

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

TÜRK TRAKTÖR VE ZIRAAT MAKINELERİ A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2017
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT**



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

**REPORT ON REVIEW OF INTERIM
CONDENSED FINANCIAL INFORMATION**

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

Introduction

1. We have reviewed the accompanying condensed balance sheet of Türk Traktör ve Ziraat Makineleri A.Ş. (the “Company”) as at 30 June 2017 and the related condensed statements of income and other comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Company is responsible for the preparation and fair presentation of this interim condensed financial information in accordance with Turkish Accounting Standard 34 “Interim Financial Reporting” (“TAS 34”). Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of review

2. We conducted our review in accordance with the Standard on Review Engagements (“SRE”) 2410, “Review of interim financial information performed by the independent auditor of the entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to conclude that the accompanying interim condensed financial information of Türk Traktör ve Ziraat Makineleri A.Ş. is not prepared, in all material respects, in accordance with TAS 34.



Other matter

4. The financial statements of the Company as of 31 December 2016 and for the year then ended were audited and the condensed interim financial information as of 30 June 2016 and for the six-month period then ended were reviewed by another audit firm whose audit report dated 10 February 2017 expressed an unqualified opinion and whose review report dated 8 August 2016 expressed a conclusion that no material non-compliance with respect to TAS 34 has come to their attention.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Murat Sancar, SMMM
Partner

İstanbul, 28 July 2017

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**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

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TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

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

	Notes	<i>Reviewed</i> 30 June 2017	<i>Audited</i> 31 December 2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	459.781.662	228.417.481
Trade receivables:			
- <i>Other parties</i>	5	573.898.124	577.771.837
- <i>Related parties</i>	20	163.715.622	73.020.072
Inventories	6	471.667.719	556.452.036
Prepaid expenses	9	3.581.898	1.085.645
Assets related to current period taxes	18	-	11.986.128
Other current assets	9	126.617.280	134.252.178
TOTAL CURRENT ASSETS		1.799.262.305	1.582.985.377
NON-CURRENT ASSETS			
Trade receivables:			
- <i>Other parties</i>	5	4.439.725	3.129.493
Other receivables:			
- <i>Other parties</i>		379.069	380.004
Property, plant and equipment	7	462.353.392	458.901.767
Intangible assets	8	190.068.652	178.086.580
Prepaid expenses	10	14.683.834	2.655.044
Deferred tax assets	18	85.565.954	76.052.805
TOTAL NON-CURRENT ASSETS		757.490.626	719.205.693
TOTAL ASSETS		2.556.752.931	2.302.191.070

The condensed interim financial statements prepared for the period 1 January-30 June 2017 have been approved by the Board of Directors on 28 July 2017.

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

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TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

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

	Notes	<i>Reviewed</i> 30 June 2017	<i>Audited</i> 31 December 2016
LIABILITIES			
CURRENT LIABILITIES			
Short-term financial liabilities	4	1.189.386	110.427
Short-term portion of long term financial liabilities	4	252.225.521	187.926.529
Trade payables:			
- <i>Other parties</i>	5	533.942.523	434.331.506
- <i>Related parties</i>	20	28.097.242	59.798.079
Payables related to employee benefits	12	21.692.631	16.159.720
Other payables:			
- <i>Other parties</i>		16.674.308	21.040.881
Government incentives and aids	9	3.599.231	3.031.296
Deferred income	10	13.873.875	18.509.273
Current income tax liabilities	18	3.778.967	-
Short-term provisions:			
- <i>Provision for employee benefits</i>	11	4.075.067	1.959.616
- <i>Other provisions</i>	11	45.957.481	43.948.628
TOTAL CURRENT LIABILITIES		925.106.232	786.815.955
NON-CURRENT LIABILITIES			
Long-term financial liabilities	4	990.786.361	760.154.032
Long-term provisions:			
- <i>Provision for employee benefits</i>	11	23.514.018	21.728.439
- <i>Other provisions</i>	11	34.880.780	33.631.831
TOTAL NON-CURRENT LIABILITIES		1.049.181.159	815.514.302
TOTAL LIABILITIES		1.974.287.391	1.602.330.257
SHAREHOLDERS' EQUITY		582.465.540	699.860.813
Equity attributable to parent			
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		155.839.108	199.995.507
Other accumulated comprehensive expense not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plans		(20.868.541)	(18.448.767)
Other accumulated comprehensive expense to be reclassified to profit or loss			
- Cash flow hedge losses		(15.814.462)	(12.941.794)
Retained earnings		238.597.910	74.645.222
Net income for the period		137.897.169	369.796.289
TOTAL LIABILITIES		2.556.752.931	2.302.191.070
Provisions, contingent assets and liabilities	11		

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

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**CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2017**

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

	Notes	<i>Reviewed</i> 1 January - 30 June 2017	1 April- 30 June 2017	<i>Reviewed</i> 1 January - 30 June 2016	1 April - 30 June 2016
Revenue	14	2.052.399.333	1.090.975.471	1.823.447.520	937.614.123
Cost of sales (-)	14	(1.709.580.737)	(916.440.577)	(1.453.131.502)	(747.926.632)
GROSS PROFIT		342.818.596	174.534.894	370.316.018	189.687.491
Marketing expenses (-)		(93.174.838)	(45.559.608)	(90.725.273)	(42.519.577)
General administrative expenses (-)		(42.819.177)	(21.520.857)	(36.485.171)	(19.344.204)
Research and development expenses (-)		(7.438.052)	(3.436.741)	(6.669.081)	(3.656.458)
Other income from operating activities	15	120.260.582	36.392.513	77.931.599	51.437.665
Other expenses from operating activities (-)	15	(98.000.423)	(22.033.104)	(71.874.238)	(46.106.256)
OPERATING PROFIT		221.646.688	118.377.097	242.493.854	129.498.661
Income from investing activities		263.059	215.998	-	-
Expenses from investing activities (-)		(11.970)	(5.544)	(17.885)	(15.789)
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSES)		221.897.777	118.587.551	242.475.969	129.482.872
Financial income	16	20.234.419	13.642.307	20.543.365	11.398.112
Financial expenses (-)	17	(85.850.235)	(43.783.969)	(56.592.207)	(33.004.106)
PROFIT BEFORE TAXATION ON INCOME		156.281.961	88.445.889	206.427.127	107.876.878
Taxes on income (-)	18	(26.574.831)	(4.305.688)	(51.060.293)	(16.168.162)
Deferred tax income/(expense)	18	8.190.039	(1.620.936)	58.707.799	42.112.546
NET PROFIT FOR THE PERIOD		137.897.169	82.519.265	214.074.633	133.821.262
Earnings per share (TL)	19	0,0258	0,0155	0,0401	0,0251
Other comprehensive income/ (expense)					
Other comprehensive expense not to be reclassified to profit or loss					
Actuarial loss arising from defined benefit plans	11	(3.024.718)	(2.820.036)	(956.391)	(615.534)
Tax effect of other comprehensive expense not to be reclassified to profit or loss					
Actuarial loss arising from defined benefit plans, tax effect	18	604.944	564.007	191.278	123.107
Other comprehensive expense to be reclassified to profit or loss					
Cash flow hedge losses		(3.590.834)	(1.292.958)	-	-
Tax effect of other comprehensive expense to be reclassified to profit or loss					
Cash flow hedge losses, tax effect	18	718.166	258.592	-	-
Other comprehensive expense after tax		(5.292.442)	(3.290.395)	(765.113)	(492.427)
TOTAL COMPREHENSIVE INCOME		132.604.727	79.228.870	213.309.520	133.328.835

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

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TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM CHANGES IN EQUITY
FOR THE INTERIM PERIOD ENDED 30 JUNE 2017**

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

				Other comprehensive income or expense items not to be reclassified to profit or loss	Other comprehensive income or expense items to be reclassified to profit or loss				
	Paid-in share capital	Adjustment to share capital	Merger reserve	Actuarial loss arising from defined benefit plans	Cash flow hedge losses	Restricted profit reserves	Retained earnings	Net profit for the period	Total shareholders' equity
1 January 2017	53.369.000	39.014.356	(5.569.000)	(18.448.767)	(12.941.794)	199.995.507	74.645.222	369.796.289	699.860.813
Transfers	-	-	-	-	-	(44.156.399)	413.952.688	(369.796.289)	-
Dividends paid (Note 13)	-	-	-	-	-	-	(250.000.000)	-	(250.000.000)
Comprehensive income									
Net profit for the period	-	-	-	-	-	-	-	137.897.169	137.897.169
Other comprehensive income									
Actuarial loss arising from defined benefit plans	-	-	-	(2.419.774)	-	-	-	-	(2.419.774)
Cash flow hedge losses	-	-	-	-	(2.872.668)	-	-	-	(2.872.668)
Total other comprehensive expense	-	-	-	(2.419.774)	(2.872.668)	-	-	-	(5.292.442)
Total comprehensive income	-	-	-	(2.419.774)	(2.872.668)	-	-	137.897.169	132.604.727
30 June 2017	53.369.000	39.014.356	(5.569.000)	(20.868.541)	(15.814.462)	155.839.108	238.597.910	137.897.169	582.465.540

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TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM CHANGES IN EQUITY
FOR THE INTERIM PERIOD ENDED 30 JUNE 2017**

(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 loss arising from defined benefit plans	Restricted profit reserves	Retained earnings	Net profit for the period	Total shareholders’ equity
1 January 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	-	-	-	-	-	-	214.074.633	214.074.633
Other comprehensive income								
Actuarial loss arising from defined benefit plans	-	-	-	(765.113)	-	-	-	(765.113)
Total other comprehensive expense	-	-	-	(765.113)	-	-	-	(765.113)
Total comprehensive income	-	-	-	(765.113)	-	-	214.074.633	213.309.520
30 June 2016	53.369.000	39.014.356	(5.569.000)	(11.312.793)	199.995.507	74.645.222	214.074.633	564.216.925

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TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2017**

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

Notes	<i>Reviewed</i> 1 January-30 June 2017	<i>Reviewed</i> 1 January-June 30 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES	300.760.231	39.417.944
Net profit for the period	137.897.169	214.074.633
Adjustments to reconcile net profit:	113.800.227	73.188.410
Depreciation and amortization	7,8 33.358.391	26.928.689
Adjustments related to impairment on inventories	6 (4.358.614)	191.802
Adjustments related to provision for employee termination benefits	11 4.440.026	4.363.412
Adjustments related to impairment on receivables	5,15 (973.546)	1.194.297
Adjustments related to other provisions	11 3.257.802	7.061.080
Adjustments related to interest income and expense	16, 17 47.923.217	33.567.636
Adjustments related to tax expense	18 18.384.792	(7.647.506)
Adjustments related to (gain)/ loss from sales of property plant and equipment	(251.089)	17.885
Non-cash items	12.019.248	7.511.115
Changes in working capital	63.436.285	(233.724.981)
Trade receivables- other parties	3.537.027	(94.854.881)
Trade receivables- related parties	(87.229.042)	(25.403.026)
Inventories	89.142.931	(129.888.895)
Other current assets	7.634.898	(39.856.100)
Other receivables	935	(128.642)
Prepaid expenses	(14.525.043)	(5.518.111)
Trade payables-related parties	(31.267.377)	(20.740.498)
Trade payables- other parties	99.611.017	87.293.375
Deferred income	(4.635.398)	2.210.600
Other liabilities	(4.366.573)	(4.311.260)
Payables related to employee benefits	5.532.910	(2.527.543)
Net cash provided by operating activities	315.133.681	53.538.062
Employment termination benefits paid	11 (3.563.714)	(2.959.628)
Taxes paid	18 (10.809.736)	(11.160.490)
B. CASH FLOWS FROM INVESTING ACTIVITIES	(47.973.064)	(31.334.036)
Proceeds from sales of property, plant and equipment and intangible assets	256.631	55.220
Payments for purchases of property, plant and equipment and intangible assets	7,8 (48.797.630)	(31.725.951)
Proceeds from government grants	9 567.935	336.695
C. CASH FLOWS FROM FINANCING ACTIVITIES	(24.162.678)	(162.150.749)
Proceeds from bank borrowings	607.780.000	532.937.929
Repayment of bank borrowings	(344.452.075)	(362.921.163)
Dividends paid	13 (250.000.000)	(300.000.000)
Interest paid	(50.380.475)	(36.993.853)
Interest received	12.889.872	4.826.338
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)	228.624.489	(154.066.841)
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS	273.825	(1.000.757)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	228.898.314	(155.067.598)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	228.330.542	244.162.165
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	457.228.856	89.094.567

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

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TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2017**

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Türk Traktör ve Ziraat Makineleri A.Ş. (the “Company”) was established in 1954 in Ankara, as Minneapolis Moline Türk Traktör ve Ziraat Makineleri A.Ş. to undertake the manufacturing and trade of farm tractors, harvesters and other agricultural machinery and equipment. The name of the Company was changed as Türk Traktör Ziraat Makineleri A.Ş. in 1968 upon the purchase of 25% of the shares held by Ege Makina ve Ticaret A.Ş., a group company of the Koç Holding A.Ş. (“Koç Holding”). As of 30 June 2017, major shareholders of the Company are Koç Holding and CNHI Osterreich GmbH (“CNHI Osterreich”) (Note 13). The number of personnel working within the Company as of 30 June 2017 is 3.072 (Permanent: 2.842 temporary: 230) and the average number of personnel is 2.957 (December 31 2016: 2.967 (Permanent: 2.830, temporary: 137), average: 3.124).

The Company conducts marketing and selling activities in the domestic market, through its 136 sales dealers and 133 spare part dealers and 53 heavy construction equipment dealers (31 December 2016: 132 sales dealers, 136 spare part dealers, 58 heavy construction equipment dealers).

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

The Company is registered in Turkey in the following address:

Gazi Mahallesi Anadolu Bulvarı No:52-52 A
06560 Yenimahalle Ankara

As of 30 June 2017, the free float of the Company whose shares are traded in the Borsa Istanbul (“BİST”) is 24,85% (31 December 2016: %24,88 (Note 13).

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED INTERIM 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 accompanying condensed interim 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”) on 13 June 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”).

The condensed interim financial statements are prepared in accordance with the Communiqué and TAS 34 - “Interim Financial Reporting”. The condensed financial statements are presented in accordance with the format and mandatory information required by POA.

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

2.1 Basis of presentation (Continued)

In accordance with the TAS 34, entities are allowed to prepare a complete or condensed set of interim financial statements. In this framework, the Group has preferred to prepare condensed financial statements in the interim periods.

These interim financial statements should be read in conjunction with the financial statements prepared for the year ended 31 December 2016.

The Company maintains its books of accounts and prepares its statutory financial statements in accordance with the principles issued by CMB, the Turkish Commercial Code (“TCC”), tax legislation, the Uniform Chart of Accounts issued by Ministry of Finance. The financial statements have been prepared under historical cost conventions except for the financial assets and liabilities carried at fair value and in functional and presentation currency, Turkish Lira, of the Company. The financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS.

2.2 Comparatives and restatement of prior periods’ financial statements

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

2.3 Changes in TFRS:

The accounting policies adopted in preparation of the interim financial statements as at 30 June 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

Standards, amendments and interpretations applicable as at 30 June 2017

- Amendments to TAS 7 ‘Statement of cash flows’,
- Amendments TAS 12 ‘Income Taxes’,
- Annual improvements 2014-2016.

The new standards, amendments and improvements do not have significant effect on the financial position and performance of the Company.

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

2.3 Changes in TFRS (Continued):

Standards, amendments and interpretations published but not applicable as at 30 June 2017

- Amendments to IFRS 2, ‘Share based payments’,
- IFRS 9 ‘Financial instruments,
- IFRS 15 ‘Revenue from contracts with customers’,
- Amendment to IFRS 15, ‘Revenue from contracts with customers’,
- IFRS 16 ‘Leases’,
- Amendments to IFRS 4, ‘Insurance contracts’,
- Amendment to IAS 40, Investment property’,
- Annual improvements 2014-2016;
- IFRIC 22, ‘Foreign currency transactions and advance consideration’,
- IFRS 17, ‘Insurance contracts’.

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 accounting policies used in the preparation of these interim condensed financial statements for the period ended 30 June 2017 are consistent with those used in the preparation of annual financial statements for the year ended 31 December 2016 except for the following:

Tax provisions at interim periods are recognized based on the expected tax rates and taxable profit of the Company at year end.

These interim condensed financial statements for the period 1 January- 30 June 2017 should be read in conjunction with the annual financial statements for the year 1 January - 31 December 2016.

The expenses that are not evenly distributed throughout the financial year are recognised in the interim financial statements in the case that those expenses can be estimated properly at year ends.

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.

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

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

2.5 Significant accounting, estimates and judgments (Continued)

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.

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).

Provision for warranties

Warranty expenses and provisions 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 under short-term.

Provision for lawsuits

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

Provision for impairment of inventories

Inventory is evaluated at each period in order to determine whether there is a need to have provision for potential impairment costs at the date of statement of financial position (Note 6).

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**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED INTERIM FINANCIAL
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2.5 Significant accounting, estimates and judgments (Continued)

Deferred tax assets

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

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

The Company has recorded its deferred tax asset as of 30 June 2017 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).

NOTE 3 - CASH AND CASH EQUIVALENTS

	30 June 2017	31 December 2016
Cash	734	-
Banks:		
- TL denominated demand deposits	16.120.928	6.144.099
- TL denominated time deposits	422.899.742	153.373.864
- Foreign currency denominated demand deposits	2.794.451	3.045.027
- Foreign currency denominated time deposits	17.965.807	65.854.491
	459.781.662	228.417.481

As of 30 June 2017, the weighted average effective annual interest rate for TL and Euro (“EUR”) time deposits are 13,57% and 1,00%, respectively (December 31, 2016: TL: %10,00, EUR: %0,84). As of 30 June 2017 and 31 December 2016, remaining time to maturity of time deposits is less than three months.

As of 30 June 2017, the Company has no restricted deposits (31 December 2016: None).

The cash and cash equivalents included in the statement of cash flows at 30 June 2017 and 31 December 2016 is as follows:

	30 June 2017	31 December 2016
Cash	734	-
Banks	459.780.928	228.417.481
Less: Interest accruals	(2.552.806)	(86.939)
Cash and cash equivalents	457.228.856	228.330.542

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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	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
TL borrowings	1.189.386	110.427	-	-	1.189.386	110.427
	1.189.386	110.427	-	-	1.189.386	110.427

Current portion of long-term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
TL bonds issued	3.961.401	-	13,29	-	3.961.401	-
EUR borrowings	24.421.047	24.608.425	1,90	1,90	97.757.453	91.294.796
TL borrowings	150.506.667	96.631.733	12,80	10,23	150.506.667	96.631.733
					252.225.521	187.926.529

b) Long-term financial liabilities

Long-term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
EUR borrowings	50.450.142	42.680.936	1,85	1,90	201.951.919	158.342.003
TL borrowings	639.545.389	602.776.664	13,24	10,23	639.545.389	602.776.664
					841.497.308	761.118.667
Prepaid commission (*)					(710.947)	(964.635)
Total long-term borrowings					840.786.361	760.154.032

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

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NOTE 4 - FINANCIAL LIABILITIES (Continued)

Long term bonds:

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
TL bonds issued (*)	150.000.000	-	13,29	-	150.000.000	-
Total long term bonds					150.000.000	-

(*) The Company issued total of TL 150.000.000 bond, TL 75.000.000 of which is bond with 3 years maturity and floating interest rate and TL 75.000.000 of which is a bond with 2 years maturity and fixed interest rate.

Redemption schedule of the long-term bank borrowings as of 30 June 2017 and 31 December 2016 is as follows:

Year	30 June 2017	31 December 2016
2018	227.144.876	622.899.392
2019	148.264.706	72.046.991
2020	568.470.535	21.735.883
2021	23.453.122	21.735.883
2022	23.453.122	21.735.883
	990.786.361	760.154.032

As of 30 June 2017; the Company has long-term investment loans with variable interest rate amounting to EUR 22.714.286 and with fixed interest amounting to EUR 32.083.333 and has an operating loan with fixed interest rate amounting to EUR 20.000.000 (31 December 2016: EUR 67.071.429 investment loan). The EUR 10.714.286 loan's maturity is 5 years, without principal payment for first two years, with an interest payment of every 6 months and with an interest rate of 2.20% + Euribor. The EUR 12.000.000 loan's maturity is 4 years (maturity date of 12 November 2018), without principal payment for first two years with an interest and principal payment of every 6 months and with an interest rate of 2,20% + Euribor. The EUR 32.083.333 loan's maturity is 6 years (maturity date of 15 July 2022), with an interest and principal payment of every 6 months and with an interest rate of 0,95%. The EUR 20.000.000 loan's maturity is 3 years, principal payment to be made at maturity, with an interest payment of every 3 months and with an interest rate of 2,95%. In accordance with the agreement signed with respect to the investment loan used by the Company, there is an obligation of not exceeding the below mentioned rate calculated over the financial statements prepared in accordance with the Turkish Financial Reporting Standards:

Obligation rate is;

- Net financial liability (*) / Earnings before interest, taxes, depreciation and amortization should be lower than 3,75.
- (*) Net financial liability is calculated by deducting the total of financial liabilities (including short-term and long-term financial liabilities) from cash and cash equivalents.

The Company meets this condition as of the balance sheet date.

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NOTE 4 - FINANCIAL LIABILITIES (Continued)

Carrying values and fair values of the bank borrowings are as follows:

	Carrying value		Fair value	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Bank borrowings	1.090.239.867	948.190.988	1.098.403.231	941.475.560

As of 30 June 2017, fair values of the bank borrowings, for EUR and TL bank borrowings are determined by using the discounted cash flow method over weighted effective discount rates 0,51% and 11,53% per annum, respectively (31 December 2016: EUR: 1,55% and TL: 13,70% per annum)

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

	30 June 2017	31 December 2016
Short-term trade receivables:		
Customer current accounts	618.155.887	618.495.629
Notes receivables	21.524.202	20.087.645
Protested notes	186.451	95.000
	639.866.540	638.678.274
Less: Provision for doubtful receivables	(51.269.135)	(52.242.681)
Unearned financial income	(14.699.281)	(8.663.756)
Short-term trade receivables	573.898.124	577.771.837
Trade receivables from related parties (Note 20)	163.715.622	73.020.072
Total short-term trade receivables	737.613.746	650.791.909

Movements of the provisions for short-term doubtful receivables for the periods ended 30 June 2017 and 2016 are as follows:

	2017	2016
January 1	(52.242.681)	(43.414.424)
Cancelled during the period (Note 15)	973.546	460.292
Charge during the period (Note 15) (*)	-	(1.194.297)
30 June	(51.269.135)	(44.148.429)

(*) Charge during the period is related to revaluation of foreign currency doubtful receivables.

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NOTE 5 - TRADE RECEIVABLES AND PAYABLES (Continued)

	30 June 2017	31 December 2016
Long-term trade receivables:		
Notes receivables	4.439.725	3.129.493
	4.439.725	3.129.493
Trade payables:		
Supplier current accounts	543.658.781	438.715.153
Less: Unincurred financial expense	(9.716.258)	(4.383.647)
Trade payables	533.942.523	434.331.506
Trade payables to related parties (Note 20)	28.097.242	59.798.079
Total trade payables	562.039.765	494.129.585

NOTE 6 - INVENTORIES

	30 June 2017	31 December 2016
Raw materials	174.438.074	151.887.866
Work in progress	4.328.930	254.229
Finished goods	61.176.544	122.369.513
Commercial goods	150.709.421	214.092.943
Spare parts	42.444.580	39.437.978
Goods in transit (*)	76.063.205	70.261.156
Gross	509.160.754	598.303.685
Provision for impairment of inventories (-)	(37.493.035)	(41.851.649)
Net	471.667.719	556.452.036

The cost of inventories recognised as expense in the current period is amounting to TL 1.556.205.149 (30 June 2016: TL 1.412.311.945).

(*) Goods in transit are comprised of commercial goods and spare parts not yet arrived, but the risk and responsibility of which is received by the Company as of period end.

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NOTE 6 - INVENTORIES (Continued)

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

	2017	2016
January 1	(41.851.649)	(38.402.092)
Cancelled due to sales inventory during the period	4.358.614	1.197.531
Charge during the period	-	(1.389.333)
30 June	(37.493.035)	(38.593.894)

Allocation of the provision for impairment on inventories items is as follows:

	30 June 2017	31 December 2016
Raw materials	(24.388.336)	(24.388.336)
Finished goods	(10.442.264)	(14.800.878)
Spare parts	(2.662.435)	(2.662.435)
	(37.493.035)	(41.851.649)

NOTE 7- PROPERTY, PLANT AND EQUIPMENT

	1 January 2017	Additions	Disposals	Transfers	30 June 2017
<u>Cost</u>					
Land	37.740.200	-	-	-	37.740.200
Land improvements	11.351.423	719.821	-	-	12.071.244
Buildings	234.169.997	342.734	-	-	234.512.731
Machinery and equipment	557.464.187	22.548.574	(7.373.795)	-	572.638.966
Special costs	5.564.336	137.125	-	-	5.701.461
Motor vehicles	6.502.522	390.824	-	-	6.893.346
Furniture and fixtures	71.963.240	2.744.529	-	-	74.707.769
Construction in progress	716.888	1.665.166	-	-	2.382.054
	925.472.793	28.548.773	(7.373.795)	-	946.647.771
<u>Accumulated depreciation</u>					
Land improvements	4.458.221	185.609	-	-	4.643.830
Buildings	51.244.267	2.565.043	-	-	53.809.310
Machinery and equipment	360.853.860	17.191.645	(7.368.253)	-	370.677.252
Special costs	3.235.011	264.643	-	-	3.499.654
Motor vehicles	3.135.441	493.529	-	-	3.628.970
Furniture and fixtures	43.644.226	4.391.137	-	-	48.035.363
	466.571.026	25.091.606	(7.368.253)	-	484.294.379
Net book value	458.901.767				462.353.392

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NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2016	Additions	Disposals	Transfers	30 June 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	6.616.814	-	-	545.109.626
Special costs	3.925.826	1.344.830	-	-	5.270.656
Motor vehicles	5.765.808	219.015	(84.286)	-	5.900.537
Furniture and fixtures	61.098.414	2.008.058	(5.018)	-	63.101.454
Construction in progress	10.751.099	8.323.008	-	-	19.074.107
	901.997.773	18.511.725	(89.304)	-	920.420.194
<u>Accumulated depreciation</u>					
Land improvements	4.102.669	176.792	-	-	4.279.461
Buildings	46.132.970	2.551.065	-	-	48.684.035
Machinery and equipment	341.775.030	14.236.476	-	-	356.011.506
Special costs	2.821.035	170.386	-	-	2.991.421
Motor vehicles	2.247.517	442.672	(14.040)	-	2.676.149
Furniture and fixtures	35.529.491	3.791.258	(2.159)	-	39.318.590
	432.608.712	21.368.649	(16.199)	-	453.961.162
Net book value	469.389.061				466.459.032

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

	30 June 2017	31 December 2016
Land improvements	2.310.495	2.310.495
Buildings	16.608.334	16.547.935
Machinery and equipment	266.787.623	274.101.606
Special costs	2.623.444	2.623.444
Motor vehicles	1.382.185	1.382.185
Furniture and fixtures	26.981.697	22.750.474
	316.693.778	319.716.139

Allocation of the depreciation expenses of property, plant and equipment as of 30 June 2017 and 2016 is as follows:

	30 June 2017	30 June 2016
Production costs	17.602.401	15.551.396
General administrative expenses	4.309.014	2.869.730
Marketing, selling and distribution expenses	1.606.088	1.335.087
Research and development expenses	1.574.103	1.612.436
	25.091.606	21.368.649

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NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company does not have any financial costs in the current period arising from foreign exchange denominated borrowings capitalized on construction in progress as of 30 June 2017 (30 June 2016: None)

There is not mortgage on property, plant and equipment as of 30 June 2017 (31 December 2016: None).

NOTE 8 - INTANGIBLE ASSETS

	1 January 2017	Additions	Disposals	Transfers	30 June 2017
<u>Cost</u>					
Rights	57.043.268	2.499.162	-	-	59.542.430
Development costs	77.679.260	-	-	-	77.679.260
Development costs in progress	105.790.404	19.526.032	-	-	125.316.436
	240.512.932	22.025.194	-	-	262.538.126
<u>Accumulated amortisation</u>					
Rights	18.183.297	2.791.544	-	-	20.974.841
Development costs	44.243.055	7.251.578	-	-	51.494.633
	62.426.352	10.043.122	-	-	72.469.474
Net book value	178.086.580				190.068.652

	1 January 2016	Additions	Disposals	Transfers	30 June 2016
<u>Cost</u>					
Rights	21.907.706	1.174.284	-	-	23.081.990
Development costs	60.703.150	-	-	12.467.202	73.170.352
Development costs in progress	84.732.997	13.702.913	-	(12.467.202)	85.968.708
	167.343.853	14.877.197	-	-	182.221.050
<u>Accumulated amortisation</u>					
Rights	14.378.652	1.592.335	-	-	15.970.987
Development costs	32.074.752	5.630.676	-	-	37.705.428
	46.453.404	7.223.011	-	-	53.676.415
Net book value	120.890.449				128.544.635

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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 development costs in progress as the development process has not yet been completed.

Allocation of the amortization expenses of intangible assets that has suspended as of 30 June 2017 and 2016 is as follows:

	30 June 2017	30 June 2016
Production costs	1.990.623	1.158.849
General administrative expenses	424.905	213.845
Marketing, selling and distribution expenses	173.782	99.487
Research and development expenses	5.677.475	4.087.859
Reflected to development cost in progress	1.776.337	1.662.971
	10.043.122	7.223.011

NOTE 9 - OTHER ASSETS AND LIABILITIES

	30 June 2017	31 December 2016
a) Other current assets:		
Deferred value added tax ("VAT")	91.053.885	109.439.904
Reclaimed VAT	35.398.092	24.269.354
Other	165.303	542.920
	126.617.280	134.252.178

	30 June 2017	31 December 2016
b) Government grants and aids:		
Government grants and aids	3.599.231	3.031.296
	3.599.231	3.031.296
	2017	2016
1 January	3.031.296	3.066.415
Received during the period	567.935	336.695
Utilized during the period (Note 15)	-	(185.503)
30 June	3.599.231	3.217.607

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NOTE 10 - PREPAID EXPENSES AND DEFERRED INCOME

	30 June 2017	31 December 2016
a) Short-term prepaid expenses:		
Prepaid expenses	3.581.898	1.085.645
	3.581.898	1.085.645
	30 June 2017	31 December 2016
b) Long-term prepaid expenses:		
Advances given for purchases of fixed assets	14.683.834	2.516.214
Prepaid expenses	-	138.830
	14.683.834	2.655.044
	30 June 2017	31 December 2016
c) Deferred income:		
Deferred income (*)	13.762.151	18.415.925
Advances received	111.724	93.348
	13.873.875	18.509.273

(*) Deferred income represents the sales amount of the tractors for which the invoices are issued but are not yet shipped to customers as of 30 June 2017 and 31 December 2016.

NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short-term provisions

Short-term provision for employee benefits

	30 June 2017	31 December 2016
Provision for unused vacation	4.075.067	1.959.616
	4.075.067	1.959.616

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

	2017	2016
1 January	1.959.616	1.561.738
Charge/ (used) for the period- net	2.115.451	2.653.236
30 June	4.075.067	4.214.974

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

Other short-term provisions

	30 June 2017	31 December 2016
Warranty provision	37.037.205	34.311.238
Provision for legal cases (*)	8.920.276	9.637.390
	45.957.481	43.948.628

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

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

	2017	2016
1 January	9.637.390	10.295.723
Charge for the period (Note 15)	550.960	325.263
Cancelled provision for the period (Note 15)	(1.268.074)	(2.264.321)
30 June	8.920.276	8.356.665

b) Long-term provisions

Long-term provision for employee benefits

	30 June 2017	31 December 2016
Provision for employee termination benefits	23.514.018	21.728.439
	23.514.018	21.728.439

Provision for employee termination benefit is recorded in line with the legal arrangements explained below:

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 4.426,16 for each year of service as of 30 June 2017 (31 December 2016: TL 4.297,21).

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 ASSETS AND LIABILITIES (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:

	30 June 2017	31 December 2016
Inflation rate (%)	6,00	6,00
Interest rate (%)	10,77	10,77
Turnover rate to estimate the probability of retirement (%)	94,42	94,04

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 Company's provision for employee termination benefit was calculated over TL 4.732,48 valid as of 1 July 2017.

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

	2017	2016
1 January	21.728.439	15.598.307
Interest cost	1.154.499	807.212
Current period service cost	1.170.076	902.964
Paid during the period	(3.563.714)	(2.959.628)
Actuarial loss	3.024.718	956.391
30 June	23.514.018	15.305.246

Sensitivity analysis of key assumptions used for termination benefits calculations as at 30 June 2017 are as follows:

Sensitivity level	Net discount rate		Turnover related to the probability of retirement	
	%0,5 decrease (%4,0)	%0,5 increase (%5,0)	%0,5 decrease (%93,92)	%0,5 increase (%94,92)
Change in employee benefits liability	850.134	(786.548)	(483.077)	537.312

Other long-term provisions

	30 June 2017	31 December 2016
Warranty provision	34.880.780	33.631.831
	34.880.780	33.631.831

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

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

	2017	2016
1 January	67.943.069	58.583.949
Used during the period	(22.780.093)	(26.146.023)
Charge for the period	26.755.009	31.792.018
30 June	71.917.985	64.229.944

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 30 June 2017 and 31 December 2016; the Company's guarantee/pledge/mortgage positions are as follows:

	30 June 2017	31 December 2016
A. The total amount of collaterals given on behalf of its own legal entity	22.217.036	21.854.968
B. The total amount of collaterals given in favor of the companies in the scope of full consolidation		
C. The total amount of collaterals given for the purpose of providing debt to third parties in the course of ordinary business activities	-	-
D. The total amount of other collaterals given	-	-
i. The total amount of collaterals given in favor of the parent companies	-	-
ii. The total amount of collaterals given in favor of other group companies which are not in the scope of items B and C	-	-
iii. The total amount of collaterals given in favor of third parties other than the parties stated in item C	-	-
	22.217.036	21.854.968

As at 30 June 2017, the Company has given its own legal entity on behalf of the original collateral denominated in foreign currency amounts of EUR 2.782.450 (31 December 2016: EUR 3.087.108).

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

d) Contingent assets

	Original currency amount						TL equivalent	
	30 June 2017			31 December 2016			30 June 2017	31 December 2016
	EUR	USD	TL	EUR	USD	TL		
Letters of guarantees received	-	270.000	687.696.251	825.449	270.000	593.693.990	688.643.168	597.706.507
Direct debit	-	-	370.482.256	-	-	366.484.539	370.482.256	366.484.539
Mortgages	-	-	438.714	-	-	438.714	438.714	438.714
Security bonds	8.000	-	2.500.000	8.000	-	2.500.000	2.532.024	2.529.679
							1.062.096.162	967.159.439

NOTE 12 - PROVISION FOR EMPLOYEE BENEFITS

Liabilities for employee benefits

	30 June 2017	31 December 2016
Accrued premiums and liabilities to personnel	6.726.510	7.175.046
Taxes payable and liabilities (*)	14.966.121	8.984.674
	21.692.631	16.159.720

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

NOT 13 - SHAREHOLDERS' EQUITY

Paid-in share capital

The Company's registered share capital amounts to TL 250.000.000 (31 December 2016: 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.

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NOT 13 - SHAREHOLDERS' EQUITY (Continued)

The composition of the Company's statutory share capital at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017		31 December 2016	
	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	25,00	13.342.250	24,95	13.315.978
Other	-	-	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 11 June 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 30 June 2017, 24,85% (December 31, 2016: 24,88%) of the Company shares are quoted at BİST.

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

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

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

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NOT 13 - SHAREHOLDERS' EQUITY (Continued)

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

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from January 1, 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences arose 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 utilized in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings/losses"

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.

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.

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NOT 13 - SHAREHOLDERS' EQUITY (Continued)

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.

In the statutory financial statements of the Company, in addition to the statutory profit amounting to TL 137.897.169 and retained earnings amounting to TL 238.597.910 for the period ended 30 June 2017; 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 15.814.462 if dividend distribution is made.

The dividend payment proposal amounting to TL 250.000.000 were decided, in the Company's 63rd General Assembly dated 22 March 2017 and the related payment has been completed to the shareholders in cash starting from 3 April 2017 (Note 20). Dividend payment distribution per share is 4,68 Kr (31 December 2016: 5,62 Kr).

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NOTE 14 - SALES AND COST OF SALES

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Domestic sales	1.717.465.149	937.353.987	1.494.296.920	781.717.265
Export sales	558.227.951	272.692.498	538.541.968	265.416.138
Sales income (gross)	2.275.693.100	1.210.046.485	2.032.838.888	1.047.133.403
Less: Discount and returns	(223.293.767)	(119.071.014)	(209.391.368)	(109.519.280)
Sales income (net)	2.052.399.333	1.090.975.471	1.823.447.520	937.614.123
Cost of sales	(1.709.580.737)	(916.440.577)	(1.453.131.502)	(747.926.632)
Gross profit	342.818.596	174.534.894	370.316.018	189.687.491

Sales quantities:

	30 June 2017			30 June 2016		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Tractor	18.859	6.049	24.908	17.917	6.902	24.819
Combine	224	-	224	246	-	246
	19.083	6.049	25.132	18.163	6.902	25.065

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NOTE 15 - OTHER OPERATING INCOME/ (EXPENSES)

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Foreign exchange gain from trade receivable/ payables	74.165.350	9.123.310	53.961.073	36.868.217
Financial income from credit sales	36.013.657	20.656.995	14.775.512	7.198.925
Reversal of provision for doubtful receivables (Note 5)	973.546	973.546	460.292	379.764
Incentive income (Note 9)	-	-	185.503	92.751
Reversal of provision for litigation expenses (Note 11)	1.268.074	1.268.074	2.264.321	2.264.321
Other income	7.839.955	4.370.588	6.284.898	4.633.687
Other operating income	120.260.582	36.392.513	77.931.599	51.437.665
Foreign exchange loss from trade receivable/ payables	(67.760.471)	(5.226.275)	(57.830.268)	(39.683.626)
Financial expense on credit purchases	(29.688.992)	(16.265.526)	(12.323.305)	(5.429.407)
Provision for doubtful receivables (Note 5)	-	-	(1.194.297)	(814.430)
Provision for litigation expenses (Note 11)	(550.960)	(550.960)	(325.263)	(172.954)
Other expenses	-	9.657	(201.105)	(5.839)
Other operating expenses	(98.000.423)	(22.033.104)	(71.874.238)	(46.106.256)

NOTE 16 - FINANCIAL INCOME

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Foreign exchange gain	4.878.679	2.020.575	15.747.199	9.955.313
Interest income	15.355.740	11.621.732	4.796.166	1.442.799
Financial income	20.234.419	13.642.307	20.543.365	11.398.112

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NOTE 17 - FINANCIAL EXPENSES

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Foreign exchange loss	(20.258.651)	(7.176.013)	(15.485.226)	(9.561.602)
Interest expenses of bank borrowings	(63.278.957)	(35.137.013)	(38.363.802)	(22.060.214)
Other	(2.312.627)	(1.470.943)	(2.743.179)	(1.382.290)
Financial expenses	(85.850.235)	(43.783.969)	(56.592.207)	(33.004.106)

NOTE 18 - TAX ASSETS AND LIABILITIES

	30 June 2017	31 December 2016
Corporate tax expenses	26.574.831	45.293.622
Less: Prepaid taxes	(22.795.864)	(57.279.750)
Tax liability/(tax assets)	3.778.967	(11.986.128)

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Corporate tax expenses	(26.574.831)	(4.305.688)	(51.060.293)	(16.168.162)
Deferred tax income/(expense)	8.190.039	(1.620.936)	58.707.799	42.112.546
Tax expenses	(18.384.792)	(5.926.624)	7.647.506	25.944.384

Corporation tax is payable, at a rate of 20% as of 2017 (31 December 2016: 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 2016: 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 30 June 2017 and 31 December 2016 are as follows:

	Temporary differences		Deferred tax assets/ (liabilities)	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Property, plant and equipment and intangible assets, restatement and useful life differences	140.792.528	132.440.474	(28.158.506)	(26.488.095)
Provision for employee termination benefits	(23.514.018)	(21.728.439)	4.702.803	4.345.688
Warranty provision	(71.917.985)	(67.943.069)	14.383.597	13.588.614
Provision for lawsuits	(6.440.276)	(7.157.390)	1.288.055	1.431.478
Unearned finance income/ (expense) on trade receivables, payables and due from related parties	(7.629.969)	(4.251.837)	1.525.994	850.367
Provision for doubtful receivables	(3.575.146)	(4.550.084)	715.029	910.017
Provision for impairment of inventory	(37.493.035)	(41.851.649)	7.498.607	8.370.330
Sales premium accrued	(96.652.829)	(31.210.523)	19.330.566	6.242.105
Other expense provisions	(4.254.600)	(1.303.035)	850.920	260.607
Investment incentive tax assets	-	-	59.937.872	63.802.523
Deferred income	(4.292.612)	(9.330.286)	858.522	1.866.057
Other	(13.162.471)	(4.365.570)	2.632.495	873.114
Deferred tax assets			85.565.954	76.052.805

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

	2017	2016
1 January	76.052.805	43.891.805
Charged to profit for the period	8.190.039	58.707.799
Charged to other comprehensive income/ (expense)	1.323.110	191.278
30 June	85.565.954	102.790.882

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NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

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

	1 January - 30 June 2017	1 January - 30 June 2016
Profit before tax	156.281.961	206.427.127
Tax calculated at enacted tax rate	31.256.392	41.285.425
Investment allowances	(9.225.683)	(47.403.421)
Research and development allowances	(3.905.206)	(2.386.749)
Disallowable expenses	38.228	422.940
Other	221.061	434.299
Total tax expense/(income)	18.384.792	(7.647.506)

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.

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Net profit for the period	137.897.169	82.519.265	214.074.633	133.821.262
Weighted average number of the ordinary shares	5.336.900.000	5.336.900.000	5.336.900.000	5.336.900.000
Earnings per share (1 Kr nominal value per share as TL)	0,0258	0,0155	0,0401	0,0251

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

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NOTE 20 - RELATED PARTY DISCLOSURES

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

Summary of the intercompany balances as of 30 June 2017 and 31 December 2016 and significant intercompany transactions are as follows:

i) Balances with related parties as of 30 June 2017 and 31 December 2016:

	30 June 2017	31 December 2016
a) Bank deposits and borrowings		
Deposits with related parties:		
Yapı ve Kredi Bankası A.Ş. (“Yapı Kredi”)	171.688.964	34.305.639
	171.688.964	34.305.639
	30 June 2017	31 December 2016
b) Due from related parties		
Due from group companies		
CNHI International SA (“CNHI International”) (*)	144.584.647	59.964.678
CNHI Argentina SA (“CNHI Argentina”)	6.806.668	3.942.373
CNHI Italy SPA (“CNHI Italy”)	5.078.084	3.584.780
Yapı Kredi Finansal Kiralama A.O.	3.222.059	1.977.616
CNH Industrial Brasil Ltda (“CNHI Brasil”)	2.250.496	1.180.737
Other	1.828.899	2.390.578
	163.770.853	73.040.762
Less: Unearned financial income	(55.231)	(20.690)
	163.715.622	73.020.072

(*) 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.

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NOTE 20 - RELATED PARTY DISCLOSURES (Continued)

	30 June 2017	31 December 2016
e) Due to related parties		
Koç Holding	-	3.415.139
Due to shareholders	-	3.415.139
Zer Merkezi Hizmetler ve Ticaret A.Ş. (“Zer”)	12.260.715	15.061.544
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. (“Opet Fuchs”)	7.029.270	10.803.103
CNH Industrial India Private (“CNHI India”)	5.403.344	8.805.970
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (“Koç Sistem”)	1.312.246	16.875.424
Otokoç Otomotiv San. ve Tic. A.Ş. (“Otokoç”)	673.186	951.360
Koçtaş Yapı Marketleri A.Ş. (“Koçtaş”)	652.265	843.316
Ram Sigorta Aracılık Hizmetleri A.Ş. (“ Ram Sigorta”)	345.970	275.822
Setur Servis Turistik A.Ş. (“Setur”)	192.117	874.314
Akpa Dayanımlı Tüketim LPG ve Akaryakıt Ürünleri Paz. A.Ş. (“Akpa”)	13.458	432.487
Eltek Elektrik İth. İhracat ve Toptan Tic. A.Ş. (“Eltek”)	-	1.366.554
Otokar Otomotiv ve Savunma Sanayi A.Ş. (“Otokar”)	-	40.710
Opet Petrolcülük A.Ş. (“Opet”)	-	131.569
Other	631.043	258.619
Due to group companies	28.513.614	56.720.792
Less: Unearned financial expenses	(416.372)	(337.852)
	28.097.242	59.798.079

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ORIGINALLY ISSUED IN TURKISH**

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2017**

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

NOTE 20 - RELATED PARTY DISCLOSURES (Continued)

ii) Significant sales and purchases transactions with related parties for the periods between January 1 - 30 June 2017 and 2016:

a) Product sales to related parties

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Product sales to group companies:				
CNHI International (*)	527.866.089	255.886.468	525.502.668	257.407.538
CNHI Argentina S.A	14.604.537	7.131.579	4.878.103	3.080.576
CNHI Italy	8.749.116	6.299.512	4.533.908	1.573.747
CNHI Brasil	3.912.926	2.066.242	874.552	740.261
Yapı Kredi Finansal Kiralama A.O.	9.342.280	6.418.899	1.785.234	1.082.660
Other	3.095.282	1.153.208	3.170.511	2.614.016
	567.570.230	278.955.908	540.744.976	266.498.798

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

b) Service sales to related parties

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Service sales to group companies				
CNHI International (1)	403.485	172.627	520.405	297.942
CNHI Italy(2)	179.240	-	296.603	-
Zer	-	-	442.284	442.284
Other	-	-	185.603	185.603
	582.725	172.627	1.444.895	925.829

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

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

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NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

c) Product purchases from related parties

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Product purchases from group companies				
CNHI International (1)	317.861.310	111.875.038	274.727.911	125.460.496
Opet Fuchs (2)	28.716.625	13.146.670	25.953.070	12.471.468
CNHI India (3)	25.606.927	14.769.390	15.906.640	5.850.567
Zer	4.297.567	3.049.786	4.795.801	2.781.996
Akpa	2.026.378	778.597	2.011.662	1.058.491
Opet (2)	1.249.877	1.249.877	834.833	468.712
Other	2.873.976	1.129.961	6.710.111	4.819.615
	382.632.660	145.999.319	330.940.028	152.911.345

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

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

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

d) Service purchases from related parties

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Service purchases from shareholders				
Koç Holding (1)	2.203.569	1.000.000	5.146.718	2.593.545
	2.203.569	1.000.000	5.146.718	2.593.545
Service purchase from group companies				
Zer (2)	51.141.823	29.023.438	45.754.825	24.343.783
Eltek (3)	6.183.604	3.026.834	7.666.704	3.869.014
Setur (4)	3.276.733	2.040.257	4.442.364	1.159.038
Koç Sistem (5)	2.917.286	1.688.293	849.860	625.428
Ram Sigorta (6)	2.117.350	367.085	2.228.440	269.786
Otokoç (7)	1.829.499	917.453	1.333.722	649.476
CNHI International (8)	1.616.705	1.616.705	2.902.542	1.278.809
Diğer	1.319.816	1.319.816	878.328	400.768
	70.402.816	39.999.881	66.056.785	32.596.102
	72.606.385	40.999.881	71.203.503	35.189.647

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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 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) Services received from Koç Sistem mainly includes support services related to repair and maintenance of computers and licences.
- (6) As of June 30, 2017, the amounts contain the paid and accrued premiums within the insurance policy signed with insurance companies through the related party Ram Sigorta Aracılık Hizmetleri A.Ş. which is operating as insurance agent.
- (7) Service purchased from Otokoç is related with motor vehicles leasing services.
- (8) Services purchased from CNHI International are related with engineering services, strategy development, consulting and brokerage.

iii) Financial income and expenses arising from transactions with related parties for the periods between January 1 - 30 June 2017 and 2016:

Financial income and expense from group companies

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
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Interest income

Yapı Kredi	1.788.964	1.318.748	950.575	211.819
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	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
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Interest expense

Yapı Kredi	-	-	(2.192.111)	(1.090.000)
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iv) Dividends paid to shareholders:

	1 January - 30 June 2017	1 January - 30 June 2016
Koç Holding	93.750.000	112.500.000
CNHI Osterreich	93.750.000	112.500.000
	187.500.000	225.000.000

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NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

v) Other transactions with related parties for the periods between 1 January - 30 June 2017 and 2016:

Key management personnel are identified as members of the Board of Directors, General Manager and Vice General Managers.

As of 30 June 2017, the Company paid TL 4.417.455 benefits to the key management personnel (30 June 2016: TL 4.225.002).

**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 long-term investment loan. Currency risk arises due to foreign currency denominated recorded and prospective transactions resulting as assets and liabilities. These risks are monitored regularly and limited by analyses of the foreign currency position.

Cash flow hedge accounting

There is an affective foreign currency cash flow hedge relationship between EUR long term financial borrowing related with investment expenditures and highly probable EUR export sales income. In this content, the Company applied cash flow hedge accounting beginning from 15 July 2016. The related long term investment borrowings, designated as cash flow hedges and qualified as effective, are recognised in equity as "losses/gains on cash flow hedges. The amount of the related investment borrowing as of 30 June 2017 is EUR 32.083.333. The amount of foreign exchange losses recognized in equity is TL 15.814.462.

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**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 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017						
	TL equivalent	USD	EUR	GBP	DKK	CHF	YEN
1. Trade receivables	256.186.559	181.149	63.839.933	-	-	-	-
2. Monetary financial assets (including banks accounts) (Not 3)	20.760.258	140.707	5.042.815	15.887	-	1.406	99.709
3. Other	11.961.004	-	2.471.061	-	-	-	66.542.772
4. Current assets (1+2+3)	288.907.821	321.856	71.353.809	15.887	-	1.406	66.642.481
5. Trade receivables	4.361.735	-	1.089.617	-	-	-	-
6. Other	3.574	1.019	-	-	-	-	-
7. Non-current assets (5+6)	4.365.309	1.019	1.089.617	-	-	-	-
8. Total assets (4+7)	293.273.130	322.875	72.443.426	15.887	-	1.406	66.642.481
9. Trade payables	158.007.697	2.181.568	36.527.536	88.061	-	-	120.171.169
10. Financial liabilities (Note 4)	97.757.453	-	24.421.047	-	-	-	-
11. Other monetary liabilities	13.873.875	-	3.465.869	-	-	-	-
12. Current liabilities (9+10+11)	269.639.025	2.181.568	64.414.452	88.061	-	-	120.171.169
13. Financial liabilities (Not 4)	201.951.919	-	50.450.142	-	-	-	-
14. Non-current liabilities (13)	201.951.919	-	50.450.142	-	-	-	-
15. Total liabilities (12+14)	471.590.944	2.181.568	114.864.594	88.061	-	-	120.171.169
16. Net foreign currency asset/ (liability) position (8-15)	(178.317.814)	(1.858.693)	(42.421.168)	(72.174)	-	1.406	(53.528.688)
17. Net monetary foreign currency asset/ (liability) position (8-15)	(178.317.814)	(1.858.693)	(42.421.168)	(72.174)	-	1.406	(53.528.688)

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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(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 2016						
	TL equivalent	USD	EUR	GBP	DKK	CHF	YEN
1. Trade receivables	91.119.945	123.046	24.444.573	-	-	-	-
2. Monetary financial assets (Including banks accounts) (Note 3)	68.899.518	652.482	17.930.261	18.215	-	1.485	1.548
3. Other	69.092.930	1.040.816	17.594.127	36.500	-	-	-
4. Current assets (1+2+3)	229.112.393	1.816.344	59.968.961	54.715	-	1.485	1.548
5. Trade receivables	3.118.241	-	840.519	-	-	-	-
6. Other	3.586	1.019	-	-	-	-	-
7. Non-current assets (5+6)	3.121.827	1.019	840.519	-	-	-	-
8. Total assets (4+7)	232.234.220	1.817.363	60.809.480	54.715	-	1.485	1.548
9. Trade payables	96.806.626	2.994.203	19.370.704	74.504	-	-	469.084.996
10. Financial liabilities (Note 4)	91.294.796	-	24.608.425	-	-	-	-
11. Other monetary liabilities	16.978.730	852.987	3.767.460	-	-	-	-
12. Current liabilities (9+10+11)	205.080.152	3.847.190	47.746.589	74.504	-	-	469.084.996
13. Financial liabilities (Note 4)	158.342.003	-	42.680.936	-	-	-	-
14. Non-current liabilities (13)	158.342.003	-	42.680.936	-	-	-	-
15. Total liabilities (12+14)	363.422.155	3.847.190	90.427.525	74.504	-	-	469.084.996
16. Net foreign currency asset/ (liability) position (8-15)	(131.187.935)	(2.029.827)	(29.618.045)	(19.789)	-	1.485	(469.083.448)
17. Net monetary foreign currency asset/ (liability) position (8-15)	(131.187.935)	(2.029.827)	(29.618.045)	(19.789)	-	1.485	(469.083.448)

**(CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE2.6))**

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
BETWEEN JANUARY 1 - JUNE 30, 2017**

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

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

The import and export amounts of the Company for the periods ended 30 June 2017 and 2016 are as follows:

	1 January - 30 June 2017	1 April - June 30 2017	1 January - 30 June 2016	1 April - 30 June 2016
Total export amount	558.227.951	272.692.498	538.541.968	265.416.138
Total import amount	495.533.693	209.998.240	555.736.554	305.103.837

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 30 June 2017 and 31 December 2016 under the assumption of the appreciation and depreciation of TL against other currencies by 10% considering all variables are constant, the effect of net profit/loss and shareholder's equity for the period is as follows:

	30 June 2017			
	Appreciation of foreign currency	Profit/ Loss Depreciation of foreign currency	Appreciation of foreign currency	Shareholders' equity Depreciation of foreign currency
Had TL appreciate/ (depreciate) by 10% against USD				
Profit/(loss) from USD net asset position	(651.862)	651.862	--	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	(651.862)	651.862	-	-
Had TL appreciate/ (depreciate) by 10% against EUR	-	-	-	-
Profit/ (loss) from EUR net liability position	(16.981.193)	16.981.193	1.712.394	(1.712.394)
Hedged amount against EUR risk (-)	10.702.465	(10.702.465)	(10.274.367)	10.274.367
Net Effect of EUR	(6.278.728)	6.278.728	(8.561.973)	8.561.973
Had TL appreciate/ (depreciate) by 10% against other				
Profit/(loss) from other net liability position	(198.726)	198.726	-	-
Hedged amount against other (-)	-	-	-	-
Net effect of other	(198.726)	198.726	-	-
Total net effect	(7.129.316)	7.129.316	(8.561.973)	8.561.973

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

	31 December 2016			
	Appreciation of foreign currency	Profit/ loss Depreciation of foreign currency	Appreciation of foreign currency	Shareholders' equity Depreciation of foreign currency
Had TL appreciate/ (depreciate) by 10% against USD				
Profit/ (loss) from USD net asset position	(714.337)	714.337	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	(714.337)	714.337	-	-
Had TL appreciate/(depreciate) by 10% against EUR				
Profit/ (loss) from EUR net liability position	(10.987.999)	10.987.999	1.009.917	(1.009.917)
Hedged amount against EUR risk (-)	11.722.253	(11.722.253)	(10.387.720)	10.387.720
Net effect of EUR	734.254	(734.254)	(9.377.803)	9.377.803
Had TL appreciate/(depreciate) by 10% against other				
Profit/ (loss) from other net liability position	(1.416.458)	1.416.458	-	-
Hedged amount against other (-)	-	-	-	-
Net effect of other	(1.416.458)	1.416.458	-	-
Total net effect	(1.396.541)	1.396.541	(9.377.803)	9.377.803

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 as follows:

Financial instruments with fixed interest rate	30 June 2017	31 December 2016
Time deposits (Note 3)	440.865.549	219.228.355
Financial liabilities (Note 4)	1.076.574.852	829.934.127
Financial instruments with floating interest rate	30 June 2017	31 December 2016
Financial liabilities (Note 4)	167.626.416	118.256.861

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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 30 June 2017 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 248.096 (30 June 2016: TL 121.400).

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).

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NOT 21 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The Company's maximum exposure to credit risk as of 30 June 2017 and 31 December 2016 is as follows:

	30 June 2017					
	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	163.715.622	559.440.786	-	379.069	459.780.928	-
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	-	-	-	-	-	-
Net book value of impaired assets	-	18.897.062	-	-	-	-
- Due dated (gross book value)	-	-	-	-	-	-
- Provision (-)	-	51.269.135	-	-	-	-
- Undue (gross book value)	-	(51.269.135)	-	-	-	-
- Provision (-)	-	-	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	163.715.622	578.337.849	-	379.069	459.780.928	-

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

As of 30 June 2017, the guarantee amount of the maximum exposure to credit risk is TL 721.023.000. Besides, all assets which are due but not impaired and are impaired are guaranteed.

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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 2016					
	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	72.608.879	574.470.433	-	380.004	228.417.481	-
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						
Net book value of impaired assets	411.193	6.430.897	-	-	-	-
- Due dated (Gross book value)	-	-	-	-	-	-
- Provision (-)	-	52.242.681	-	-	-	-
- Undue (Gross book value)	-	(52.242.681)	-	-	-	-
- Provision (-)	-	-	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	73.020.072	580.901.330	-	380.004	228.417.481	-

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

As of 31 December 2016, the guarantee amount of the maximum exposure to credit risk is TL 896.976.116. Besides, all assets which are overdue but not impaired and are impaired are guaranteed.

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE2.6))

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

	30 June 2017	31 December 2016
Cash and cash equivalents (Note 3)	459.781.662	228.417.481
Less: Financial liabilities (Note 4)	(1.244.201.268)	(948.190.988)
Net financial debt	(784.419.606)	(719.773.507)
Total shareholders' equity	582.465.540	699.860.813
Net financial debt/ shareholders' equity	(1,35)	(1,03)

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:

**(CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE2.6))**

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
BETWEEN JANUARY 1 - JUNE 30, 2017**

(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 AFTER BALANCE SHEET DATE

None.

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