

**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 SEPTEMBER 2017
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED FINANCIAL STATEMENTS
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TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

		<i>Current Period Unaudited</i>	<i>Prior Period Audited</i>
	Notes	30 September 2017	31 December 2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	501.431.553	228.417.481
Trade receivables:			
- <i>Other parties</i>	5	615.020.022	577.771.837
- <i>Related parties</i>	20	153.579.689	73.020.072
Inventories	6	534.626.952	556.452.036
Prepaid expenses	10	2.652.757	1.085.645
Assets related to current period taxes	18	-	11.986.128
Other current assets	9	146.779.328	134.252.178
TOTAL CURRENT ASSETS		1.954.090.301	1.582.985.377
NON-CURRENT ASSETS			
Trade receivables:			
- <i>Other parties</i>	5	3.549.104	3.129.493
Other receivables:			
- <i>Other parties</i>		379.819	380.004
Property, plant and equipment	7	463.935.053	458.901.767
Intangible assets	8	196.297.525	178.086.580
Prepaid expenses	10	14.056.797	2.655.044
Deferred tax assets	18	89.579.145	76.052.805
TOTAL NON-CURRENT ASSETS		767.797.443	719.205.693
TOTAL ASSETS		2.721.887.744	2.302.191.070

The condensed interim financial statements prepared for the period 1 January-30 September 2017 have been approved by the Board of Directors on 26 October 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 SEPTEMBER 2017**

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

		<i>Current Period Unaudited</i>	<i>Prior Period Audited</i>
	Notes	30 September 2017	31 December 2016
LIABILITIES			
CURRENT LIABILITIES			
Short-term financial liabilities	4	307.946	110.427
Short-term portion of long term financial liabilities	4	270.225.388	187.926.529
Trade payables:			
- <i>Other parties</i>	5	627.204.785	434.331.506
- <i>Related parties</i>	20	28.414.781	59.798.079
Payables related to employee benefits	12	22.588.993	16.159.720
Other payables:			
- <i>Other parties</i>		15.574.868	21.040.881
Government incentives and aids	9	3.716.643	3.031.296
Deferred income	10	3.490.179	18.509.273
Current income tax liabilities	18	11.288.425	-
Short-term provisions:			
- <i>Provision for employee benefits</i>	11	2.289.073	1.959.616
- <i>Other provisions</i>	11	41.784.928	43.948.628
TOTAL CURRENT LIABILITIES		1.026.886.009	786.815.955
NON-CURRENT LIABILITIES			
Long-term financial liabilities	4	976.856.163	760.154.032
Long-term provisions:			
- <i>Provision for employee benefits</i>	11	23.630.730	21.728.439
- <i>Other provisions</i>	11	36.874.234	33.631.831
TOTAL NON-CURRENT LIABILITIES		1.037.361.127	815.514.302
TOTAL LIABILITIES		2.064.247.136	1.602.330.257
SHAREHOLDERS' EQUITY			
Equity attributable to parent		657.640.608	699.860.813
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		(21.216.953)	(18.448.767)
Other accumulated comprehensive expense to be reclassified to profit or loss			
- Cash flow hedge losses		(19.081.377)	(12.941.794)
Retained earnings		238.597.910	74.645.222
Net income for the period		216.687.564	369.796.289
TOTAL LIABILITIES		2.721.887.744	2.302.191.070

Provisions, contingent assets and liabilities

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF
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TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

		<i>Current Period Unaudited</i>	<i>Prior Period Audited</i>		
	Notes	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Revenue	14	3.061.821.781	1.009.422.448	2.503.741.783	680.294.263
Cost of sales (-)	14	(2.535.145.333)	(825.564.596)	(1.974.465.570)	(521.334.068)
GROSS PROFIT		526.676.448	183.857.852	529.276.213	158.960.195
Marketing expenses (-)		(144.381.748)	(51.206.910)	(129.134.426)	(38.409.153)
General administrative expenses (-)		(66.445.971)	(23.626.794)	(57.265.561)	(20.780.390)
Research and development expenses (-)		(10.943.443)	(3.505.391)	(9.861.646)	(3.192.565)
Other income from operating activities	15	166.166.152	45.905.570	156.480.616	78.549.017
Other expenses from operating activities (-)	15	(131.744.050)	(33.743.627)	(136.113.527)	(64.239.289)
OPERATING PROFIT		339.327.388	117.680.700	353.381.669	110.887.815
Income from investing activities		285.093	22.034	29.696	29.696
Expenses from investing activities (-)		(6.427)	5.543	(17.885)	-
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSES)		339.606.054	117.708.277	353.393.480	110.917.511
Financial income	16	39.524.122	19.289.703	25.776.474	5.233.109
Financial expenses (-)	17	(133.322.011)	(47.471.776)	(96.739.784)	(40.147.577)
PROFIT BEFORE TAXATION ON INCOME		245.808.165	89.526.204	282.430.170	76.003.043
Taxes on income (-)	18	(40.419.998)	(13.845.167)	(67.968.310)	(16.908.017)
Deferred tax income/(expense)	18	11.299.397	3.109.358	61.657.971	2.950.172
NET PROFIT FOR THE PERIOD		216.687.564	78.790.395	276.119.831	62.045.198
Earnings per share (TL)	19	0,0406	0,0148	0,0517	0,0116
Other comprehensive income/ (expense)					
Other comprehensive expense not to be reclassified to profit or loss					
Actuarial loss arising from defined benefit plans	11	(3.460.233)	(435.515)	(3.622.497)	(2.666.106)
Tax effect of other comprehensive expense not to be reclassified to profit or loss					
Actuarial loss arising from defined benefit plans, tax effect	18	692.047	87.103	724.499	533.221
Other comprehensive expense to be reclassified to profit or loss					
Cash flow hedge losses		(7.674.479)	(4.083.645)	(4.950.750)	(4.950.750)
Tax effect of other comprehensive expense to be reclassified to profit or loss					
Cash flow hedge losses, tax effect		1.534.896	816.730	990.150	990.150
Other comprehensive expense after tax		(8.907.769)	(3.615.327)	(6.858.598)	(6.093.485)
TOTAL COMPREHENSIVE INCOME		207.779.795	75.175.068	269.261.233	55.951.713

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 SEPTEMBER 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	-	-	-	-	-	-	-	216.687.564	216.687.564
Other comprehensive income									
Actuarial loss arising from defined benefit plans	-	-	-	(2.768.186)	-	-	-	-	(2.768.186)
Cash flow hedge losses	-	-	-	-	(6.139.583)	-	-	-	(6.139.583)
Total other comprehensive expense	-	-	-	(2.768.186)	(6.139.583)	-	-	-	(8.907.769)
Total comprehensive income	-	-	-	(2.768.186)	(6.139.583)	-	-	216.687.564	207.779.795
30 September 2017	53.369.000	39.014.356	(5.569.000)	(21.216.953)	(19.081.377)	155.839.108	238.597.910	216.687.564	657.640.608

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TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM CHANGES IN EQUITY
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 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 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 (Note 13)	-	-	-	-	-	-	(300.000.000)	-	(300.000.000)
Comprehensive income									
Net profit for the period	-	-	-	-	-	-	-	276.119.831	276.119.831
Other comprehensive income									
Actuarial loss arising from defined benefit plans	-	-	-	(2.897.998)	-	-	-	-	(2.897.998)
Cash flow hedge losses	-	-	-	-	(3.960.600)	-	-	-	(3.960.600)
Total other comprehensive expense	-	-	-	(2.897.998)	(3.960.600)	-	-	-	(6.858.598)
Total comprehensive income	-	-	-	(2.897.998)	(3.960.600)	-	-	276.119.831	269.261.233
30 September 2016	53.369.000	39.014.356	(5.569.000)	(13.445.678)	(3.960.600)	199.995.507	74.645.222	276.119.831	620.168.638

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

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

		<i>Current Period unaudited</i>	<i>Prior Period Audited</i>
	Notes	1 January-30 September 2017	1 January-30 September 2016
A.CASH FLOWS FROM OPERATING ACTIVITIES		400.640.644	15.293.544
Net profit for the period		216.687.564	276.119.831
Adjustments to reconcile net profit:		170.211.027	128.151.858
Depreciation and amortization	7,8	50.347.717	40.951.978
Adjustments related to impairment on inventories	6	(7.596.629)	(140.533)
Adjustments related to provision for employee termination benefits	11	3.239.110	3.206.064
Adjustments related to impairment on receivables	15	(1.043.034)	4.222.758
Adjustments related to other provisions	11	1.078.703	6.301.357
Adjustments related to interest income and expense	16, 17	64.820.317	55.149.020
Adjustments related to tax expense	18	29.120.601	6.310.339
Adjustments related to (gain)/ loss from sales of property plant and equipment		(278.666)	(11.811)
Non-cash items		30.522.908	12.162.686
Changes in working capital		35.355.093	(353.355.158)
Trade receivables- other parties		(36.624.762)	(96.971.642)
Trade receivables- related parties		(77.299.559)	14.529.748
Inventories		29.421.714	(67.603.397)
Other current assets		(12.527.150)	(12.658.776)
Other receivables		183	(123.331)
Prepaid expenses		(12.968.865)	(4.853.826)
Trade payables-related parties		(33.463.913)	(27.356.217)
Trade payables- other parties		192.873.279	(160.452.684)
Deferred income		(15.019.094)	6.216.099
Other liabilities		(5.466.013)	(6.255.649)
Payables related to employee benefits		6.429.273	2.174.517
Net cash provided by operating activities		422.253.684	50.916.531
Employment termination benefits paid	11	(4.467.595)	(3.878.424)
Taxes paid	18	(17.145.445)	(31.744.563)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(72.627.936)	(56.786.189)
Proceeds from sales of property, plant and equipment and intangible assets		284.208	84.915
Payments for purchases of property, plant and equipment and intangible assets	7,8	(73.597.491)	(57.207.799)
Proceeds from government grants	9	685.347	336.695
C. CASH FLOWS FROM FINANCING ACTIVITIES		(56.404.143)	(92.618.796)
Proceeds from bank borrowings		607.780.000	975.166.186
Repayment of bank borrowings		(356.306.575)	(713.776.773)
Dividends paid	13	(250.000.000)	(300.000.000)
Interest paid		(81.487.895)	(59.408.258)
Interest received		23.610.327	5.400.049
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)		271.608.565	(134.111.441)
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		768.343	1.924.524
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		272.376.908	(132.186.917)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3	228.330.542	244.162.165
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	3	500.707.450	111.975.248

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

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 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 September 2017, 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 30 September 2017 is 3.112 (Permanent: 2.824 temporary: 288) and the average number of personnel is 3.008 (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 137 sales dealers and 139 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 September 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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**CONDENSED INTERIM CHANGES IN EQUITY
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

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

**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 September 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 September 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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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (TL), unless otherwise indicated)

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

2.3 Changes in TFRS (Continued):

Standards, amendments and interpretations published but not applicable as at 30 September 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 September 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 September 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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TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

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 STATEMENTS
(Continued)**

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 September 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 September 2017	31 December 2016
Cash	605	-
Banks:		
- TL denominated demand deposits	15.787.108	6.144.099
- TL denominated time deposits	426.424.104	153.373.864
- Foreign currency denominated demand deposits	4.718.536	3.045.027
- Foreign currency denominated time deposits	54.501.200	65.854.491
	501.431.553	228.417.481

As of 30 September 2017, the weighted average effective annual interest rate for TL and Euro ("EUR") time deposits are 13,83% and 1,00%, respectively (December 31, 2016: TL: %10,00, EUR: %0,84). As of 30 September 2017 and 31 December 2016, remaining time to maturity of time deposits is less than three months.

As of 30 September 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 September 2017 and 31 December 2016 is as follows:

	30 September 2017	31 December 2016
Cash	605	-
Banks	501.430.948	228.417.481
Less: Interest accruals	(724.103)	(86.939)
Cash and cash equivalents	500.707.450	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 September 2017	31 December 2016	30 September 2017	31 December 2016	30 September 2017	31 December 2016
TL borrowings	307.946	110.427	-	-	307.946	110.427
					307.946	110.427

Current portion of long-term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016	30 September 2017	31 December 2016
TL bonds issued	6.385.550	-	-	-	6.385.550	-
EUR borrowings	24.851.270	24.608.425	1,90%	1,9	104.186.463	91.294.796
TL borrowings	159.653.375	96.631.733	12,80%	10,23	159.653.375	96.631.733
					270.225.388	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 September 2017	31 December 2016	30 September 2017	31 December 2016	30 September 2017	31 December 2016
EUR borrowings	47.333.333	42.680.936	1,9	1,9	198.440.264	158.342.003
TL borrowings	629.000.000	602.776.664	13,29	10,23	629.000.000	602.776.664
					827.440.264	761.118.667
Prepaid commission (*)					(584.101)	(964.635)
Total long-term borrowings					826.856.163	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 September 2017	31 December 2016	30 September 2017	31 December 2016	30 September 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 September 2017 and 31 December 2016 is as follows:

Year	30 September 2017	31 December 2016
2018	216.185.499	622.899.392
2019	149.455.666	72.046.991
2020	562.303.666	21.735.883
2021	24.455.666	21.735.883
2022	24.455.666	21.735.883
	976.856.163	760.154.032

As of 30 September 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 29.166.666,66 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 29.166.666,66 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 September 2017	31 December 2016	30 September 2017	31 December 2016
Bank borrowings	1.091.003.947	948.190.988	1.118.393.058	941.475.560

As of 30 September 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 September 2017	31 December 2016
Short-term trade receivables:		
Customer current accounts	660.335.026	618.495.629
Notes receivables	21.288.949	20.087.645
Protested notes	24.192	95.000
	681.648.167	638.678.274
Less: Provision for doubtful receivables	(51.199.647)	(52.242.681)
Unearned financial income	(15.428.498)	(8.663.756)
Short-term trade receivables	615.020.022	577.771.837
Trade receivables from related parties (Note 20)	153.579.689	73.020.072
Total short-term trade receivables	768.599.711	650.791.909

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

	2017	2016
January 1	(52.242.681)	(43.414.424)
Cancelled during the period (Note 15)	1.043.034	550.617
Charge during the period (Note 15) (*)	-	(4.222.758)
30 September	(51.199.647)	(47.086.565)

(*) 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 September 2017	31 December 2016
Long-term trade receivables:		
Notes receivables	3.549.104	3.129.493
	3.549.104	3.129.493
	30 September 2017	31 December 2016
Trade payables:		
Supplier current accounts	639.104.511	438.715.153
Less: Unincurred financial expense	(11.899.726)	(4.383.647)
Trade payables	627.204.785	434.331.506
Trade payables to related parties (Note 20)	28.414.781	59.798.079
Total trade payables	655.619.566	494.129.585

NOTE 6 - INVENTORIES

	30 September 2017	31 December 2016
Raw materials	202.287.668	151.887.866
Work in progress	5.347.891	254.229
Finished goods	102.405.656	122.369.513
Commercial goods	100.160.776	214.092.943
Spare parts	45.236.364	39.437.978
Goods in transit (*)	113.443.617	70.261.156
Gross	568.881.972	598.303.685
Provision for impairment of inventories (-)	(34.255.020)	(41.851.649)
Net	534.626.952	556.452.036

The cost of inventories recognised as expense in the current period is amounting to TL 2.289.235.078 (30 September 2016: TL 1.826.147.637).

(*) 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	7.596.629	440.535
Charge during the period	-	(300.002)

30 September	(34.255.020)	(38.261.559)
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Allocation of the provision for impairment on inventories items is as follows:

	30 September 2017	31 December 2016
Raw materials	(24.388.336)	(24.388.336)
Finished goods	(8.462.174)	(14.800.878)
Spare parts	(1.404.510)	(2.662.435)
	(34.255.020)	(41.851.649)

NOTE 7- PROPERTY, PLANT AND EQUIPMENT

	1 January 2017	Additions	Disposals	Transfers	30 September 2017
<u>Cost</u>					
Land	37.740.200	-	-	-	37.740.200
Land improvements	11.351.423	2.486.134	-	205.810	14.043.367
Buildings	234.169.997	399.670	-	-	234.569.667
Machinery and equipment	557.464.187	33.164.661	(7.373.795)	-	583.255.053
Special costs	5.564.336	157.618	-	-	5.721.954
Motor vehicles	6.502.522	961.705	-	-	7.464.227
Furniture and fixtures	71.963.240	5.755.060	-	78.767	77.797.067
Construction in progress	716.888	34.562	-	(532.669)	218.781
	925.472.793	42.959.410	(7.373.795)	(248.092)	960.810.316

Accumulated depreciation

	-				
Land improvements	4.458.221	295.718	-	-	4.753.939
Buildings	51.244.267	3.843.871	-	-	55.088.138
Machinery and equipment	360.853.860	25.638.232	(7.368.253)	-	379.123.839
Special costs	3.235.011	399.047	-	-	3.634.058
Motor vehicles	3.135.441	779.077	-	-	3.914.518
Furniture and fixtures	43.644.226	6.716.545	-	-	50.360.771
	466.571.026	37.672.490	(7.368.253)	-	496.875.263

Net book value	458.901.767				463.935.053
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NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2016	Additions	Disposals	Transfers	30 September 2016
<u>Cost</u>					
Land	37.740.200	-	-	-	37.740.200
Land improvements	11.000.199	95.614	-	-	11.095.813
Buildings	233.223.415	77.382	-	-	233.300.797
Machinery and equipment	538.492.812	11.268.754	(4.091.685)	-	545.669.881
Special costs	3.925.826	1.469.274	-	-	5.395.100
Motor vehicles	5.765.808	268.396	(84.287)	-	5.949.917
Furniture and fixtures	61.098.414	2.786.475	(5.017)	-	63.879.872
Construction in progress	10.751.099	18.159.428	-	(17.879.804)	11.030.723
	901.997.773	34.125.323	(4.180.989)	(17.879.804)	914.062.303
<u>Accumulated depreciation</u>					
Land improvements	4.102.669	265.919	-	-	4.368.588
Buildings	46.132.970	3.827.390	-	-	49.960.360
Machinery and equipment	341.775.030	21.634.207	(4.091.686)	-	359.317.551
Special costs	2.821.035	290.168	-	-	3.111.203
Motor vehicles	2.247.517	657.993	(14.040)	-	2.891.470
Furniture and fixtures	35.529.491	5.734.000	(2.159)	-	41.261.332
	432.608.712	32.409.677	(4.107.885)	-	460.910.504
Net book value	469.389.061				453.151.799

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

	30 September 2017	31 December 2016
Land improvements	2.310.495	2.310.495
Buildings	16.616.935	16.547.935
Machinery and equipment	267.331.227	274.101.606
Special costs	2.623.444	2.623.444
Motor vehicles	1.382.185	1.382.185
Furniture and fixtures	27.690.492	22.750.474
	317.954.778	319.716.139

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NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	30 September 2017	30 September 2016
Production costs	26.379.489	23.483.501
General administrative expenses	6.528.865	4.482.795
Marketing, selling and distribution expenses	2.417.517	2.020.656
Research and development expenses	2.346.619	2.422.725
	37.672.490	32.409.677

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 September 2017 (30 September 2016: None)

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

NOTE 8 - INTANGIBLE ASSETS

	1 January 2017	Additions	Disposals	Transfers	30 September 2017
<u>Cost</u>					
Rights	57.043.268	5.238.254	-	248.092	62.529.614
Development costs	77.679.260	-	-	-	77.679.260
Development costs in progress	105.790.404	27.403.807	-	-	133.194.211
	240.512.932	32.642.061	-	248.092	273.403.085
<u>Accumulated amortisation</u>					
Rights	18.183.297	4.396.944	-	-	22.580.241
Development costs	44.243.055	10.282.264	-	-	54.525.319
	62.426.352	14.679.208	-	-	77.105.560
Net book value	178.086.580				196.297.525

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NOTE 8 - INTANGIBLE ASSETS (Continued)

	1 January 2016	Additions	Disposals	Transfers	30 September 2016
<u>Cost</u>					
Rights	21.907.706	1.967.224	-	17.879.804	41.754.734
Development costs	60.703.150	-	-	16.683.515	77.386.665
Development costs in progress	84.732.997	23.674.275	-	(16.683.515)	91.723.757
	167.343.853	25.641.499	-	17.879.804	210.865.156
<u>Accumulated amortisation</u>					
Rights	14.378.652	2.475.203	-	-	16.853.855
Development costs	32.074.752	8.626.114	-	-	40.700.866
	46.453.404	11.101.317	-	-	57.554.721
<u>Net book value</u>	120.890.449				153.310.435

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 September 2017 and 2016 is as follows:

	30 September 2017	30 September 2016
Production costs	3.135.418	1.793.487
General administrative expenses	669.265	342.362
Marketing, selling and distribution expenses	273.723	154.323
Research and development expenses	8.596.822	6.252.122
Reflected to development cost in progress	2.003.980	2.559.023
	14.679.208	11.101.317

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NOTE 9 - OTHER ASSETS AND LIABILITIES

	30 September 2017	31 December 2016
a) Other current assets:		
Deferred value added tax ("VAT")	118.618.954	109.439.904
Reclaimed VAT	27.675.014	24.269.354
Other	485.360	542.920
	146.779.328	134.252.178
	30 September 2017	31 December 2016
b) Government grants and aids:		
Government grants and aids	3.716.643	3.031.296
	3.716.643	3.031.296
	2017	2016
1 January	3.031.296	3.066.415
Received during the period	685.347	336.695
Utilized during the period (Note 15)	-	(278.716)
30 September	3.716.643	3.124.394

NOTE 10 - PREPAID EXPENSES AND DEFERRED INCOME

	30 September 2017	31 December 2016
a) Short-term prepaid expenses:		
Prepaid expenses	2.652.757	1.085.645
	2.652.757	1.085.645
	30 September 2017	31 December 2016
b) Long-term prepaid expenses:		
Advances given for purchases of fixed assets	14.056.797	2.516.214
Prepaid expenses	-	138.830
	14.056.797	2.655.044

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NOTE 10 - PREPAID EXPENSES AND DEFERRED INCOME (Continued)

	30 September 2017	31 December 2016
c) Deferred income:		
Deferred income (*)	3.456.840	18.415.925
Advances received	33.339	93.348
	3.490.179	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 September 2017 and 31 December 2016.

NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short-term provisions

Short-term provision for employee benefits

	30 September 2017	31 December 2016
Provision for unused vacation	2.289.073	1.959.616
	2.289.073	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	329.457	664.263
30 September	2.289.073	2.226.001

Other short-term provisions

	30 September 2017	31 December 2016
Warranty provision	32.864.651	34.311.238
Provision for legal cases (*)	8.920.277	9.637.390
	41.784.928	43.948.628

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

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

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	-
Cancelled provision for the period (Note 15)	(1.268.073)	(1.517.339)
30 September	8.920.277	8.778.384

b) Long-term provisions

Long-term provision for employee benefits

	30 September 2017	31 December 2016
Provision for employee termination benefits	23.630.730	21.728.439
	23.630.730	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 4.732,48 for each year of service as of 30 September 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)

Communiq   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 September 2017	31 December 2016
Inflation rate (%)	6,00	6,00
Interest rate (%)	10,77	10,77
Turnover rate to estimate the probability of retirement (%)	94,44	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	1.154.538	1.210.819
Current period service cost	1.755.115	1.330.982
Paid during the period	(4.467.595)	(3.878.424)
Actuarial loss	3.460.233	3.622.497
30 September	23.630.730	17.884.181

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

	Net discount rate		Turnover related to the probability of retirement	
Sensitivity level	%0,5 decrease	%0,5 increase	%0,5 decrease	%0,5 increase
Rate	(%4,0)	(%5,0)	(%93,92)	(%94,92)
Change in employee benefits liability	851.038	(785.975)	(504.628)	561.814

Other long-term provisions

	30 September 2017	31 December 2016
Warranty provision	36.874.234	33.631.831
	36.874.234	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	(47.940.848)	(39.447.042)
Charge for the period	49.736.664	44.307.406
30 September	69.738.885	63.444.313

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

	30 September 2017	31 December 2016
A. The total amount of collaterals given on behalf of its own legal entity	26.696.632	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	-	-
	26.696.632	21.854.968

As at 30 September 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 September 2017			31 December 2016			30 September	31 December
	EUR	USD	TL	EUR	USD	TL	2017	2016
Letters of guarantees received	2.612.781	270.000	708.355.111	825.449	270.000	593.693.990	720.268.001	597.706.507
Direct debit	-	-	357.645.050	-	-	366.484.539	357.645.050	366.484.539
Mortgages	-	-	438.714	-	-	438.714	438.714	438.714
Security bonds	8.000	-	2.500.000	8.000	-	2.500.000	2.533.539	2.529.679
							1.080.885.304	967.159.439

NOTE 12 - PROVISION FOR EMPLOYEE BENEFITS

Liabilities for employee benefits

	30 September 2017	31 December 2016
Accrued premiums and liabilities to personnel	10.113.218	7.175.046
Taxes payable and liabilities (*)	12.475.775	8.984.674
	22.588.993	16.159.720

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

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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.

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

	30 September 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 Österreich	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 September 2017, 24,85% (December 31, 2016: 24,88%) of the Company shares are quoted at BİST.

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NOT 13 - SHAREHOLDERS' EQUITY (Continued)

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

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

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

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

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 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.

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NOT 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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NOT 13 - SHAREHOLDERS' EQUITY (Continued)

In the statutory financial statements of the Company, in addition to the statutory profit amounting to TL 216.687.564 and retained earnings amounting to TL 238.597.910 for the period ended 30 September 2017.

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).

NOTE 14 - SALES AND COST OF SALES

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Domestic sales	2.551.002.600	833.537.451	2.079.709.974	585.413.054
Export sales	845.950.533	287.722.582	719.073.202	180.531.234
Sales income (gross)	3.396.953.133	1.121.260.033	2.798.783.176	765.944.288
Less: Discount and returns	(335.131.352)	(111.837.585)	(295.041.393)	(85.650.025)
Sales income (net)	3.061.821.781	1.009.422.448	2.503.741.783	680.294.263
Cost of sales	(2.535.145.333)	(825.564.596)	(1.974.465.570)	(521.334.068)
Gross profit	526.676.448	183.857.852	529.276.213	158.960.195

Sales quantities:

	30 September 2017			30 September 2016		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Tractor	27.367	9.268	36.635	24.558	9.460	34.018
Combine	273	-	273	281	-	281
	27.640	9.268	36.908	24.839	9.460	34.299

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NOTE 15 - OTHER OPERATING INCOME/ (EXPENSES)

	1 January - 30 September 2017	1 July- 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Foreign exchange gain from trade receivable/ payables	93.644.307	19.478.957	122.846.960	68.885.887
Financial income from credit sales	59.808.532	23.794.876	21.014.444	6.238.932
Reversal of provision for doubtful receivables (Note 5)	1.043.034	69.488	550.617	90.325
Incentive income (Note 9)	-	-	278.716	93.213
Reversal of provision for litigation expenses (Note 11)	1.268.073	-	2.264.321	-
Other income	10.402.206	2.562.249	9.525.558	3.240.660
Other operating income	166.166.152	45.905.570	156.480.616	78.549.017
Foreign exchange loss from trade receivable/ payables	(82.629.343)	(14.868.872)	(114.043.963)	(56.213.695)
Financial expense on credit purchases	(48.563.747)	(18.874.755)	(16.896.747)	(4.573.442)
Provision for doubtful receivables (Note 5)	-	-	(4.222.758)	(3.028.461)
Provision for litigation expenses (Note 11)	(550.960)	-	(746.982)	(421.719)
Other expenses	-	-	(203.077)	(1.972)
Other operating expenses	(131.744.050)	(33.743.627)	(136.113.527)	(64.239.289)

NOTE 16 - FINANCIAL INCOME

	1 January - 30 September 2017	1 July- 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Foreign exchange gain	9.125.879	4.247.200	20.404.306	4.657.107
Interest income	30.398.243	15.042.503	5.372.168	576.002
Financial income	39.524.122	19.289.703	25.776.474	5.233.109

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NOTE 17 - FINANCIAL EXPENSES

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Foreign exchange loss	(34.051.987)	(13.793.336)	(31.043.124)	(15.557.898)
Interest expenses of bank borrowings	(95.218.560)	(31.939.603)	(60.521.188)	(22.157.386)
Other	(4.051.464)	(1.738.837)	(5.175.472)	(2.432.293)
Financial expenses	(133.322.011)	(47.471.776)	(96.739.784)	(40.147.577)

NOTE 18 - TAX ASSETS AND LIABILITIES

	30 September 2017	31 December 2016
Corporate tax expenses	40.419.998	45.293.622
Less: Prepaid taxes	(29.131.573)	(57.279.750)
Tax liability/(tax assets)	11.288.425	(11.986.128)

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Corporate tax expenses	(40.419.998)	(13.845.167)	(67.968.310)	(16.908.017)
Deferred tax income/(expense)	11.299.397	3.109.358	61.657.971	2.950.172
Tax expenses	(29.120.601)	(10.735.809)	(6.310.339)	(13.957.845)

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 September 2017 and 31 December 2016 are as follows:

	Temporary differences		Deferred tax assets/ (liabilities)	
	30 September	31 December	30 September	31 December
	2017	2016	2017	2016
Property, plant and equipment and intangible assets, restatement and useful life differences	147.864.931	132.440.474	(29.572.986)	(26.488.095)
Provision for employee termination benefits	(23.630.730)	(21.728.439)	4.726.146	4.345.688
Warranty provision	(69.738.885)	(67.943.069)	13.947.778	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	(8.870.367)	(4.251.837)	1.774.073	850.367
Provision for doubtful receivables	-	(4.550.084)	-	910.017
Provision for impairment of inventory	(34.255.020)	(41.851.649)	6.851.004	8.370.330
Sales premium accrued	(124.994.503)	(31.210.523)	24.998.901	6.242.105
Other expense provisions	(6.381.900)	(1.303.035)	1.276.380	260.607
Investment incentive tax assets	-	-	58.165.606	63.802.523
Deferred income	(15.390.106)	(9.330.286)	3.078.021	1.866.057
Other	(15.230.835)	(4.365.570)	3.046.167	873.114
Deferred tax assets			89.579.145	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	11.299.397	61.657.971
Charged to other comprehensive income/ (expense)	2.226.943	1.714.649
30 September	89.579.145	107.264.425

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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 September 2017	1 January - 30 September 2016
Profit before tax	245.808.165	282.430.170
Tax calculated at enacted tax rate	49.161.633	56.486.034
Investment allowances	(14.155.697)	(47.461.730)
Research and development allowances	(5.544.761)	(3.766.589)
Disallowable expenses	94.487	636.971
Other	(435.061)	415.653
Total tax expense/(income)	29.120.601	6.310.339

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 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Net profit for the period	216.687.564	78.790.395	276.119.831	62.045.198
Weighted average number of the ordinary shares	5.336.900.000	-	5.336.900.000	5.336.900.000
Earnings per share (1 Kr nominal value per share as TL)	0,0406	0,0148	0,0517	0,0116

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 September 2017 and 31 December 2016 and significant intercompany transactions are as follows:

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

	30 September 2017	31 December 2016
a) Bank deposits and borrowings		
Deposits with related parties:		
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi")	71.155.215	34.305.639
	71.155.215	34.305.639
	30 September 2017	31 December 2016
b) Due from related parties		
Due from group companies		
CNHI International SA ("CNHI International") (*)	130.969.112	59.964.678
CNHI Argentina SA ("CNHI Argentina")	9.281.777	3.942.373
CNHI Italy SPA ("CNHI Italy")	4.932.248	1.977.616
Yapı Kredi Finansal Kiralama A.O.	4.821.040	3.584.780
CNH Industrial Brasil Ltda ("CNHI Brasil")	1.055.901	1.180.737
Other	2.582.445	2.390.578
	153.642.523	73.040.762
Less: Unearned financial income	(62.834)	(20.690)
	153.579.689	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 September 2017	31 December 2016
c) Due to related parties		
Koç Holding	325.483	3.415.139
Due to shareholders	325.483	3.415.139
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. ("Opet Fuchs")	14.161.781	10.803.103
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer")	9.352.223	15.061.544
CNH Industrial India Private ("CNHI India")	1.740.001	8.805.970
Otokoç Otomotiv San. ve Tic. A.Ş. ("Otokoç")	721.508	951.360
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ("Koç Sistem")	530.450	16.875.424
Setur Servis Turistik A.Ş. ("Setur")	456.474	874.314
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Paz. A.Ş. ("Akpa")	447.090	432.487
Ram Sigorta Aracılık Hizmetleri A.Ş. ("Ram Sigorta")	421.974	275.822
Koçtaş Yapı Marketleri A.Ş. ("Koçtaş")	270.635	843.316
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
Diğer	239.168	258.619
Due to group companies	28.666.787	56.720.792
Less: Unearned financial expenses	(252.006)	(337.852)
	28.414.781	59.798.079

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NOTE 20 - RELATED PARTY DISCLOSURES (Continued)

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

a) Product sales to related parties

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Product sales to group companies:				
CNHI International (*)	758.404.963	267.511.838	690.111.444	164.608.776
CNHI Argentina S.A	21.228.418	6.624.276	7.990.457	3.112.354
CNHI Italy	66.547.057	20.824.582	14.186.592	9.652.684
CNHI Brasil	4.667.708	754.782	-	-
Yapı Kredi Finansal Kiralama A.O.	11.033.364	1.691.084	-	-
Other	4.450.661	1.355.379	7.202.482	3.157.419
	866.332.171	298.761.941	719.490.975	180.531.233

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

b) Service sales to related parties

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Service sales to group companies				
CNHI International (1)	662.425	258.940	657.666	137.261
CNHI Italy(2)	179.240	-	429.609	133.006
Zer	-	-	645.931	203.647
Other	-	-	186.282	679
	841.665	258.940	1.919.488	474.593

(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 September 2017	1 July - 30 September 2017	1 January - 30 September 2017	1 July - 30 September 2017
Product purchases from group companies				
CNHI International (1)	459.706.256	141.844.946	351.373.095	76.645.184
Opet Fuchs (2)	43.308.273	14.591.648	33.562.117	7.609.047
CNHI India (3)	36.708.084	11.101.157	22.580.391	6.673.751
Zer	5.812.489	1.514.922	7.150.489	2.354.688
Akpa	3.245.302	1.218.924	2.650.319	638.657
Opet (2)	1.872.445	622.568	1.286.847	452.014
Other	4.953.762	2.079.786	17.676.351	10.966.240
	555.606.611	172.973.951	436.279.609	105.339.581

(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 September 2017	1 July - 30 September 2017	1 January - 30 September 2017	1 July - 30 September 2017
Service purchases from shareholders				
Koç Holding (1)	5.889.376	942.500	7.659.520	2.512.802
	5.889.376	942.500	7.659.520	2.512.802
Service purchase from group companies				
Zer (2)	74.654.857	23.513.034	62.058.952	16.304.127
Eltek (3)	9.204.521	3.020.917	9.488.717	1.822.013
Setur (4)	5.484.518	2.207.785	5.159.537	717.173
Koç Sistem (5)	3.750.391	833.105	1.227.410	377.550
Ram Sigorta (6)	2.980.933	863.583	2.442.667	214.227
Otokoç (7)	2.886.667	1.057.168	2.021.020	687.298
CNHI International (8)	2.106.214	489.509	7.952.647	5.050.105
Diğer	1.653.741	333.925	1.812.128	933.800
	102.721.842	32.319.026	92.163.078	26.106.293
	108.611.218	33.261.526	99.822.598	28.619.095

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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 September 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 September 2017 and 2016:

Financial income and expense from group companies

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2017	1 July - 30 September 2017
Interest income				
Yapı Kredi	6.160.397	4.371.433	996.371	45.796

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2017	1 July - 30 September 2017
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Interest expense

Yapı Kredi	-	-	(2.192.111)	-
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NOTE 20 - RELATED PARTY EXPLANATIONS (Continued)

iv) Dividends paid to shareholders:

	1 January - 30 September 2017	1 January - 30 September 2016
Koç Holding	93.750.000	112.500.000
CNHI Österreich	93.750.000	112.500.000
	187.500.000	225.000.000

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

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

As of 30 September 2017, the Company paid TL 6.653.002 benefits to the key management personnel (30 September 2016: TL 5.936.924).

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.

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

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 September 2017 is EUR 29.166.667. The amount of foreign exchange losses recognized in equity is TL 19.081.377.

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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 September 2017 and 31 December 2016 are as follows:

	30 September 2017						
	TL equivalent	USD	EUR	GBP	DKK	CHF	YEN
1. Trade receivables	249.905.425	12.154	59.598.858	-	-	-	-
2. Monetary financial assets (including banks accounts) (Not 3)	59.219.738	71.552	14.046.503	10.607	-	3.899	394.253
3. Other	4.215.701	-	1.005.558	-	-	-	-
4. Current assets (1+2+3)	313.340.864	83.706	74.650.919	10.607		3.899	394.253
5. Trade receivables	6.793.189	-	1.620.358	-	-	-	-
6. Other	3.620	1.019	-	-	-	-	-
7. Non-current assets (5+6)	6.796.809	1.019	1.620.358	-	-	-	-
8. Total assets (4+7)	320.137.673	84.725	76.271.277	10.607	-	3.899	394.253
9. Trade payables	177.162.938	2.588.140	38.036.826	115.995	-	-	252.525.657
10. Financial liabilities (Note 4)	104.186.464	-	24.851.270	-	-	-	-
11. Other monetary liabilities	6.488.137	-	1.547.595	-	-	-	-
12. Current liabilities (9+10+11)	287.837.540	2.588.140	64.435.691	115.995	-	-	252.525.657
13. Financial liabilities (Not 4)	198.440.266	-	47.333.333	-	-	-	-
14. Non-current liabilities (13)	198.440.266	-	47.333.333	-	-	-	-
15. Total liabilities (12+14)	486.277.805	2.588.140	111.769.024	115.995	-	-	252.525.657
16. Net foreign currency asset/ (liability) position (8-15)	(166.140.132)	(2.503.415)	(35.497.747)	(105.388)		3.899	(252.131.404)
17. Net monetary foreign currency asset/ (liability) position (8-15)	(166.140.132)	(2.503.415)	(35.497.747)	(105.388)		3.899	(252.131.404)

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

	TL equivalent	USD	31 December 2016				
			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)

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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 30 September 2017 and 2016 are as follows:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2017	1 July - 30 September 2017
Total export amount	845.950.533	287.722.582	719.073.202	180.531.234
Total import amount	713.892.213	218.358.520	738.412.026	182.675.472

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 September 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 September 2017			
	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	(889.238)	889.238	--	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	(889.238)	889.238	-	-
Had TL appreciate/ (depreciate) by 10% against EUR				
Profit/ (loss) from EUR net liability position	(14.882.075)	14.882.075	2.241.769	(2.241.769)
Hedged amount against EUR risk (-)	10.648.405	(10.648.405)	(10.760.493)	10.760.493
Net Effect of EUR	(4.233.670)	4.233.670	(8.518.724)	8.518.724
Had TL appreciate/ (depreciate) by 10% against other				
Profit/(loss) from other net liability position	(842.700)	842.700	-	-
Hedged amount against other (-)	-	-	-	-
Net effect of other	(842.700)	842.700	-	-
Total net effect	(5.965.608)	5.965.608	(8.518.724)	8.518.724

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

	31 December 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	(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 September 2017	31 December 2016
Time deposits (Note 3)	480.925.304	219.228.355
Financial liabilities (Note 4)	1.074.207.832	829.934.127
Financial instruments with floating interest rate	30 September 2017	31 December 2016
Financial liabilities (Note 4)	173.181.665	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 September 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 334.444 (30 September 2016: TL 4.832).

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 September 2017 and 31 December 2016 is as follows:

	30 September 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	153.579.689	596.494.689	-	379.819	501.431.553	-
	-	-	-	-	-	-
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		22.074.437	-	-	-	-
- Due dated (gross book value)	-	-	-	-	-	-
- Provision (-)	-	51.199.647		-	-	-
- Undue (gross book value)	-	(51.199.647)	-	-	-	-
- Provision (-)	-	-	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	153.579.689	618.569.126	-	379.819	501.431.553	-

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

As of 30 September 2017, the guarantee amount of the maximum exposure to credit risk is TL 735.018.000. Besides, all assets which are due but not impaired and are impaired are guaranteed.

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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.

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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 September 2017	31 December 2016
Cash and cash equivalents (Note 3)	501.431.553	228.417.481
Less: Financial liabilities (Note 4)	(1.247.389.497)	(948.190.988)
Net financial debt	(745.957.944)	(719.773.507)
Total shareholders' equity	657.640.608	699.860.813
Net financial debt/ shareholders' equity	(1,13)	(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 - SEPTEMBER 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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