued)

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.

Allocation of the amortization expenses of intangible assets as of March 31, 2016 and 2015 is as follows:

	31 March 2016	31 March 2015
Production costs	583.086	373.114
General administrative expenses	108.568	59.286
Marketing, selling and distribution expenses	48.226	25.082
Research and development expenses	1.942.393	1.567.521
Reflected to development cost in progress	814.724	718.169
	3.496.997	2.743.172

NOTE 9 - OTHER ASSETS AND LIABILITIES

	31 March 2016	31 December 2015
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a) Prepaid expenses:

Short-term prepaid expenses	2.302.311	554.894
	2.302.311	554.894

	31 March 2016	31 December 2015
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b) Other current assets:

Deferred value added tax ("VAT")	86.722.309	80.338.566
Reclaimed VAT	51.846.228	43.358.216
Other	163.365	1.657.497
	138.731.902	125.354.279

c) Deferred income:

Deferred income (*)	11.534.622	21.185.090
Advances received	89.538	88.687
Other current liabilities	11.624.160	21.273.777

(*) 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, 2016 and December 31, 2015.

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NOTE 9 - OTHER ASSETS AND LIABILITIES (Continued)

d) Government grants and aids:

	31 March 2016	31 December 2015
Government grants and aids	2.973.663	3.066.415
	2.973.663	3.066.415
	2016	2015
1 January	3.066.415	3.183.083
Received during the period	-	-
Utilized during the period (Note 15)	(92.752)	(92.752)
31 March	2.973.663	3.090.331

NOTE 10 - PREPAID EXPENSES

Long-term prepaid expenses

	31 March 2016	31 December 2015
Advances given for purchases of fixed assets	3.199.678	2.053.099
Prepaid expenses	554.042	29.360
Long-term prepaid expenses	3.753.720	2.082.459

NOTE 11 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) Short-term provisions

Short-term provision for employee benefits

	31 March 2016	31 December 2015
Provision for unused vacation	3.097.969	1.561.738
	3.097.969	1.561.738

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

	2016	2015
1 January	1.561.738	1.488.479
Charge/(used) for the year, net	1.536.231	888.510
31 March	3.097.969	2.376.989

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

Other short-term provisions

	31 March 2016	31 December 2015
Warranty provision	29.685.512	28.614.153
Provision for legal cases (*)	10.448.032	10.295.723
Other provisions	999.000	38.659
	41.132.544	38.948.535

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

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

	2016	2015
1 January	10.295.723	7.343.170
Charge for the year (Note 15)	152.309	535.336
31 March	10.448.032	7.878.506

b) Long-term provisions

Long-term provision for employee benefits

	31 March 2016	31 December 2015
Provision for employee termination benefits	15.187.363	15.598.307
	15.187.363	15.598.307

Provision for employee termination benefit is recorded in line with the regulations 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 4.092,53 for each year of service as of March 31, 2016 (31 December 2015: TL 3.828,37).

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.

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

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:

	31 March 2016	31 December 2015
Inflation rate (%)	5,50	5,50
Discount rate (%)	10,35	10,35
Turnover rate to estimate the probability of retirement (%)	93,26	93,23

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 4.092,53 which is effective from April 1, 2016 has been taken into consideration in calculating the provision for employee termination benefits of the Company.

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

	2016	2015
1 January	15.598.307	8.986.321
Interest cost	403.607	183.321
Current year service cost	461.167	7.140.785
Paid in the year	(1.616.575)	(8.399.536)
Actuarial loss/ (gain)	340.857	(20.962)
31 March	15.187.363	7.889.929

Sensitivity analysis of key assumptions used for termination benefits calculations as at March 31, 2016 are as follows:

Sensitivity level	Net discount rate		Turnover related to the probability of retirement	
	%0,5 decrease	%0,5 increase	%0,5 decrease	%0,5 increase
Rate	(%4,1)	(%5,1)	(%92,76)	(%93,76)
Change in employee benefits liability	479.470	(445.362)	(497.492)	540.108

Other long-term provisions

	31 March 2016	31 December 2015
Warranty provision	31.676.784	29.969.796
	31.676.784	29.969.796

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

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

	2016	2015
1 January	58.583.949	41.266.231
Used during the year	(7.745.102)	(8.754.418)
Charge for the year	10.523.449	12.241.543
31 March	61.362.296	44.753.356

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, 2016 and December 31, 2015 the Company's guarantee/ pledge/ mortgage positions are as follows:

	31 March 2016	31 December 2015
A. The total amount of collaterals given on behalf of its own legal entity	17.783.001	13.758.566
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	-	-
	17.783.001	13.758.566

As at March 31, 2016, the Company has given in its own legal entity on behalf of the original collateral denominated in foreign currency amounts of EUR 2.682.108 and USD 34.104 (31 December 2015: EUR 2.698.578 and USD 34.104).

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

d) Contingent assets

	31 March 2016			Foreign currency amount 31 December 2015			TL equivalent	
	EUR	USD	TL	EUR	USD	TL	31 March 2016	31 December 2015
Letters of guarantees received	868.236	270.000	480.552.864	576.812	270.000	471.427.665	484.103.270	474.045.595
Direct debit	-	-	299.240.455	-	-	329.727.841	299.240.455	329.727.841
Mortgages	-	-	438.714	-	-	788.714	438.714	788.714
Security bonds	-	-	2.500.000	-	-	2.500.000	2.500.000	2.500.000
Cash TL guarantees	-	-	-	-	-	-	-	-
Cash foreign currency	-	-	-	-	-	-	-	-
							786.282.439	807.062.150

NOTE 12 - PROVISION FOR EMPLOYEE BENEFITS

Liabilities for employee benefits

	31 March 2016	31 December 2015
Accrued premiums and liabilities to personnel	6.551.996	6.561.102
Taxes payable and liabilities (*)	2.140.687	8.990.165
	8.692.683	15.551.267

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

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NOTE 13 - SHAREHOLDERS' EQUITY

Paid-in Share Capital

The Company's registered share capital amounts to TL 250.000.000 (31 December 2015: 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, 2016 and December 31, 2015 are as follows:

	31 March 2016		31 December 2015	
	Participation (%)	Share Amount (TL)	Participation (%)	Share Amount (TL)
Koç Holding	37,50	20.013.375	37,50	20.013.375
CNHI Osterreich	37,50	20.013.375	37,50	20.013.375
Public quotation in BİST	24,95	13.315.978	24,95	13.315.978
Other	0,05	26.272	0,05	26.272
	100,00	53.369.000	100,00	53.369.000
Adjustments to share capital		39.014.356		39.014.356
		92.383.356		92.383.356

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

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

As of June 11, 2004, the Company has been quoted to BİST and its shares started to be traded in the stock exchange market from that date. As of March 31, 2016, 24,89% (31 December 2015: 24,89%) of the Company shares are quoted at BİST.

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NOTE 13 - SHAREHOLDERS' EQUITY (Continued)

Retained earnings, restricted profit reserves, fair value reserves, and other capital reserves

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

In accordance with the CMB regulations effective until January 1, 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 January 1, 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 January 1, 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences arised due to implementing the communique (such as inflation adjustment differences) shall be disclosed as follows:

- if the difference is arising due to the inflation adjustment of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment To Share Capital";
- if the difference is due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings",

Other equity items shall be carried at the amounts calculated based on TAS/ TFRS.

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

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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 February 1, 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, 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.

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NOTE 13 - SHAREHOLDERS' EQUITY (Continued)

In the statutory financial statements of the Company, in addition to the statutory profit amounting to TL 146.857.386 and retained earnings amounting to TL 114.182.398 for the period ended March 31, 2016; 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 10.222.668 if dividend distribution is made.

The decision of dividend payment amounting to TL 300.000.000 was taken in the Company's 62th General Assembly dated March 22, 2016 and payment has been made to shareholders in cash till April 1, 2016 (Note 20). Dividend payment distribution has been 5,62 Kr per share (31 December 2015: 5,62 Kr).

NOTE 14 - SALES AND COST OF SALES

	January 1- March 31, 2016	January 1- March 31, 2015
Domestic sales	712.579.655	550.241.351
Export sales	273.125.830	216.913.533
Sales income (gross)	985.705.485	767.154.884
Less: Discounts and returns	(99.872.088)	(73.766.988)
Sales income (net)	885.833.397	693.387.896
Cost of sales	(705.204.870)	(576.002.022)
Gross profit	180.628.527	117.385.874

Sales quantities:

	31 March 2016			31 March 2015		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Tractor	8.970	3.580	12.550	7.866	3.681	11.547
Combine	35	-	35	92	-	92
	9.005	3.580	12.585	7.958	3.681	11.639

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NOTE 15 - OTHER OPERATING INCOME/ EXPENSES

	January 1- March 31, 2016	January 1- March 31, 2015
Foreign exchange gain from trade receivables and payables	17.092.856	87.889.537
Financial income from credit sales	7.576.587	5.301.616
Termination of provision for doubtful receivables (Note 5)	80.528	429.042
Incentive income (Note 9)	92.752	92.752
Other income	1.651.211	1.494.616
Other operating income	26.493.934	95.207.563
Foreign exchange losses on trade receivables and payables	(18.146.642)	(85.684.919)
Financial expense on credit purchases	(6.893.898)	(5.023.862)
Provision for doubtful receivables (Note 5)	(379.867)	(861.789)
Provision for legal cases (Note 11)	(152.309)	(535.336)
Other expenses	(195.266)	(64.475)
Other operating expenses	(25.767.982)	(92.170.381)

NOTE 16 - FINANCIAL INCOME

	January 1- March 31, 2016	January 1- March 31, 2015
Foreign exchange gain (*)	5.791.886	13.854.500
Interest income	3.353.367	2.407.176
Financial income	9.145.253	16.261.676

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

NOTE 17 - FINANCIAL EXPENSE

	January 1- March 31, 2016	January 1- March 31, 2015
Foreign exchange losses (*)	(5.923.624)	(18.177.746)
Interest expenses of bank borrowings	(16.303.588)	(10.566.179)
Other	(1.360.889)	(730.240)
Financial expenses	(23.588.101)	(29.474.165)

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

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NOTE 18 - TAX ASSETS AND LIABILITIES

	31 March 2016	31 December 2015
Corporate tax expense	34.892.131	40.262.281
Less: Prepaid taxes	(18.419.264)	(56.209.533)
Tax asset - net	16.472.867	(15.947.252)

	January 1- March 31, 2016	January 1- March 31, 2015
Corporate tax expense	(34.892.131)	(25.649.665)
Deferred tax (expense)/ income	16.595.253	14.876.544
Tax expense	(18.296.878)	(10.773.121)

Corporation tax is payable, at a rate of 20% as of 2016 (31 December 2015: 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 Turkish 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 Turkish Financial Reporting Standards and tax purposes. The currently enacted tax rate for deferred tax assets and liabilities is 20% (31 December 2015: 20%).

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NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/ (liabilities) at March 31, 2016 and December 31, 2015 are as follows:

	Temporary differences		Deferred tax assets/ (liabilities)	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
Property, plant and equipment and intangible assets, restatement and useful life differences	91.395.104	89.654.271	(18.279.021)	(17.930.854)
Provision for employee termination benefits	(15.187.363)	(15.598.307)	3.037.473	3.119.661
Warranty provision	(61.362.296)	(58.583.949)	12.272.459	11.716.790
Provision for lawsuits	(7.968.032)	(6.157.357)	1.593.606	1.231.471
Unearned finance income on trade receivables, payables and due from related parties	(1.555.643)	1.308.650	311.129	(261.730)
Provision for doubtful receivables	(2.086.519)	(2.086.519)	417.304	417.304
Provision for impairment of inventory	(37.969.191)	(38.402.092)	7.593.838	7.680.418
Sales premium accrued	(92.715.670)	(23.564.101)	18.543.134	4.712.820
Other expense provisions	(32.184.611)	(1.609.702)	6.436.922	321.940
Investment incentive tax assets	-	-	27.430.055	30.339.675
Deferred income	(602.668)	(5.090.707)	120.534	1.018.141
Other	(5.388.979)	(7.630.845)	1.077.796	1.526.169
Deferred tax assets			60.555.229	43.891.805

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

	2016	2015
January 1	43.891.805	45.751.505
Reflected to profit for the year	16.595.253	14.876.544
Reflected to other comprehensive income/ (expense)	68.171	(4.192)
March 31	60.555.229	60.623.857

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

	January 1 – March 31 2016	January 1 – March 31 2015
Profit before tax	98.550.249	54.868.248
Tax calculated at enacted tax rate	19.710.050	10.973.650
Investment incentives	(854.948)	-
Research and development incentives	(1.207.213)	(972.759)
Disallowable expenses	208.881	172.445
Other	440.108	599.785
Total tax charge	18.296.878	10.773.121

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NOTE 19 - EARNINGS PER SHARE

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

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

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

	January 1 - March 31 2016	January 1 - March 31 2015
Net profit for the period	80.253.371	44.095.127
Weighted average number of the ordinary shares	5.336.900.000	5.336.900.000
Earnings per share (Kr 1 nominal value per share as TL)	0,0150	0,0083

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, 2016 and December 31, 2015 and significant intercompany transactions were as follows:

i) Balances with related parties as of March 31, 2016 and December 31, 2015:

	31 March 2016	31 December 2015
a) Bank deposits and borrowings		
Deposits with related parties:		
Yapı ve Kredi Bankası A.Ş. (“Yapı Kredi”)	169.444.996	86.866.632
	169.444.996	86.866.632

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NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

	31 March 2016	31 December 2015
Borrowings from related parties:		
Yapı Kredi	40.048.444	40.048.444
	40.048.444	40.048.444
	31 March 2016	31 December 2015
b) Due from related parties		
Due from group companies		
CNHI International SA (“CNHI International”) (*)	36.466.334	103.326.952
CNHI Italy SPA (“CNHI Italy”)	4.551.196	2.043.692
CNHI Argentina SA (“CNHI Argentina”)	1.610.051	522.327
CNHI Latin America Ltda.	297.699	413.893
Other	2.011.965	1.411.434
	44.937.245	107.718.298
Less: Unearned financial income	16.954	22.649
	44.954.199	107.740.947
(*) 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.		
	31 March 2016	31 December 2015
c) Due to related parties		
Koç Holding	1.046.053	3.788.015
Due to shareholders	1.046.053	3.788.015
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. (“Opet Fuchs”)	8.995.927	14.269.144
Zer Merkezi Hizmetler ve Ticaret A.Ş. (“Zer”)	6.979.344	7.931.868
Setur Servis Turistik A.Ş. (“Setur”)	1.748.095	1.533.866
Ram Sigorta Aracılık Hizmetleri A.Ş.	977.263	94.611
Koçtaş Yapı Marketleri A.Ş. (“Koçtaş”)	312.545	667.000
Otokoç Otomotiv San. ve Tic. A.Ş. (“Otokoç”)	291.138	557.823
Otokar Otomotiv ve Savunma Sanayi A.Ş. (“Otokar”)	228.023	423.867
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (“Koç Sistem”)	155.964	7.965.923
Opet Petrolcülük A.Ş. (“Opet”)	104.624	75.491
New Holland Fiat India Pvt. Ltd. (“New Holland India”)	-	5.308.655
Eltek Elektrik İth. İhracat ve Toptan Tic. A.Ş. (“Eltek”)	-	1.240.769
Other	280.172	621.636
Due to group companies	20.073.095	40.690.653
Less: Unearned financial expenses	(528.213)	(478.041)
	20.590.935	44.000.627

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NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

d) Other payables to related parties

	31 March 2016	31 December 2015
Koç Holding	112.500.000	-
CNHI Osterreich	112.500.000	-
Public quotation in BİST	74.852.318	-
Other	147.682	-
	300.000.000 (*)	-

(*)The decision of dividend payment amounting to TL300.000.000, taken in the Company's General Assembly dated 22 March 2016. The unpaid dividend amounting to TL 300.000.000, is classified as "Due to related parties-other" in statement of financials position will be paid starting from April 1st 2016.

ii) Significant sales and purchases transactions with related parties for the interim periods between January 1 – March 31, 2016 and 2015:

a) Product sales to related parties

	January 1- March 31, 2016	January 1- March 31, 2015
Product sales to group companies		
CNHI International (*)	268.095.130	214.058.239
CNHI Italy	3.304.356	1.288.402
CNHI Argentina SA	1.453.332	760.376
CNHI Latin America Ltda.	134.291	890.281
Other	556.495	180.476
	273.543.604	217.177.774

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

b) Service sales to related companies

	January 1- March 31, 2016	January 1- March 31, 2015
Service sales to group companies		
CNHI Italy (1)	296.603	501.539
CNHI International (2)	222.463	127.831
Other	-	138.449
	519.066	767.819

(1) Services sold to CNHI Italy is related to engineering and various services.

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

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NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

c) Other income/expense from related parties

	January 1- March 31, 2016	January 1- March 31, 2015
Other income from group companies		
CNHI International	879	753.971

d) Product purchases from related parties

	January 1- March 31, 2016	January 1- March 31, 2015
Product purchases from group companies		
CNHI International (1)	149.267.415	63.944.111
Opet Fuchs (2)	13.481.602	10.068.279
New Holland India (3)	10.056.073	5.827.060
Zer	2.013.805	1.763.159
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	953.171	876.708
Opet (2)	366.121	330.712
Other	1.890.496	717.881
	178.028.683	83.527.910

(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.

e) Service purchases from related parties

	January 1- March 31, 2016	January 1- March 31, 2015
Service purchases from shareholders		
Koç Holding (1)	2.553.173	1.236.750
	2.553.173	1.236.750
Service purchase from group companies		
Zer (2)	21.411.042	9.513.368
Elttek (3)	3.797.690	2.292.920
Setur (4)	3.283.326	2.188.591
Ram Sigorta Aracılık Hizmetleri A.Ş. (5)	1.958.654	1.479.154
CNHI International (6)	1.623.733	1.386.750
Otokoç	684.246	356.835
Otokar (7)	334.790	-
Koç Sistem	224.432	854.082
Ark İnşaat San. ve Tic. A.Ş. (8)	-	1.508.101
Other	142.770	276.715
	33.460.683	19.856.516
	36.013.856	21.093.266

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NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

- (1) The amount contains finance, legal consultancy, planning, tax consultancy, senior management service costs invoiced by our Parent Company “Koç Holding A.Ş.” regarding their related services according to the concealed gain distribution described in Regulation No:11 Intra-Group Services of Transfer Pricing General Communiqué No:1.
 - (2) Services purchased from Zer are related with security, cleaning, transportation and other services.
 - (3) Services purchased from Eltek related to electricity.
 - (4) Services purchased from Setur are generally arising from plane tickets, accommodation and associated with various organizations within the sales and marketing activities.
 - (5) Insurance service purchased from Ram Sigorta Aracılık Hizmetleri A.Ş. is related interim period include premium amounts paid and accrued ended on 31 March 2016.
 - (6) Services purchased from CNHI International is related with engineering services for Tier 4, strategy development, consulting and brokerage.
 - (7) Service purchased from Otokar is related with assembly and assembly support services.
 - (8) Services purchased from Ark İnşaat San. ve Tic. A.Ş. is related to services taken for construction of assembly factory in Sakarya.
- iii) Financial income and expenses arising from transactions with related parties for the interim periods between January 1 – March 31, 2016 and 2015:**

Financial income and expense from group companies

	January 1- March 31, 2016	January 1- March 31, 2015
Interest income		
Yapı Kredi	738.756	721.743
Interest expense		
Yapı Kredi	(1.102.111)	(1.090.000)
iv) Dividends will be paid/paid to related parties:		
	January 1- March 31, 2016	January 1- March 31, 2015
Koç Holding	112.500.000	75.000.000
CNHI Osterreich	112.500.000	75.000.000
	225.000.000	150.000.000

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BETWEEN JANUARY 1 - MARCH 31, 2016 (Continued)

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NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

v) Other transactions with related parties for the interim periods between January 1 – March 31, 2016 and 2015:

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

The Company's remuneration of key management personnel as of 31 March 2016 is TL 2.509.745 (31 March 2015: TL 1.264.505). The total includes amounting to TL 899.524 payment for termination of key management personnel (31 March 2015: None).

**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.**EXPLANATORY NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENTS****BETWEEN JANUARY 1 - MARCH 31, 2016 (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, 2016 and December 31, 2015 are as follows:

	31 March 2016						
	TL Equivalent	USD	EUR	GBP	DKK	CHF	YEN
1. Trade receivables	155.630.823	57.425	48.239.869	-	-	-	28.194.290
2. Monetary financial assets (including banks accounts) (Note 3)	39.859.914	123.001	12.291.588	18.035	5.054	578	54.613
3. Other	63.272.658	137.180	16.398.202	-	-	-	408.218.443
4. Current assets (1+2+3)	258.763.395	317.606	76.929.659	18.035	5.054	578	436.467.346
5. Trade receivables	5.352.957	-	1.668.575	-	-	-	-
6. Other	2.887	1.019	-	-	-	-	-
7. Non-current assets (5+6)	5.355.844	1.019	1.668.575	-	-	-	-
8. Total assets (4+7)	264.119.239	318.625	78.598.234	18.035	5.054	578	436.467.346
9. Trade payables	127.979.866	1.242.369	33.377.062	-	-	-	690.478.054
10. Financial liabilities (Note 4)	82.145.891	-	25.605.776	-	-	-	-
11. Other monetary liabilities	12.036.805	189.106	3.584.985	-	-	-	-
12. Current liabilities (9+10+11)	222.162.562	1.431.475	62.567.823	-	-	-	690.478.054
13. Financial liabilities (Note 4)	155.576.267	-	48.494.831	-	-	-	-
14. Non-current liabilities (13)	155.576.267	-	48.494.831	-	-	-	-
15. Total liabilities (12+14)	377.738.829	1.431.475	111.062.654	-	-	-	690.478.054
16. Net foreign currency asset/ (liability) position (8-15)	(113.619.590)	(1.112.850)	(32.464.420)	18.035	5.054	578	(254.010.708)
17. Net monetary foreign currency asset/ (liability) position (8-15)	(113.619.590)	(1.112.850)	(32.464.420)	18.035	5.054	578	(254.010.708)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

	31 December 2015						
	TL Equivalent	USD	EUR	GBP	DKK	CHF	YEN
1. Trade receivables	132.353.097	170.188	41.143.116	-	-	-	46.594.137
2. Monetary financial assets (including banks accounts) (Note 3)	111.363.321	46.960	34.989.447	4.219	5.045	1.122	861.380
3. Other	45.128.753	-	14.202.150	-	-	-	-
4. Current assets (1+2+3)	288.845.171	217.148	90.334.713	4.219	5.045	1.122	47.455.517
5. Trade receivables	5.310.472	-	1.671.221	-	-	-	-
6. Other	2.963	1.019	-	-	-	-	-
7. Non-current assets (5+6)	5.313.435	1.019	1.671.221	-	-	-	-
8. Total assets (4+7)	294.158.606	218.167	92.005.934	4.219	5.045	1.122	47.455.517
9. Trade payables	93.574.954	1.825.578	24.759.847	-	-	-	398.289.476
10. Financial liabilities (Note 4)	80.915.566	-	25.464.365	-	-	-	-
11. Other monetary liabilities	21.422.702	55.581	6.690.929	-	-	-	-
12. Current liabilities (9+10+11)	195.913.222	1.881.159	56.915.141	-	-	-	398.289.476
13. Financial liabilities (Note 4)	153.246.443	-	48.227.103	-	-	-	-
14. Non-current liabilities (13)	153.246.443	-	48.227.103	-	-	-	-
15. Total liabilities (12+14)	349.159.665	1.881.159	105.142.244	-	-	-	398.289.476
16. Net foreign currency asset/ (liability) position (8-15)	(55.001.059)	(1.662.992)	(13.136.310)	4.219	5.045	1.122	(350.833.959)
17. Net monetary foreign currency asset/ (liability) position (8-15)	(55.001.059)	(1.662.992)	(13.136.310)	4.219	5.045	1.122	(350.833.959)

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BETWEEN JANUARY 1 - MARCH 31, 2016 (Continued)

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**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, 2016 and December 31, 2015 are as follows:

	January 1- March 31, 2016	January 1- March 31, 2015
Total export amount	273.125.830	216.913.533
Total import amount	250.632.717	184.270.231

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, 2016 and December 31, 2015 under the assumption of the appreciation and depreciation of TL against other currencies by 10% with all other variables held constant, is as follows:

	31 March 2016			
	Profit/Loss		Shareholders' equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Had TL appreciate/ (depreciate) by 10% against USD				
Profit/(loss) from USD net asset position	(315.315)	315.315	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	(315.315)	315.315	-	-
Had TL appreciate/ (depreciate) by 10% against EUR				
Profit/ (loss) from EUR net liability position	(10.414.911)	10.414.911	-	-
Hedged amount against EUR risk (-)	-	-	-	-
Net effect of EUR	(10.414.911)	10.414.911	-	-
Had TL appreciate/ (depreciate) by 10% against Other				
Profit/(loss) from other net asset position	(631.733)	631.733	-	-
Hedged amount against other risk (-)	-	-	-	-
Net effect of Other	(631.733)	631.733	-	-
Total Net Effect	(11.361.959)	11.361.959	-	-

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**EXPLANATORY NOTES TO THE CONDENSED
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**NOTE 21 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS
ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

	31 December 2015			
	Profit/Loss		Shareholders' equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Had TL appreciate/ (depreciate) by 10% against USD				
Profit/(loss) from USD net asset position	(483.532)	483.532	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	(483.532)	483.532	-	-
Had TL appreciate/ (depreciate) by 10% against EUR				
Profit/ (loss) from EUR net liability position	(4.174.194)	4.174.194	-	-
Hedged amount against EUR risk (-)	-	-	-	-
Net effect of EUR	(4.174.194)	4.174.194	-	-
Had TL appreciate/ (depreciate) by 10% against Other				
Profit/(loss) from other net asset position	(842.380)	842.380	-	-
Hedged amount against other risk (-)	-	-	-	-
Net effect of Other	(842.380)	842.380	-	-
Total Net Effect	(5.500.106)	5.500.106	-	-

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

	31 March 2016	31 December 2015
Time deposits (Note 3)	433.799.308	238.595.160
Financial liabilities (Note 4)	697.652.526	439.913.704

Financial instruments with floating interest rate

	31 March 2016	31 December 2015
Financial liabilities (Note 4)	236.547.598	232.867.714

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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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, 2016 in all currencies was higher/lower by 100 base points with all other variables held constant, the profit for the period before tax as a result of high/low interest rate income/ expense consisting of loans with variable interest rates would be higher/lower by TL (4.281) (31 March 2015: TL 8.512).

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.

**EXPLANATORY NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENTS
BETWEEN JANUARY 1 - MARCH 31, 2016 (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, 2016 and December 31, 2015 are as follows:

	31 March 2016					
		Trade receivables	Other receivables			
	Related party	Third party	Related party	Third party	Bank deposits	Derivative instruments
Net book value of financial assets which are undue and not impaired	44.614.828	518.103.714	-	357.942	442.137.504	-
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	339.371	21.515.639	-	-	-	-
Net book value of impaired assets	-	-	-	-	-	-
- Due dated (gross book value)	-	43.713.764	-	-	-	-
- Provision (-)	-	(43.713.764)	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Provision (-)	-	-	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	44.954.199	539.619.353	-	357.942	442.137.504	-

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

As of March 31, 2016, the guarantee amount of the maximum exposure to credit risk is TL 567.650.929. Besides, all assets which are due but not impaired and are impaired are guaranteed.

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**EXPLANATORY NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENTS
BETWEEN JANUARY 1 - MARCH 31, 2016 (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 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	107.738.947	359.651.002	-	358.030	244.280.765	-
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	2.000	7.494.602	-	-	-	-
Net book value of impaired assets	-	749.616	-	-	-	-
- Due dated (gross book value)	-	44.132.264	-	-	-	-
- Provision (-)	-	(43.382.648)	-	-	-	-
- Undue (gross book value)	-	31.776	-	-	-	-
- Provision (-)	-	(31.776)	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	107.740.947	367.895.220	-	358.030	244.280.765	-

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

As of December 31, 2015, the guarantee amount of the maximum exposure to credit risk is TL 719.636.766. Besides, all assets which are due but not impaired and are impaired are guaranteed.

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

BETWEEN JANUARY 1 - MARCH 31, 2016 (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 2016	31 December 2015
Cash and cash equivalents (Note 3)	442.137.504	244.280.765
Less: Financial liabilities (Note 4)	(934.200.124)	(672.781.418)
Net financial debt	(492.062.620)	(428.500.653)
Total shareholders' equity	430.888.090	650.907.405
Net financial debt/ shareholders' equity ratio	(1,14)	(0,66)

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:

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**EXPLANATORY NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENTS
BETWEEN JANUARY 1 - MARCH 31, 2016 (Continued)**
(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

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

Financial assets

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

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

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

Financial liabilities

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

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

NOTE 22 - SUBSEQUENT EVENT

None.

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