

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
CONDENSED FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2019  
(ORIGINALLY ISSUED IN TURKISH)**

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

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

**CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2019**

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

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<b>CONTENTS</b>	<b>PAGE</b>
<b>CONDENSED STATEMENT OF FINANCIAL POSITION.....</b>	<b>1 - 2</b>
<b>CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....</b>	<b>3</b>
<b>CONDENSED STATEMENTS OF CHANGES IN EQUITY .....</b>	<b>4 – 5</b>
<b>CONDENSED STATEMENTS OF CASH FLOWS .....</b>	<b>6</b>
<b>NOTES TO THE CONDENSED FINANCIAL STATEMENTS .....</b>	<b>7 - 55</b>

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

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

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2019**

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

	<b>Notes</b>	<b><i>Reviewed</i> 30 September 2019</b>	<b><i>Audited</i> 31 December 2018</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	<b>616,754,895</b>	412,668,530
Trade receivables			
- Related parties	5,21	<b>153,428,246</b>	150,186,703
- Other parties	5	<b>333,083,503</b>	298,477,736
Inventories	6	<b>672,388,868</b>	1,084,438,951
Prepaid expenses	11	<b>3,417,638</b>	1,083,524
Current tax assets	19	<b>5,709,658</b>	14,440,995
Other current assets	10	<b>104,291,551</b>	201,223,213
<b>TOTAL CURRENT ASSETS</b>		<b>1,889,074,359</b>	2,162,519,652
<b>NON-CURRENT ASSETS</b>			
Trade receivables			
- Other parties	5	<b>908,760</b>	59,597
Other receivables			
- Other parties		<b>390,367</b>	382,572
Property, plant and equipment	7	<b>575,289,679</b>	590,236,861
Right of use assets	8	<b>29,142,210</b>	-
Intangible assets	9	<b>290,860,937</b>	268,746,661
Prepaid expenses	11	<b>5,223,097</b>	2,545,194
Deferred tax assets	19	<b>68,158,942</b>	68,763,051
<b>TOTAL NON-CURRENT ASSETS</b>		<b>969,973,992</b>	930,733,936
<b>TOTAL ASSETS</b>		<b>2,859,048,351</b>	3,093,253,588

The financial statements prepared as at and for the period ended 30 September 2019 have been approved by the Board of Directors on 25 October 2019.

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

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

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

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2019**

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

	<b>Notes</b>	<b><i>Reviewed</i> 30 September 2019</b>	<b><i>Audited</i> 31 December 2018</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Short-term financial liabilities			
Other parties			
- Bank borrowings	4	<b>302,590</b>	85,033,786
Short-term portion of long-term financial liabilities			
Related parties			
- Lease liabilities	4	<b>2,610,196</b>	-
Other parties			
- Bank borrowings	4	<b>740,138,132</b>	384,502,921
- Lease liabilities	4	<b>1,346,250</b>	-
Trade payables			
- Related parties	5,21	<b>30,993,110</b>	38,378,018
- Other parties	5	<b>483,178,050</b>	474,202,708
Payables related to employee benefits	13	<b>20,831,214</b>	21,249,691
Other payables			
- Other parties		<b>17,917,172</b>	13,065,251
Government incentives and aids	10	<b>4,657,351</b>	4,083,218
Deferred income	11	<b>6,895,087</b>	24,956,098
Short-term provisions			
- Provision for employee benefits	12	<b>2,424,998</b>	1,807,491
- Other provisions	12	<b>23,879,592</b>	35,015,678
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,335,173,742</b>	1,082,294,860
<b>NON-CURRENT LIABILITIES</b>			
Long-term financial liabilities			
Related parties			
- Lease liabilities	4	<b>17,582,777</b>	-
Other parties			
- Bank borrowings	4	<b>744,516,733</b>	1,303,202,597
- Lease liabilities	4	<b>9,068,596</b>	-
Long-term provision			
- Provision for employee benefits	12	<b>36,925,264</b>	34,199,225
- Other provisions	12	<b>16,744,160</b>	21,699,184
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>824,837,530</b>	1,359,101,006
<b>SHAREHOLDERS' EQUITY</b>		<b>699,037,079</b>	651,857,722
<b>Equity attributable to parent</b>			
Paid-in share capital	14	<b>53,369,000</b>	53,369,000
Adjustments to share capital	14	<b>39,014,356</b>	39,014,356
Merger reserve		<b>(5,569,000)</b>	(5,569,000)
Restricted profit reserves		<b>135,620,450</b>	135,620,450
<b>Other accumulated comprehensive income and expense not to be reclassified to profit or loss</b>			
- Actuarial loss arising from defined benefit plans		<b>(41,015,576)</b>	(36,677,082)
<b>Other accumulated comprehensive income and expense to be reclassified to profit or loss</b>			
- Losses on cash flow hedging		<b>(45,665,859)</b>	(53,579,549)
Retained earnings		<b>519,679,547</b>	279,572,898
Net income for the period		<b>43,604,161</b>	240,106,649
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,859,048,351</b>	3,093,253,588

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

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

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

**CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

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

	Notes	Current Period Unaudited 1 January - 30 September 2019	Current Period Unaudited 1 July - 30 September 2019	Prior Period Unaudited 1 January - 30 September 2018	Prior Period Unaudited 1 July - 30 September 2018
Revenue	15	2,722,983,090	983,171,552	3,000,998,985	876,152,295
Cost of sales (-)	15	(2,360,403,893)	(843,731,476)	(2,441,509,745)	(690,922,684)
<b>GROSS PROFIT</b>		<b>362,579,197</b>	<b>139,440,076</b>	<b>559,489,240</b>	<b>185,229,611</b>
Marketing expenses (-)		(117,348,222)	(37,249,271)	(143,165,658)	(35,930,883)
General administrative expenses (-)		(72,707,578)	(23,770,949)	(72,212,187)	(23,575,369)
Research and development expenses (-)		(22,798,473)	(7,996,036)	(17,664,392)	(5,541,851)
Other income from operating activities	16	232,639,554	36,209,307	435,677,850	272,339,272
Other expenses from operating expenses (-)	16	(202,368,800)	(46,582,822)	(415,911,374)	(266,627,493)
<b>OPERATING PROFIT</b>		<b>179,995,678</b>	<b>60,050,305</b>	<b>346,213,479</b>	<b>125,893,287</b>
Income from investing activities		4,438,189	92,085	2,165,479	1,651,435
Expenses from investing activities (-)		-	-	-	12,636
<b>OPERATING INCOME BEFORE FINANCIAL INCOME/(EXPENSES)</b>		<b>184,433,867</b>	<b>60,142,390</b>	<b>348,378,958</b>	<b>127,557,358</b>
Financial income	17	152,510,174	77,076,253	74,698,111	44,301,222
Financial expenses (-)	18	(293,744,161)	(112,954,875)	(250,214,197)	(139,565,393)
<b>PROFIT BEFORE TAXATION ON INCOME</b>		<b>43,199,880</b>	<b>24,263,768</b>	<b>172,862,872</b>	<b>32,293,187</b>
Taxes on income (-)	19	-	-	(1,796,112)	11,828,203
Deferred tax income/(expense)	19	404,281	(2,018,604)	(5,136,728)	(14,945,365)
<b>NET PROFIT FOR THE PERIOD</b>		<b>43,604,161</b>	<b>22,245,164</b>	<b>165,930,032</b>	<b>29,176,025</b>
Earnings per share (TRY)	20	0.0082	0.0042	0.0311	0.0055
<b>Other comprehensive expense Other comprehensive expense not to be reclassified to profit or (loss):</b>					
Actuarial loss arising from defined benefits plans	12	(5,562,172)	(98,470)	(9,410,933)	(3,046,082)
<b>Other comprehensive expense not to be reclassified to profit or (loss):</b>					
Actuarial gain/loss arising from defined benefit plan tax effect	19	1,223,678	21,664	2,070,405	670,138
<b>Other comprehensive expense to be reclassified to profit or loss:</b>					
Losses on cash flow hedging		10,145,757	11,702,997	(61,854,178)	(40,971,960)
<b>Other comprehensive expense to be reclassified to profit or loss, tax effect:</b>					
Losses on cash flow hedging, tax effect	19	(2,232,067)	(2,574,660)	13,607,920	9,013,832
<b>Other comprehensive expense after tax</b>		<b>3,575,196</b>	<b>9,051,531</b>	<b>(55,586,786)</b>	<b>(34,334,072)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>47,179,357</b>	<b>31,296,695</b>	<b>110,343,246</b>	<b>(5,158,047)</b>

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

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED STATEMENTS OF CHANGES IN EQUITY  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

				Other accumulated comprehensive income or expense items not to be reclassified profit or loss	Other accumulated comprehensive income or expense items to be reclassified profit or loss				
	Paid-in share capital	Adjustment to share capital	Merger reserve	Actuarial loss arising from defined benefit plans	Losses on cash flow hedging	Restricted profit reserves	Retained earnings	Net income for the period	Total shareholders' equity
<b>1 January 2019</b>	<b>53,369,000</b>	<b>39,014,356</b>	<b>(5,569,000)</b>	<b>(36,677,082)</b>	<b>(53,579,549)</b>	<b>135,620,450</b>	<b>279,572,898</b>	<b>240,106,649</b>	<b>651,857,722</b>
Transfers	-	-	-	-	-	-	240,106,649	(240,106,649)	-
Comprehensive income	-	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	-	-	-	43,604,161	43,604,161
Other comprehensive income	-	-	-	-	-	-	-	-	-
Actuarial loss arising from defined benefits plans	-	-	-	(4,338,494)	-	-	-	-	(4,338,494)
Losses on cash flow hedging	-	-	-	-	7,913,690	-	-	-	7,913,690
Total other comprehensive (expense)	-	-	-	(4,338,494)	7,913,690	-	-	-	3,575,196
Total comprehensive income	-	-	-	(4,338,494)	7,913,690	-	-	43,604,161	47,179,357
<b>30 September 2019</b>	<b>53,369,000</b>	<b>39,014,356</b>	<b>(5,569,000)</b>	<b>(41,015,576)</b>	<b>(45,665,859)</b>	<b>135,620,450</b>	<b>519,679,547</b>	<b>43,604,161</b>	<b>699,037,079</b>

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

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED STATEMENTS OF CHANGES IN EQUITY  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

				Other accumulated comprehensive income or expense items not be reclassified profit or loss	Other accumulated comprehensive income or expense items to be reclassified profit or loss				
	Paid-in share capital	Adjustment to share capital	Merger reserve	Actuarial loss arising from defined benefit plans	Losses on cash flow hedging	Restricted profit reserves	Retained earnings	Net income for the period	Total shareholders' equity
1 January 2018	53,369,000	39,014,356	(5,569,000)	(21,574,275)	(22,663,938)	155,839,108	238,597,910	320,756,330	757,769,491
Transfers	-	-	-	-	-	25,192,081	295,564,249	320,756,330	-
Dividends paid	-	-	-	-	-	45,410,739	254,589,261	-	(300,000,000)
Comprehensive income									
Net income for the period	-	-	-	-	-	-	-	165,930,032	165,930,032
Other comprehensive income									
Actuarial loss arising from defined benefits plans	-	-	-	(7,340,528)	-	-	-	-	(7,340,528)
Losses on cash flow hedging	-	-	-	-	(48,246,258)	-	-	-	(48,246,258)
Total other comprehensive (expense)	-	-	-	(7,340,528)	(48,246,258)	-	-	-	(55,586,786)
Total comprehensive income	-	-	-	(7,340,528)	(48,246,258)	-	-	165,930,032	110,343,246
30 September 2018	53,369,000	39,014,356	(5,569,000)	(28,914,803)	(70,910,196)	135,620,450	279,572,898	165,930,032	568,112,737

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

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

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

**CONDENSED INTERIM STATEMENTS OF CASH FLOWS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

	<b>Notes</b>	<b>Unreviewed 1 January- 30 September 2019</b>	<b>Unreviewed 1 January - 30 September 2018</b>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>717,841,943</b>	<b>(168,976,814)</b>
Net income for the period		<b>43,604,161</b>	<b>165,930,032</b>
Adjustments to reconcile profit for the period:		<b>222,738,742</b>	<b>260,385,998</b>
Depreciation and amortization	7,8,9	95,669,950	61,612,923
Adjustments related to provision for impairment on inventories	6	1,443,946	(467,895)
Adjustments related to provision for employee benefits	12	7,384,094	9,800,644
Adjustments related to provision for doubtful receivables	5	(586,042)	1,158,616
Adjustments related to other provisions	12	(16,091,110)	(11,970,458)
Adjustments related to interest income and expense	17, 18	116,329,135	99,827,070
Adjustments related to tax expense	19	(404,281)	6,932,840
Adjustments related to (gain)/loss from sales of property plant and equipment		(4,438,189)	(2,165,477)
Other adjustments to reconcile profit		23,431,239	95,657,735
<b>Changes in working capital</b>		<b>466,811,418</b>	<b>(585,424,862)</b>
Trade receivables- other parties		(34,868,888)	271,312,291
Trade receivables- related parties		(3,241,543)	(36,376,645)
Inventories		410,606,137	(555,300,960)
Other current assets		111,372,657	(44,992,191)
Other receivables		(7,795)	(423)
Prepaid expenses		(5,012,017)	(21,548,648)
Trade payables from related parties		(7,384,908)	(25,460,173)
Trade payables from other parties		8,975,342	(168,470,264)
Deferred income		(18,061,011)	6,335,199
Other payables		4,851,921	(10,120,123)
Payables related to employee benefits		(418,477)	(802,925)
<b>Net cash provided by operating activities</b>		<b>733,154,321</b>	<b>(159,108,832)</b>
Employee termination benefits paid	12	(9,602,720)	(10,381,579)
Taxes paid		(5,709,658)	513,597
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(87,372,096)</b>	<b>(113,006,558)</b>
Proceeds from sales of property, plant and equipment and intangible assets		8,010,651	3,716,364
Payments for purchases of property, plant and equipment and intangible assets	7,9	(95,956,880)	(117,727,101)
Proceeds from government grants	10	574,133	1,004,179
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(433,913,917)</b>	<b>171,515,721</b>
Proceeds from bank borrowings		1,146,304,200	1,366,293,000
Repayment of bank borrowings		(1,440,711,943)	(807,221,708)
Dividends paid	14	-	(300,000,000)
Interest paid		(209,147,747)	(115,962,385)
Interest received		79,314,801	28,406,814
Repayment of lease liabilities		(9,673,228)	-
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)</b>		<b>196,555,930</b>	<b>(110,467,651)</b>
<b>D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>		<b>(856,912)</b>	<b>(4,805,467)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>195,699,018</b>	<b>(115,273,118)</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>3</b>	<b>408,307,825</b>	<b>441,212,656</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D+E)</b>	<b>3</b>	<b>604,006,843</b>	<b>325,939,538</b>

The accompanying notes form an integral part of these 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 FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

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

Türk Traktör ve Ziraat Makineleri A.Ş. (the “Company”), was established in 1954 in Ankara, as Minneapolis Moline Türk Traktör ve Ziraat Makineleri A.Ş. to undertake the manufacturing and trade of farm tractors, harvesters and other agricultural machinery and equipment. The name of the Company was changed as Türk Traktör Ziraat Makineleri A.Ş. in 1968 upon the purchase of 25% of the shares held by Ege Makina ve Ticaret A.Ş., a group company of the Koç Holding A.Ş. (“Koç Holding”). As of 31 December 2018, major shareholders of the Company are Koç Holding and CNH Industrial Österreich GmbH (“CNH Industrial Österreich”) (Note 14). The number of personnel working within the Company as of is 2,146 (Permanent: 2,145, temporary: 1) (31 December 2018: 2,426 (Permanent 2,425 temporary 1). The average number of personnel working within the Company for the period is 2,281 (31 December 2018: 2,790).

The Company conducts marketing and selling activities in the domestic market, through its 125 tractor sales dealers, 147 spare part dealers and 42 construction equipment dealers (31 December 2018: 129 tractor sales dealers, 148 spare part dealers, 43 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 S.A, New Holland and Case branded imported construction equipment.

The Company is registered in Turkey in the following address:

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

As of 30 September 2019, 25% of the shares of the Company are quoted on Borsa Istanbul (“BIST”) (31 December 2018: 25%) (Note 14).

**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 September 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 financial statements are presented in accordance with “Announcement regarding with TFRS Taxonomy” which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

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

**2.1 Basis of presentation (Continued)**

**Principles governing the preparation of financial statements (Continued)**

The condensed interim financial statements are prepared in accordance with the Communiqué and TAS 34 - “Interim Financial Reporting”. 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 2018.

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**

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. The condensed interim statement of financial position of the Company at 30 September 2019 has been provided with the comparative financial information of 31 December 2018 and the statement of profit or loss, the statement of other comprehensive income, the statement of cash flows and the statement of changes in equity for the interim period between 1 January and 30 September 2019 have been provided with the comparative financial information, for the period between 1 January and 30 September 2019.

**2.3 Changes in TFRS**

The accounting policies applied in the preparation of the interim condensed financial statements as of 1 January - 30 September 2019 are consistent with those applied in the preparation of the financial statements as of 31 December 2018, except for the new and amended TFRS standards which are valid as of 1 January 2019 and Turkey Financial Reporting Interpretations Committee’s (“TFRIC”) interpretations summarised below.

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

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

**2.3 Changes in TFRS (Continued)**

**a) Standards, amendments and interpretations applicable as at 30 September 2019:**

- **Amendment to TFRS 9, “Financial instruments”**; effective from annual periods beginning on or after 1 January 2019. that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The amendment did not have a significant impact over financial position or performance of the Company.
- **Amendment to TAS 28, “Investments in associates and joint venture”**; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9. The amendment did not have a significant impact over financial position or performance of the Company.
- **TFRS 16 - “Leases” Standard**; Company applied accounting policy changes resulting from the first time adoption of “TFRS 16 - Leases”, effective from 1 January 2019, in accordance with the transition requirements of the related standard.

The impacts of the accounting policy changes and first time adoption are as follows:

***Company - as a lessee***

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company considers following indicators for the assessment of whether a contract conveys the right to control the use of an identified asset for a period of time or not:

- The contract includes an identified asset (contract includes a definition of a specified asset explicitly or implicitly),
- A capacity portion of an asset is physically distinct or represents substantially all of the capacity of an asset (if the supplier has a substantive right to substitute the asset and obtain economic benefits from use of the asset, then the asset is not an identified asset),
- Company has the right to obtain substantially all of the economic benefits from use of the identified asset,

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

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

- Company has the right to direct the use of an identified asset. Company has the right to direct the use of the asset throughout the period of use only if either:
  - a) Company has the right to direct how and for what purpose the asset is used throughout the period of use or
  - b) Relevant decisions about how and for what purpose the asset is used are predetermined:
    - i. Company has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
    - ii. Company designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

Company recognises a right-of-use asset and a lease liability at the commencement date of the lease following the consideration of the above mentioned factors.

*Right-of-use asset*

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

*Right-of-use asset (Continued)*

- a) the amount of the initial measurement of the lease liability,
- b) any lease payments made at or before the commencement date, less any lease incentives received,
- c) any initial direct costs incurred by the Company, and
- d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

When applying the cost model, Company measures the right-of-use asset at cost:

- a) less any accumulated depreciation and any accumulated impairment losses; and
- b) adjusted for any remeasurement of the lease liability.

Company applies the depreciation requirements in TAS 16 Property, Plant and Equipment Standard in depreciating the right-of-use asset.

Company applies TAS 36 Impairment of Assets Standard to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

*Lease liability*

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease, if that rate can be readily determined, or by using the Company's incremental borrowing rate.

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

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

**2.3 Changes in TFRS (Continued)**

***a) Standards, amendments and interpretations applicable as at 30 September 2019 (Continued):***

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) fixed payments, less any lease incentives receivable,
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- c) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, Company measures the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability,
- b) reducing the carrying amount to reflect the lease payments made, and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications. The Company recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

*Options to extend and terminate*

Company assesses the contractual options to extend or to terminate the lease when determining the lease liability. The majority of the options to extend and terminate are exercisable both by the Company and the respective lessor. Company determines the lease term of a lease considering the periods covered by options to extend and terminate the lease if the options are exercisable by the Company and the Company is reasonably certain to exercise those options. If a significant change in circumstances takes place, related lease term assessment is revisited by the Company.

*Variable lease payments*

Some lease contracts of the Company contains variable payment terms. Variable lease payments are not in the scope of TFRS 16 Standard and recognised in the statement of income in the related period.

*Practical expedients*

The short-term lease agreements with a lease term of 12 months or less and agreements related to information technology equipment leases (mainly printer, laptop, mobile phone etc.), which are determined by the Company as low value, have been evaluated within the scope of practical expedients introduced by the TFRS 16 Leases Standard and related lease payments are recognised as an expense in the period in which they are incurred.

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

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

**2.3 Changes in TFRS (Continued)**

**a) Standards, amendments and interpretations applicable as at 30 September 2019 (Continued):**

**Transition to TFRS 16 “Leases”**

Company applied TFRS 16 “Leases”, which superseded TAS 17 “Leases”, and accounted in the financial statements by using “cumulative effect method” on the transition date of 1 January 2019. The standard allows a “simplified transition”, which does not require restatement of the comparative information and retained earnings of the financial statements.

At the date of initial application of TFRS 16 “Leases”, the Company recognised “lease liability” in the financial statements regarding the lease commitments classified as operating leases in accordance with TAS 17 “Leases” before 1 January 2019. Related lease liabilities are measured at their present value by discounting the unrealised lease payments using the Company’s incremental borrowing rate at the date of initial application. Right-of-use assets are accounted for at an amount equal to the lease liabilities (adjusted for the amount of prepaid or accrued lease payments) in accordance with the simplified transition method in the related standard.

The reconciliation of operating lease commitments followed under TAS 17 prior to the initial application date and lease liabilities accounted for in the financial statements as of 1 January 2019 within the scope of TFRS 16 is as follows:

	<b>1 January 2019</b>
<b>Operating lease commitments within the scope of TAS 17</b>	<b>46,315,419</b>
- Short-term leases (-)	(1,270,080)
- Low value leases (-)	(2,038,339)
- Service agreements (-)	-
- Adjustments related to extension and termination options	-
<b>Total lease liability within the scope of TFRS 16 (undiscounted)</b>	<b>43,007,000</b>
<b>Total lease liability within the scope of TFRS 16 (discounted by incremental borrowing rate)</b>	<b>34,524,391</b>
- Short-term lease liability	11,786,723
- Long-term lease liability	22,737,668

The weighted average of the Company’s incremental borrowing rates applied to lease liabilities as of 1 January 2019 for TRY and EUR are 23% and 5% respectively.

The details of the recognised right-of-use assets in financial statements as at 1 January 2019 and 30 September 2019 are as follows:

	<b>30 September 2019</b>	<b>1 January 2019</b>
Buildings	9,540,610	12,325,797
Machinery and equipment	10,474,876	12,608,603
Motor vehicles	9,126,724	9,589,991
<b>Total right-of-use assets</b>	<b>29,142,210</b>	<b>34,524,391</b>

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

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

**2.3 Changes in TFRS (Continued)**

**a) Standards, amendments and interpretations applicable as at 30 September 2019 (Continued):**

*Practical expedients applied within the scope of transition*

In applying TFRS 16 for the first time, the Company has adopted the following practical expedients permitted by the standard within the scope of Company accounting policies:

- a) If the Company has the option to extend the lease and if the Company is reasonably certain to exercise that option (for example, the existence of significant leasehold improvements and those improvements to be amortised for more than 1 year), the Company has included the related contract in the scope of TFRS 16 by forecasting its lease term. Leases with a remaining lease term of equal to or less than 12 months are excluded from the scope.
- b) Low value assets (information technology equipment such as printer, laptop, mobile phone etc.) are excluded from the scope.
- c) Single discount rate is used to a portfolio of leases with reasonably similar characteristics (such as leases with similar remaining lease terms for a similar Company of assets in a similar economic environment).

- **TFRIC 23, “Uncertainty over income tax treatments”;** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that TAS 12, not TAS 37 “Provisions, contingent liabilities and contingent assets”, applies to accounting for uncertain income tax treatments. TFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. TFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The impact of the amendment over financial position or performance of the Company are being assessed.

- **Annual improvements 2015 - 2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

- TFRS 3, “Business combinations”; a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- TFRS 11, “Joint arrangements”; a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- TAS 12, “Income taxes”; a company accounts for all income tax consequences of dividend payments in the same way.
- TAS 23, “Borrowing costs”; a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

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

**2.3 Changes in TFRS (Continued)**

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

- **TAS 19, “Employee benefits”; on plan amendment, curtailment or settlement;** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
  - Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and;
  - Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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

***b. Standards, amendments and interpretations that are issued but not effective as at 30 September 2019:***

- **Amendments to TAS 1 and TAS 8 on the definition of material;** Effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, “Presentation of financial statements” and TAS 8, “Accounting policies, changes in accounting estimates and errors”, and consequential amendments to other TFRSs:
  - i) use a consistent definition of materiality throughout TFRSs and the conceptual framework for financial reporting,
  - ii) clarify the explanation of the definition of material and
  - iii) incorporate some of the guidance in TAS 1 about immaterial information.

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

- **Amendments to TFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

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

- **Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.



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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

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

**2.3 Changes in TFRS (Continued)**

- **TFRS 17, “Insurance contracts”**; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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The Company is in the process of assessing the impact of the amendments 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 2019 are consistent with those used in the preparation of annual financial statements for the year ended 31 December 2018 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 2019 should be read in conjunction with the annual financial statements for the year 1 January - 31 December 2018.

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**

The preparation of financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realized in the reporting period. The Company makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

**Warranty expense provisions**

The Company accounts for warranty provisions for the expenses incurred as a result of repair and maintenance activities for products produced and sold, authorised services’ labour and material costs for products under the scope of the warranty terms based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period. 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 (Note 12).

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

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

**Deferred tax assets**

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available. If it is probable that future taxable profit will be available, deferred tax assets are accounted for over the deductible temporary differences and tax advantages resulted from investment incentives that enables the Company pay lower corporate tax.

The Company assess the recoverability of deferred tax assets based on business models that contain management estimations related to taxable profit for future periods. The models include key management estimations such as sales quantities, sales prices and foreign exchange rates (Note 19).

**Cash flow hedge transactions**

As explained in Note 22, the Company uses its loans amounting to EUR36,416,667 as a hedging instrument against the Euro (“EUR”)spot exchange rate risk the Company is exposed to due to highly probable export sales income, and applies cash flow hedge accounting as a result of the effectiveness tests performed. The estimations in budgets for export income used for effectiveness test include estimations such as sales quantities and sales prices.

**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 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 12).

**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).

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

**NOTE 3 - CASH AND CASH EQUIVALENTS**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Cash on hand	-	-
Banks:		
- TRY denominated demand deposits	<b>11,784,924</b>	12,606,729
- TRY denominated time deposits	<b>504,358,548</b>	346,204,631
- Foreign currency denominated demand deposits	<b>931,791</b>	1,775,250
- Foreign currency denominated time deposits	<b>99,679,632</b>	52,081,920
	<b>616,754,895</b>	412,668,530

As of 30 September 2019, the weighted average effective annual interest rates for TRY and EUR time deposits are 17.90% and 0.48% (31 December 2018: TRY: 23.28% EUR: 2.38%).

30 September 2019 and 31 December 2018 maturities of time deposits are less than three months.

The Company has no blocked deposits as of 30 September 2019 (31 December 2018: None).

The cash and cash equivalents included in the statement of cash flows at 30 September 2019 and 31 December 2018 are as follows:

	<b>30 September 2019</b>	<b>31 December 2018</b>
Banks	<b>616,754,895</b>	412,668,530
Less: Interest accruals	<b>(12,748,052)</b>	(4,360,705)
<b>Cash and cash equivalents</b>	<b>604,006,843</b>	408,307,825

**NOTE 4 - FINANCIAL LIABILITIES**

	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>Short term financial liabilities</b>		
Short term bank loans	<b>302,590</b>	85,033,786
Short-term portion of long-term bank loans	<b>740,138,132</b>	384,502,921
Short-term lease liabilities	<b>3,956,446</b>	-
	<b>744,397,168</b>	469,536,707
<b>Long term financial liabilities</b>		
Long-term bank loans	<b>744,516,733</b>	1,303,202,597
Long-term lease liabilities	<b>26,651,373</b>	-
	<b>771,168,106</b>	1,303,202,597

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

NOTE 4 - FINANCIAL LIABILITIES (Continued)

a) Short-term financial liabilities

Short-term bank borrowings

	Original currency		Weighted average effective interest rate p.a. (%)		TRY equivalent	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018
TRY borrowings	302,590	85,033,786	0	29.50	302,590	85,033,786
					302,590	85,033,786

Short term portions of long term bonds

	Original currency		Weighted average effective interest rate p.a. (%)		TRY equivalent	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018
TRY bonds (*)	78,539,341	81,461,538	19.57	12.84	78,539,341	81,461,538
<b>Total short-term bonds</b>					<b>78,539,341</b>	<b>81,461,538</b>

(\*) The Company issued total of TRY150,000,000 bond, TRY75,000,000 of which is bond with 3 years maturity and floating interest rate and TRY75,000,000 of which is a bond with 2 years maturity and fixed interest rate in April 2017.

Short term portions of long term financial liabilities

	Original currency		Weighted average effective interest rate p.a. (%)		TRY equivalent	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018
EUR borrowings	28,475,818	11,232,989	2.07	1.62	176,083,069	67,712,459
TRY borrowings	485,515,722	235,328,924	15.47	14.00	485,515,722	235,328,924
					661,598,791	303,041,383

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

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

**b) Long-term financial liabilities**

**Long-term bank borrowings**

	Original currency		Weighted average effective interest rate p.a. (%)		TRY equivalent	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018
EUR borrowings	28,609,037	58,313,279	2.06	2.00	176,906,841	351,512,444
TRY borrowings	567,659,803	876,801,212	16.32	17.79	567,659,803	876,801,212
					744,566,644	1,228,313,656
Prepaid borrowing commissions for debt (*)					(49,911)	(111,059)
<b>Total long-term borrowings</b>					<b>744,516,733</b>	<b>1,228,202,597</b>

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

**Long-term bonds**

	Original currency		Weighted average effective interest rate p.a. (%)		TRY equivalent	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018
TRY bonds (*)	-	75,000,000	-	25,67	-	75,000,000
<b>Total long term bonds</b>					<b>-</b>	<b>75,000,000</b>

(\*) The Company issued total of TRY150,000,000 bond, TRY75,000,000 of which is bond with 3 years maturity and floating interest rate and TRY75,000,000 of which is a bond with 2 years maturity and fixed interest rate in 2017.

Redemption schedule of the long-term bank borrowings as of 30 September 2019 and 31 December 2018 are as follows:

Year	2019	2018
2020	16,077,360	1,107,065,694
2021	88,837,723	139,431,039
2022	628,471,170	56,705,864
2023	7,420,320	-
2024	3,710,160	-
	<b>744,516,733</b>	<b>1,303,202,597</b>

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

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

As of 30 September 2019; the Company has an investment loan with fixed interest rate amounting to EUR17,499,999,60, an operating loan with fixed interest rate amounting to EUR19,400,000 and an operating loan with variable interest rate amounting to EUR20,000,000. The EUR17,499,999,60 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 EUR14,000,000 of EUR19,400,000 fixed interest operational capital loans is 5 years maturity (maturity date of 14 November 2022), with interest payment of every 6 months and principal payment at maturity date and with an interest rate of 2.60%. The remaining EUR5,400,000 has principal and interest payment of every 6 months and with an interest rate of 3.50% (maturity date of 29 March 2024). The EUR10,000,000 of EUR20,000,000 floating interest operational capital loan has 3 years maturity (maturity date of 26 March 2021), with an interest payment of every month and without principal payment for the first 2 years and after 2nd year principal payment of every 6 months and with an interest rate of 2.25% + Euribor. The remaining EUR10,000,000 loan has 2 years maturity (maturity date of 29 September 2020 and interest payment of every 3 months and has an interest rate of 1.90%+Euribor. 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. There is no guarantees or mortgages given for the financial liabilities obtained.

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 cash and cash equivalents from total of financial liabilities (including short-term and long-term financial debts).

The Company met these conditions as of balance sheet date.

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

	Carrying value		Fair value	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Banka kredileri	1,484,957,455	1,616,277,766	1,526,472,873	1,604,720,505

As of 30 September 2019, fair values of the loans are determined by using the discounted cash flow method over annual average effective discount rates which is 0.38% for EUR loans and 14.68% for TRY denominated bank borrowings respectively (31 December 2018: EUR 0.32%, TRY: 20.38%).

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

**NOTE 5 - TRADE RECEIVABLES AND PAYABLES**

	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>Short-term trade receivables:</b>		
Customer current accounts	<b>379,671,703</b>	254,696,513
Notes receivables	<b>10,229,518</b>	104,105,935
	<b>389,901,221</b>	358,802,448
Less: Provision for doubtful receivables	<b>(50,961,232)</b>	(51,547,274)
Unearned financial income	<b>(5,856,486)</b>	(8,777,438)
<b>Short-term trade receivables</b>	<b>333,083,503</b>	298,477,736
Due from related parties (Note 21)	<b>153,428,246</b>	150,186,703
<b>Total short-term trade receivables</b>	<b>486,511,749</b>	448,664,439
Movements of the provisions for short-term doubtful receivables for the years ended 30 September 2019 and 2018 are as shown below:		
	<b>2019</b>	<b>2018</b>
<b>1 January</b>	<b>(51,547,274)</b>	(49,389,742)
Cancelled during the year (Note 16)	<b>2,155,350</b>	1,050,374
Charge during the year (Note 16)	<b>(1,569,308)</b>	(2,208,990)
<b>30 September</b>	<b>(50,961,232)</b>	(50,548,358)
	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>Long-term trade receivables:</b>		
Notes receivables	<b>908,760</b>	59,597
	<b>908,760</b>	59,597

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

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

	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>Trade payables:</b>		
Supplier current accounts	<b>495,162,250</b>	491,231,448
Less: Unincurred financial expense	<b>(11,984,200)</b>	(17,028,740)
<b>Trade payables</b>	<b>483,178,050</b>	474,202,708
Due to related parties (Note 21)	<b>30,993,110</b>	38,378,018
<b>Total trade payables</b>	<b>514,171,160</b>	512,580,726

**NOTE 6 – INVENTORIES**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Raw materials	<b>305,687,258</b>	367,063,753
Work in progress	<b>9,840,913</b>	18,224,559
Finished goods	<b>114,469,939</b>	334,277,707
Commercial goods	<b>163,779,786</b>	219,109,540
Spare parts	<b>55,480,922</b>	65,147,898
Goods in transit (*)	<b>54,388,307</b>	110,429,804
<b>Gross</b>	<b>703,647,125</b>	1,114,253,261
Provision for impairment of inventory (-)	<b>(31,258,257)</b>	(29,814,310)
<b>Net</b>	<b>672,388,868</b>	1,084,438,951

The cost of inventories recognised as expense in the current period is amounting to TRY2,105,470,999 (30 September 2018: TRY2,156,690,331).

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

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

	<b>2019</b>	<b>2018</b>
<b>1 January</b>	<b>(29,814,310)</b>	(33,875,335)
(Additions)/cancelled	<b>1,443,946</b>	467,895
<b>30 September</b>	<b>(31,258,257)</b>	(33,407,440)



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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

**NOTE 6 – INVENTORIES (Continued)**

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

	<b>30 September 2019</b>	<b>31 December 2018</b>
Raw materials	(25,549,986)	(24,839,060)
Commercial goods	(3,607,928)	(2,806,919)
Spare parts	(2,100,343)	(2,168,331)
	<b>(31,258,257)</b>	<b>(29,814,310)</b>

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

	<b>1 January 2019</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>30 September 2019</b>
<b><u>Cost</u></b>					
Land	52,418,380	-	-	-	52,418,380
Land improvements	15,920,720	2,410,702	-	-	18,331,422
Buildings	242,860,556	142,542	-	1,820,374	244,823,472
Machinery and equipment	705,553,430	38,224,676	(1,506,170)	3,888,257	746,160,193
Special costs	6,516,202	120,407	-	-	6,636,609
Motor vehicles	8,417,604	945,369	(3,643,813)	-	5,719,160
Furniture and fixtures	95,156,839	2,128,109	(3,239)	1,865	97,283,574
Construction in progress	7,439,146	1,382,058	-	(5,710,496)	3,110,708
	<b>1,134,282,877</b>	<b>45,353,863</b>	<b>(5,153,222)</b>	<b>-</b>	<b>1,174,483,518</b>
<b><u>Accumulated depreciation</u></b>					
Land improvements	5,370,659	395,987	-	-	5,766,646
Buildings	60,836,089	3,919,845	-	-	64,755,934
Machinery and equipment	406,349,245	42,358,849	(513,495)	-	448,194,599
Special costs	4,444,148	527,133	-	-	4,971,281
Motor vehicles	3,449,668	729,823	(1,064,026)	-	3,115,465
Furniture and fixtures	63,596,207	8,796,946	(3,239)	-	72,389,914
	<b>544,046,016</b>	<b>56,728,583</b>	<b>(1,580,760)</b>	<b>-</b>	<b>599,193,839</b>
<b>Net book value</b>	<b>590,236,861</b>				<b>575,289,679</b>

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

**NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

	<b>1 January 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>30 September 2018</b>
<b><u>Cost</u></b>					
Land	37,740,200	14,678,180	-	-	52,418,380
Land improvements	14,492,387	212,497	-	-	14,704,884
Buildings	234,001,543	799,624	-	-	234,801,167
Machinery and equipment	598,410,208	44,042,289	-	-	642,452,497
Special costs	5,859,199	657,003	-	-	6,516,202
Motor vehicles	8,211,037	2,620,253	(1,872,382)	-	8,958,908
Furniture and fixtures	82,922,128	8,443,469	(33,113)	-	91,332,484
Construction in progress	5,375,563	2,361,122	-	-	7,736,685
	987,012,265	73,814,437	(1,905,495)	-	1,058,921,207
<b><u>Accumulated depreciation</u></b>					
Land improvements	4,875,531	359,330	-	-	5,234,861
Buildings	55,541,085	3,793,909	-	-	59,334,994
Machinery and equipment	369,845,930	31,584,970	-	-	401,430,900
Special costs	3,771,264	500,923	-	-	4,272,187
Motor vehicles	2,905,162	1,214,202	(321,936)	-	3,797,428
Furniture and fixtures	52,846,199	7,876,093	(32,672)	-	60,689,620
	489,785,171	45,329,427	(354,608)	-	534,759,990
<b>Net book value</b>	497,227,094				524,161,217

Allocation of the depreciation expenses of property, plant and equipment as of 30 September 2019 and 2018 is as follows:

	<b>30 September 2019</b>	<b>30 September 2018</b>
Production costs	<b>41,025,733</b>	31,693,614
General administrative expenses	<b>10,514,164</b>	8,313,383
Marketing expenses	<b>2,560,318</b>	2,838,447
Research and development expenses	<b>2,628,368</b>	2,483,983
	<b>56,728,583</b>	45,329,427

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 2019 (30 September 2018: None)

There is not mortgage on property, plant and equipment as of 30 September 2019 (31 December 2018: None).

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

**NOTE 8 - RIGHT OF USE ASSETS**

	1 January 2019	Additions	30 September 2019
<b>Cost</b>			
Land and buildings	12,325,797	465,141	12,790,937
Machinery	12,608,603	1,470,171	14,078,774
Vehicles	9,589,991	3,135,134	12,725,125
	<b>34,524,391</b>	<b>5,070,446</b>	<b>39,594,836</b>
<b>Accumulated amortization</b>			
Land and buildings	-	3,250,327	3,250,327
Machinery	-	3,603,898	3,603,898
Vehicles	-	3,598,401	3,598,401
	-	<b>10,452,626</b>	<b>10,452,626</b>
<b>Net book value</b>	<b>34,524,391</b>		<b>29,142,210</b>

**NOTE 9 - INTANGIBLE ASSETS**

	1 January 2019	Additions	Disposals	Transfers	30 September 2019
<b>Cost</b>					
Rights	88,912,993	9,208,733	-	-	98,121,726
Development costs	232,075,537	-	-	49,838,635	281,914,172
Development costs in progress	58,054,633	46,157,281	-	(49,838,635)	54,373,279
	<b>379,043,163</b>	<b>55,366,014</b>	-	-	<b>434,409,177</b>
<b>Accumulated amortization</b>					
Rights	34,329,690	9,738,659	-	-	44,068,349
Development costs	75,966,812	23,513,079	-	-	99,479,891
	<b>110,296,502</b>	<b>33,251,738</b>	-	-	<b>143,548,240</b>
<b>Net book value</b>	<b>268,746,661</b>				<b>290,860,937</b>

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

**NOTE 9 - INTANGIBLE ASSETS (Continued)**

	<b>1 January 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>30 September 2018</b>
<b><u>Cost</u></b>					
Rights	68,747,944	10,191,148	-	-	78,939,092
Development costs	110,150,931	-	-	6,858,763	117,009,694
Development costs in progress	120,256,568	36,710,994	-	(6,858,763)	150,108,799
	<b>299,155,443</b>	<b>46,902,142</b>	<b>-</b>	<b>-</b>	<b>346,057,585</b>
<b><u>Accumulated amortization</u></b>					
Rights	24,410,680	6,977,603	-	-	31,388,283
Development costs	58,845,477	12,295,371	-	-	71,140,848
	<b>83,256,157</b>	<b>19,272,974</b>	<b>-</b>	<b>-</b>	<b>102,529,131</b>
<b>Net book value</b>	<b>215,899,286</b>				<b>243,528,454</b>

Development costs includes intangible assets generated by the Company. Capitalized development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

The amortization 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 2019 and 2018 are as follows:

	<b>30 September 2019</b>	<b>30 September 2018</b>
Production costs	<b>6,861,431</b>	4,975,660
General administrative expenses	<b>1,755,253</b>	1,062,071
Marketing expenses	<b>588,916</b>	434,377
Research and development expenses	<b>19,283,141</b>	9,811,388
Reflected to development cost in progress	<b>4,762,997</b>	2,989,478
	<b>33,251,738</b>	<b>19,272,974</b>

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

**NOTE 10 - OTHER ASSETS AND LIABILITIES**

	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>a) Other current assets:</b>		
Deferred value added tax ("VAT")	<b>62,317,282</b>	152,328,930
Reclaimed taxes	<b>40,981,686</b>	45,985,269
Other	<b>992,583</b>	2,909,014
	<b>104,291,551</b>	201,223,213

	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>b) Government grants and aids:</b>		
Government grants and aids	<b>4,657,351</b>	4,083,218
	<b>4,657,351</b>	4,083,218
	<b>2019</b>	<b>2018</b>
<b>1 January</b>	<b>4,083,218</b>	3,592,163
Received during the period	<b>574,133</b>	1,004,179
<b>30 September</b>	<b>4,657,351</b>	4,596,342

**NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME**

	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>a) Prepaid expenses:</b>		
Prepaid expenses for future months	<b>3,417,638</b>	1,083,524
	<b>3,417,638</b>	1,083,524
	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>b) Long-term prepaid expenses</b>		
Advances given for purchases of fixed assets	<b>5,223,097</b>	2,545,194
	<b>5,223,097</b>	2,545,194

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

**NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME (Continued)**

	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>c)Deferred income:</b>		
Deferred income (*)	<b>6,892,587</b>	24,940,048
Advances received	<b>2,500</b>	16,050
	<b>6,895,087</b>	24,956,098

(\*) 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 2019 and 31 December 2018.

**NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

**a) Short-term provisions**

**Short-term provision for employee benefits**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Provision for unused vacation	<b>2,424,998</b>	1,807,491
	<b>2,424,998</b>	1,807,491

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

	<b>2019</b>	<b>2018</b>
<b>1 January</b>	<b>1,807,491</b>	2,051,334
Charge/ (used) for the period- net	<b>617,507</b>	1,191,043
<b>30 September</b>	<b>2,424,998</b>	3,242,377

**Other short-term provisions**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Warranty expense provisions	<b>16,699,092</b>	28,133,964
Provision for legal cases (*)	<b>7,180,500</b>	6,881,714
	<b>23,879,592</b>	35,015,678

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

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

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

**NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**

	<b>2019</b>	<b>2018</b>
<b>1 January</b>	<b>6,881,714</b>	7,704,448
Charge for the period (Note 16)	<b>1,989,333</b>	-
Cancelled provision for the period (Note 16)	<b>(1,690,547)</b>	(147,359)
<b>30 September</b>	<b>7,180,500</b>	7,557,089

**b) Long-term provisions**

**Long-term provision for employee benefits**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Provision for employee termination benefits	<b>36,925,264</b>	34,199,225
	<b>36,925,264</b>	34,199,225

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 TRY6,017.60 for each year of service as of 30 September 2019 (31 December 2018: TRY5,434.42).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

Communiqué require actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	<b>30 September 2019</b>	<b>31 December 2018</b>
Inflation rate (%)	10.5	10.5
Interest rate (%)	16.74	16.74
Turnover rate to estimate the probability of retirement (%)	95.29	93.17

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TRY6,379.86 (1 January 2019: TRY6,017.60) which is effective from 1 July 2019 has been taken into consideration in calculating the provision for employee termination benefits of the Company

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

**NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**

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

	2019	2018
<b>1 January</b>	<b>34,199,225</b>	23,730,294
Interest cost	<b>4,296,278</b>	3,456,760
Current period service cost	<b>2,470,309</b>	5,152,841
Paid during the period	<b>(9,602,720)</b>	(10,381,579)
Actuarial loss	<b>5,562,172</b>	9,410,933
<b>30 September</b>	<b>36,925,264</b>	31,369,249

Sensitivity analysis of key assumptions used for termination benefits calculations as at 30 September 2019 are as follows:

	Net discount rate		Turnover related to the probability of retirement	
<b>Sensitivity level</b>	<b>0.5% decrease</b>	<b>0.5% increase</b>	<b>0.5% decrease</b>	<b>0.5% increase</b>
Rate	(4.45%)	(5.45%)	(93.18%)	(94.18%)
Change in employee benefits liability	<b>1,900,760</b>	<b>(1,741,021)</b>	<b>(450,603)</b>	<b>470,592</b>

**Other long-term provisions**

	30 September 2019	31 December 2018
Warranty provision	<b>16,744,160</b>	21,699,184
	<b>16,744,160</b>	21,699,184

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

	2019	2018
<b>1 January</b>	<b>49,833,148</b>	73,445,026
Used during the period	<b>(35,599,346)</b>	(44,892,817)
Charge for the period	<b>19,209,450</b>	32,256,960
<b>30 September</b>	<b>33,443,252</b>	60,809,169

**c) Contingent liabilities**

The commitments and contingent liabilities that are not expected to cause material loss or debts to the Company are summarized below:



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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

**NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**

**c) Contingent liabilities (Continued)**

As of 30 September 2019 and 31 December 2018; the Company's guarantee/pledge/mortgage positions are as follows:

	<b>30 September 2019</b>	<b>31 December 2018</b>
A. The total amount of collaterals given on behalf of its own legal entity	<b>86,866,040</b>	105,076,721
B. The total amount of collaterals given in favor of the companies in the scope of full consolidation		
C. The total amount of collaterals given for the purpose of providing debt to third parties in the course of ordinary business activities	-	-
D. The total amount of other collaterals given	-	-
i. The total amount of collaterals given in favor of the parent companies	-	-
ii. The total amount of collaterals given in favor of other group companies which are not in the scope of items B and C	-	-
iii. The total amount of collaterals given in favor of third parties other than the parties stated in item C	-	-
	<b>86,866,040</b>	105,076,721

As at 30 September 2019, the Company has given its own legal entity on behalf of the original collateral denominated in foreign currency amounts of EUR2,724,350 (31 December 2018: EUR2,724,350).

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

d) Contingent assets

	Original currency amount						TRY equivalent	
	<u>30 September 2019</u>			<u>31 December 2018</u>			<b>30 September 2019</b>	31 December 2018
	EUR	USD	TRY	EUR	USD	TRY		
Letters of guarantees received	-	270,000	582,025,567	-	270,000	741,094,800	583,553,524	742,515,243
Direct debit	-	-	398,764,828	-	-	385,439,385	398,764,828	385,439,385
Mortgages	-	-	438,714	-	-	438,714	438,714	438,714
Cash TL guarantees	-	-	1,010,981	-	-	787,257	1,010,981	787,257
Guarantee bonds	8,000	-	2,290,120	8,000	-	1,500,000	2,339,588	1,548,224
							986,107,635	1,130,728,823

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

**NOTE 13- PROVISION FOR EMPLOYEE BENEFITS**

**Liabilities for employee benefits**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Accrued premiums and liabilities to personnel	<b>17,689,322</b>	9,074,562
Taxes payable and liabilities (*)	<b>3,141,892</b>	12,175,129
	<b>20,831,214</b>	21,249,691

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

**NOTE 14 -SHAREHOLDERS' EQUITY**

**Paid-in share capital**

The Company's registered share capital amounts to TRY250,000,000 (31 December 2018: TRY250,000,000).

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 TRY53,369,000.

The composition of the Company's statutory share capital at 30 September 2019 and 31 December 2018 are as follows:

	<b>30 September 2019</b>		<b>31 December 2018</b>	
	<b>Participation (%)</b>	<b>Share amount (TRY)</b>	<b>Participation (%)</b>	<b>Share amount (TRY)</b>
Koç Holding	<b>37.50</b>	<b>20,013,375</b>	37.50	20,013,375
CNH Industrial Österreich	<b>37.50</b>	<b>20,013,375</b>	37.50	20,013,375
Public quotation in BIST	<b>25.00</b>	<b>13,342,250</b>	25.00	13,342,250
	<b>100.00</b>	<b>53,369,000</b>	100.00	53,369,000
<b>Adjustments to share capital</b>		<b>39,014,356</b>		39,014,356
		<b>92,383,356</b>		92,383,356

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

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

As of 11 September 2004, the Company has been quoted to BIST and its shares started to be traded in the stock exchange market from that date. As of 30 September 2019, 25% (31 December 2018: 25%) of the Company shares are quoted at BIST.

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

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**NOTE 14 -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.

**Dividend distribution**

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February 2014.

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

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**NOTE 14 -SHAREHOLDERS' EQUITY (Continued)**

**Dividend distribution (continued)**

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.

The proposal not to distribute dividends from the profit of 2018 was accepted at the 65th Ordinary General Assembly Meeting dated 12 March 2019.

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

**NOTE 15 - SALES AND COST OF SALES**

	<b>1 January - 30 September 2019</b>	<b>1 July - 30 September 2019</b>	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>
Domestic sales	<b>1,249,314,508</b>	<b>456,453,060</b>	1,919,027,366	334,978,408
Export sales	<b>1,669,149,115</b>	<b>598,244,154</b>	1,320,083,887	577,717,751
<b>Sales income (gross)</b>	<b>2,918,463,623</b>	<b>1,054,697,214</b>	3,239,111,253	912,696,159
Less: Discount and returns	<b>(195,480,533)</b>	<b>(71,525,662)</b>	(238,112,268)	(36,543,864)
<b>Sales income (net)</b>	<b>2,722,983,090</b>	<b>983,171,552</b>	3,000,998,985	876,152,295
Cost of sales	<b>(2,360,403,893)</b>	<b>(843,731,476)</b>	(2,441,509,745)	(690,922,684)
<b>Gross profit</b>	<b>362,579,197</b>	<b>139,440,076</b>	559,489,240	185,229,611

**Sales quantities:**

	<b>30 September 2019</b>			<b>30 September 2018</b>		
	<b>Domestic sales</b>	<b>Export sales</b>	<b>Total sales</b>	<b>Domestic sales</b>	<b>Export sales</b>	<b>Total sales</b>
Tractor	<b>6,893</b>	<b>11,905</b>	<b>18,798</b>	15,136	10,322	25,458
Combine	<b>46</b>	<b>-</b>	<b>46</b>	278	-	278
	<b>6,939</b>	<b>11,905</b>	<b>18,844</b>	15,414	10,322	25,736

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

**NOTE 16 - OTHER OPERATING INCOME/ (EXPENSES)**

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Foreign exchange gain from trade receivable/ payables	125,785,243	18,845,312	335,734,874	235,392,969
Financial income from credit sales	89,030,636	18,113,193	79,695,864	34,252,855
Reversal of provision for doubtful receivables (Note 5)	2,155,350	469,854	1,050,374	467,286
Reversal of provision for litigation expenses (Note 12)	1,690,547	50,820	147,359	-
Other income	13,977,778	(1,269,872)	19,049,379	2,226,162
<b>Other operating income</b>	<b>232,639,554</b>	<b>36,209,307</b>	<b>435,677,850</b>	<b>272,339,272</b>
Foreign exchange loss from trade receivable/ payables	(128,404,416)	(26,064,841)	(339,391,760)	(234,547,285)
Financial expense on credit purchases	(70,405,743)	(20,190,113)	(73,497,865)	(30,274,449)
Provision for doubtful receivables (Note 12)	(1,989,333)	(482,487)	(2,208,990)	(993,000)
Provision for litigation expenses (Note 5)	(1,569,308)	(119,644)	(812,759)	(812,759)
Other expenses	-	274,263	-	-
<b>Other operating expenses</b>	<b>(202,368,800)</b>	<b>(46,582,822)</b>	<b>(415,911,374)</b>	<b>(266,627,493)</b>

**NOTE 17 - FINANCIAL INCOME**

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Foreign exchange gains	64,808,026	45,989,024	46,128,629	30,300,633
Interest income	87,702,148	31,087,228	28,569,482	14,000,589
<b>Financial income</b>	<b>152,510,174</b>	<b>77,076,253</b>	<b>74,698,111</b>	<b>44,301,222</b>

**NOTE 18 - FINANCIAL EXPENSES**

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Foreign exchange losses	(78,943,416)	(43,882,374)	(119,863,898)	(82,672,640)
Interest expenses of bank borrowings	(204,031,283)	(65,744,178)	(128,396,552)	(55,840,924)
Other	(10,769,462)	(3,328,323)	(1,953,747)	(1,051,828)
<b>Financial expenses</b>	<b>(293,744,161)</b>	<b>(112,954,875)</b>	<b>(250,214,197)</b>	<b>(139,565,393)</b>

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

**NOTE 19 - TAX ASSETS AND LIABILITIES**

The Company is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2018, "Law on the Amendment of Some Tax Acts and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. (2018: 20%). The corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the year in which it relates, and is paid in one installment until the end of the relevant month. In accordance with the tax legislation, temporary taxes are calculated and paid on a quarterly basis at a rate of 22%, and the amounts paid in this manner are deducted from the tax calculated on annual earnings.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Research and development incentive rate which will be calculated over the research and development expenditures, is raised to 10% from 40% with the amendment made to the 10th article of the Tax Law numbered 5520 as a result of the amendment in the 35th article of the Law 5746 related to the Support of Research and Development Operations.

The aforementioned law has been enacted as of April 1, 2008. Accordingly, income tax-payers can deduct 100% of the expenditures made as of then, which are related to research and development related to new technology and information developments. Research and development incentives shall be calculated over the total expenditures made in 2019 and 2018.

As of 30 September 2019 and 31 December 2018, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	<b>30 September 2019</b>	<b>31 December 2018</b>
Corporate tax expenses	-	2,552,548
Less: Prepaid taxes	<b>(5,709,658)</b>	(16,993,543)
<b>Tax liability/ (Current tax assets)</b>	<b>(5,709,658)</b>	<b>(14,440,995)</b>



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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

**NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)**

The breakdown of total tax expense for the periods ended 30 September 2019 and 2018 are as follows:

	<b>1 January - 30 September 2019</b>	<b>1 July - 30 September 2019</b>	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>
Corporate tax expenses	-	-	(1,796,112)	11,828,203
Deferred tax income/(expense)	<b>404,281</b>	<b>(2,018,604)</b>	(5,136,728)	14,945,365
<b>Tax expenses</b>	<b>404,281</b>	<b>(2,018,604)</b>	<b>(6,932,840)</b>	<b>(3,117,162)</b>

**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 breakdown of cumulative temporary differences and the resulting deferred tax assets/ (liabilities) at 30 September 2019 and 31 December 2018 are as follows:

	<b>Temporary differences</b>		<b>Deferred tax assets/ (liabilities)</b>	
	<b>30 September 2019</b>	<b>31 December 2019</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
Property, plant and equipment and intangible assets, restatement and useful life differences	<b>256,428,766</b>	255,885,852	<b>(56,414,329)</b>	(56,294,887)
Provision for employee termination benefits	<b>(36,925,264)</b>	(34,199,225)	<b>8,123,558</b>	7,523,830
Warranty provision	<b>(33,443,252)</b>	(49,833,148)	<b>7,357,515</b>	10,963,293
Provision for lawsuits	<b>(7,180,500)</b>	(6,881,714)	<b>1,579,710</b>	1,513,977
Unearned finance income/ (expense) on trade receivables, payables and due from related parties, net	<b>10,248,187</b>	1,520,485	<b>(2,254,601)</b>	(334,507)
Provision for doubtful receivables	<b>586,042</b>	(2,157,532)	<b>(128,929)</b>	474,657
Provision for inventories	<b>(31,258,257)</b>	(29,814,310)	<b>6,876,817</b>	6,559,148
Sales premium accrued	<b>(66,724,700)</b>	(26,459,516)	<b>14,679,434</b>	5,821,094
Other expense provisions	<b>(19,085,699)</b>	(2,047,491)	<b>4,198,854</b>	450,448
Investment incentive tax assets	<b>265,248,893</b>	265,248,893	<b>79,574,668</b>	79,574,668
Deferred income	<b>(10,781,511)</b>	(16,263,501)	<b>2,371,932</b>	3,577,970
Other	<b>(9,974,149)</b>	(40,606,184)	<b>2,194,313</b>	8,933,360
<b>Deferred tax assets</b>			<b>68,158,942</b>	68,763,051

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

**NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)**

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

	<b>2019</b>	<b>2018</b>
<b>1 January</b>	<b>68,763,051</b>	69,507,884
Charged to profit for the period	<b>404,281</b>	(5,136,728)
Charged to other comprehensive income/(expense)	<b>(1,008,389)</b>	15,678,325
<b>30 September</b>	<b>68,158,942</b>	80,049,481

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

	<b>1 January - 30 September 2019</b>	<b>1 January - 30 September 2018</b>
<b>Profit before tax</b>	<b>43,199,880</b>	172,862,872
Tax calculated at enacted tax rate	<b>9,503,973</b>	38,029,832
Investment allowances		(26,100,005)
Research and development allowances	<b>(9,528,908)</b>	(6,330,441)
Disallowable expenses	<b>21,520</b>	406,979
Other	<b>(400,866)</b>	926,475
<b>Total tax expense/(income)</b>	<b>(404,281)</b>	6,932,840

**NOTE 20 - 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 Kr1.

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

**NOTE 20 - EARNINGS PER SHARE (Continued)**

	<b>1 January - 30 September 2019</b>	<b>1 July - 30 September 2019</b>	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>
Net profit for the period	<b>43,604,161</b>	<b>22,245,164</b>	165,930,032	29,176,025
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 (Kr1 nominal value per share as TRY)	<b>0.0082</b>	<b>0.0042</b>	0.0311	0.0055

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

**NOTE 21 - 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 2019 and 31 December 2018 and significant intercompany transactions are as follows:

**i) Balances with related parties as of 30 September 2019 and 31 December 2018:**

	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>a) Bank deposits and borrowings</b>		
<b>Deposits with related parties:</b>		
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi")	-	26,800,000
	-	26,800,000

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

**NOTE 21 - RELATED PARTY DISCLOSURES (Continued)**

**b) Due from related parties**

	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>Due from group companies</b>		
CNHI International S.A (“CNHI International”) (*)	<b>150,218,353</b>	139,441,701
CNHI Italy S.p.A (“CNHI Italy”)	<b>1,270,812</b>	71,993
CNH Industrial Brasil Ltda (“CNHI Brasil”)	<b>1,015,089</b>	1,759,612
Iveco Argentina S.A	<b>117,477</b>	3,108,842
Other	<b>806,515</b>	5,804,555
	<b>153,428,246</b>	150,186,703

(\*) 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.

**c) Due to related parties**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Koç Holding	<b>1,436,060</b>	4,132,096
<b>Due to shareholders</b>	<b>1,436,060</b>	4,132,096
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. (“Opet Fuchs”)	<b>13,623,740</b>	8,868,393
Zer Merkezi Hizmetler ve Ticaret A.Ş. (“Zer”)	<b>10,168,160</b>	16,090,601
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (“Koç Sistem”)	<b>1,870,484</b>	6,535,691
Otokoç Otomotiv San. ve Tic. A.Ş. (“Otokoç”)	<b>1,415,899</b>	652,722
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Paz. A.Ş. (“Akpa”)	<b>1,022,729</b>	278,980
Setur Servis Turistik A.Ş. (“Setur”)	<b>797,186</b>	603,119
Ram Sigorta Aracılık Hizmetleri A.Ş.	<b>451,338</b>	572,203
Koçtaş Yapı Marketleri A.Ş. (“Koçtaş”)	<b>139,563</b>	450,066
Other	<b>550,053</b>	901,572
<b>Due to group companies</b>	<b>30,039,152</b>	34,953,347
Less: Unincurred financial expenses	<b>(482,102)</b>	(707,425)
	<b>30,993,110</b>	38,378,018

**d) Lease liabilities to related parties**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Otokoç	<b>10,067,935</b>	-
Zer	<b>9,258,892</b>	-
Other	<b>866,145</b>	-
	<b>20,192,972</b>	-

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

**NOTE 21 - RELATED PARTY DISCLOSURES (Continued)**

**ii) Significant sales and purchases transactions with related parties for the periods between 1 January – 30 September 2019 and 2018:**

**a) Product sales to related parties**

	<b>1 January - 30 September 2019</b>	<b>1 July - 30 September 2019</b>	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>
<b>Product sales to group companies:</b>				
CNHI International (*)	<b>1,692,866,988</b>	<b>638,841,846</b>	1,336,075,133	620,642,816
CNHI Italy	<b>10,371,916</b>	<b>2,157,627</b>	10,465,387	3,540,112
CNHI Brasil	<b>4,097,069</b>	<b>934,229</b>	6,895,402	2,380,239
Iveco Argentina S.A.	<b>953,007</b>	-	15,532,623	1,974,521
Yapı Kredi Finansal Kiralama A.O.	<b>400,000</b>	-	7,807,295	1,035,884
Other	<b>4,973,140</b>	<b>332,220</b>	5,284,009	3,631,625
	<b>1,713,662,119</b>	<b>643,842,003</b>	1,382,059,849	633,205,197

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

**b) Service sales to related parties**

	<b>1 January - 30 September 2019</b>	<b>1 July - 30 September 2019</b>	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>
<b>Service sales to group companies</b>				
CNHI International (1)	<b>8,125,542</b>	<b>5,850,592</b>	1,802,651	401,158
Otokar Otomotiv ve Savunma San. A.Ş. ("Otokar")	<b>1,835,726</b>	-	-	-
CNHI Italy (2)	<b>1,630,303</b>	<b>607,493</b>	2,316,082	21,826
CNH Industrial (India) PRI	<b>796,113</b>	-	777,340	777,340
	<b>12,387,684</b>	<b>6,458,085</b>	4,896,073	1,200,324

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

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

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

**NOTE 21 - RELATED PARTY DISCLOSURES (Continued)**

**c) Product purchases from related parties**

	<b>1 January - 30 September 2019</b>	<b>1 July - 30 September 2019</b>	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>
<b>Product purchases from group companies</b>				
CNHI International (1)	251,393,587	97,174,079	624,927,249	181,065,314
Opet Fuchs (2)	37,325,510	11,909,958	44,140,366	13,548,861
Koç Sistem	4,898,863	1,444,163	3,049,677	418,655
Zer	3,412,662	888,260	6,117,575	2,401,470
Akpa	2,519,156	838,929	3,619,684	1,046,789
Opet (2)	2,198,722	682,512	2,305,155	746,206
Cnh Industrial Italia S.p.A (1)	878,552	677,762	4,515,309	456,224
CNHI India	691,929	582,486	1,319,668	52,221
Other	589,650	115,593	1,505,293	169,396
	<b>303,908,631</b>	<b>114,313,742</b>	<b>691,499,976</b>	<b>199,905,136</b>

(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.

**d) Service purchases from related parties**

	<b>1 January - 30 September 2019</b>	<b>1 July - 30 September 2019</b>	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>
<b>Service purchases from shareholders</b>				
Koç Holding (1)	3,874,500	1,549,500	2,882,500	997,500
	<b>3,874,500</b>	<b>1,549,500</b>	<b>2,882,500</b>	<b>997,500</b>
<b>Service purchase from group companies</b>				
Zer (2)	55,096,618	19,124,545	71,089,629	20,587,324
CNHI International (3)	12,633,014	40,921	20,364,035	8,600,273
Eltek (4)	9,342,899	3,173,406	-	-
Setur (5)	5,510,174	903,091	6,559,988	447,313
Otokoç (6)	5,020,999	1,657,345	4,092,706	1,656,918
Ram Sigorta (7)	4,006,519	359,057	3,339,306	10,162
Koç Sistem (8)	3,388,168	(697,695)	6,642,436	2,863,218
Other	1,463,821	80,370	3,066,203	852,003
	<b>96,462,212</b>	<b>24,641,040</b>	<b>115,154,303</b>	<b>35,017,211</b>
	<b>100,336,712</b>	<b>26,190,540</b>	<b>118,036,803</b>	<b>36,014,711</b>

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

**NOTE 21 - RELATED PARTY DISCLOSURES (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 CNHI International are related with engineering services, strategy development, consulting and brokerage.
- (4) Services purchased from Eltek related to electricity.
- (5) Services purchased from Setur are generally arising from plane tickets, accommodation and associated with various organizations within the sales and marketing activities.
- (6) Service purchased from Otokoç is related with motor vehicles leasing services.
- (7) As of 30 September 2018, 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.
- (8) Services received from Koç Sistem mainly includes support services related to repair and maintenance of computers and licenses.

**iii) Financial income and expenses arising from transactions with related parties for the periods between 1 January - 30 September 2019 and 2018:**

**Financial income and expense from group companies**

	<b>1 January - 30 September 2019</b>	<b>1 July - 30 September 2019</b>	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>
<b>Interest income</b>				
Yapı Kredi	<b>8,484,850</b>	<b>2,927,945</b>	1,212,456	1,212,456
<b>Total</b>	<b>8,484,850</b>	<b>2,927,945</b>	<b>1,212,456</b>	<b>1,212,456</b>

**iv) Dividends paid to shareholders:**

	<b>1 January - 30 September 2019</b>	<b>1 January - 30 September 2018</b>
Koç Holding	-	112,500,000
CNHI Österreich	-	112,500,000
	-	225,000,000

**v) Other transactions with related parties for the periods between 1 January - 30 September 2019 and 31 December 2018:**

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

As of 30 September 2019, the Company paid TRY9,286,113 benefits to the key management personnel (30 September 2018: TRY). The payment made due to leaving the Company is TRY320,350 (30 September 2019: 1,067,181) and the remaining amount consists of short term benefits.

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

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**NOTE 22 - 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 September 2019 is EUR31,500,000 (31 December 2018 EUR39,333,333). The amount of foreign exchange losses recognized after tax in equity is TRY45,665,859 (31 December 2018: TRY53,579,549).



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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

**NOTE 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS  
(Continued)**

The amounts of foreign currency assets, liabilities and TRY equivalents of the Company as of 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019					
	TRY equivalent	USD	EUR	GBP	CHF	YEN
1, Trade receivables	160,202,142	140,317	25,779,170	-	-	-
2, Monetary financial assets (including banks accounts) (Note 3)	100,611,423	77,480	16,189,238	7,273	1,735	91,528
3, Other	-	-	-	-	-	-
<b>4, Current assets(1+2+3)</b>	<b>260,813,565</b>	<b>217,796</b>	<b>41,968,408</b>	<b>7,273</b>	<b>1,735</b>	<b>91,528</b>
5, Trade receivables	-	-	-	-	-	-
6, Other	-	-	-	-	-	-
<b>7, Non-current assets(5+6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>8, Total assets (4+7)</b>	<b>260,813,565</b>	<b>217,796</b>	<b>41,968,408</b>	<b>7,273</b>	<b>1,735</b>	<b>91,528</b>
9, Trade payables	108,379,643	1,495,958	15,612,918	45,015	-	90,132,941
10, Financial liabilities	178,352,749	-	28,842,867	-	-	-
11, Other monetary liabilities	12,577,209	-	-	-	-	-
<b>12, Current liabilities (9+10+11)</b>	<b>299,309,601</b>	<b>1,495,958</b>	<b>44,455,785</b>	<b>45,015</b>	<b>-</b>	<b>90,132,941</b>
13, Financial liabilities	192,195,840	-	31,081,545	-	-	-
<b>14, Non-current liabilities (13)</b>	<b>192,195,840</b>	<b>-</b>	<b>31,081,545</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>15, Total liabilities (12+14)</b>	<b>491,505,441</b>	<b>1,495,958</b>	<b>75,537,329</b>	<b>45,015</b>	<b>-</b>	<b>90,132,941</b>
Cash flow hedge accounting amounts	194,783,400	-	31,500,000	-	-	-
<b>17, Fair value of hedged funds of foreign currency (16+18)</b>	<b>(35,908,476)</b>	<b>(1,278,162)</b>	<b>(2,068,922)</b>	<b>(37,742)</b>	<b>1,735</b>	<b>(90,041,413)</b>
<b>18, Net monetary foreign currency asset/ (liability) position (8-15)</b>	<b>(230,691,876)</b>	<b>(1,278,162)</b>	<b>(33,568,922)</b>	<b>(37,742)</b>	<b>1,735</b>	<b>(90,041,413)</b>

**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  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

**NOTE 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS  
(Continued)**

	31 December 2018					
	TRY equivalent	USD	EUR	GBP	CHF	YEN
1.Trade receivables	156,523,027	718,161	25,339,226	-	-	-
2.Monetary financial assets (including banks accounts) (Note 3)	53,857,203	97,701	8,840,397	5,279	1,925	165,649
3.Other	-	-	-	-	-	-
<b>4. Current assets (1+2+3)</b>	<b>210,380,230</b>	<b>815,862</b>	<b>34,179,623</b>	<b>5,279</b>	<b>1,925</b>	<b>165,649</b>
5.Trade receivables	-	-	-	-	-	-
6.Other	-	-	-	-	-	-
<b>7.Non-current assets (5+6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>8.Total assets (4+7)</b>	<b>210,380,230</b>	<b>815,862</b>	<b>34,179,623</b>	<b>5,279</b>	<b>1,925</b>	<b>165,649</b>
9.Trade payables	110,841,294	1,131,311	15,124,885	106,801	-	273,545,061
10.Financial liabilities (Note 4)	67,712,459	-	11,232,989	-	-	-
11.Other monetary liabilities	34,762,271	-	5,766,800	-	-	-
<b>12.Current liabilities (9+10+11)</b>	<b>213,316,024</b>	<b>1,131,311</b>	<b>32,124,674</b>	<b>106,801</b>	<b>-</b>	<b>273,545,061</b>
13.Financial liabilities (Note 4)	351,512,444	-	58,313,279	-	-	-
<b>14.Non-current liabilities (13)</b>	<b>351,512,444</b>	<b>-</b>	<b>58,313,279</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>15.Total liabilities (12+14)</b>	<b>564,828,468</b>	<b>1,131,311</b>	<b>90,437,953</b>	<b>106,801</b>	<b>-</b>	<b>273,545,061</b>
16. Cash flow hedge accounting amounts	237,101,333	-	39,333,333	-	-	-
<b>17. Fair value of hedged funds of foreign currency (16+18)</b>	<b>(117,346,905)</b>	<b>(315,449)</b>	<b>(16,924,997)</b>	<b>(101,522)</b>	<b>1,925</b>	<b>(273,379,412)</b>
<b>18.Net monetary foreign currency asset/ (liability) position (8-15)</b>	<b>(354,448,238)</b>	<b>(315,449)</b>	<b>(56,258,330)</b>	<b>(101,522)</b>	<b>1,925</b>	<b>(273,379,412)</b>

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

**NOTE 22 - 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 2019 and 2018 are as follows:

	<b>1 January - 30 September 2019</b>	<b>1 July - 30 September 2019</b>	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>
Total export amount	<b>1,669,149,115</b>	<b>598,244,154</b>	1,320,083,887	577,717,751
Total import amount	<b>698,530,600</b>	<b>236,676,087</b>	1,328,118,497	435,343,757

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 2019 and 31 December 2018 under the assumption of the appreciation and depreciation of TRY 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:

	<b>30 September 2019</b>			
	<b>Profit/ Loss</b>		<b>Shareholders' equity</b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>
<b>Had TRY appreciate/ (depreciate) by 10% against USD</b>				
Profit/(loss) from USD net asset position	(723,325)	723,325	-	-
Hedged amount against USD risk (-)	-	-	-	-
<b>Net effect of USD</b>	<b>(723,325)</b>	<b>723,325</b>	<b>-</b>	<b>-</b>
<b>Had TRY appreciate/ (depreciate) by 10% against EUR</b>				
Profit/ (loss) from EUR net liability position	(20,757,678)	20,757,678	7,160,454	(7,160,454)
Hedged amount against EUR risk (-)	10,298,271	(10,298,271)	15,193,105	(15,193,105)
<b>Net Effect of EUR</b>	<b>(10,459,408)</b>	<b>10,459,408</b>	<b>22,353,559</b>	<b>(22,353,559)</b>
<b>Had TRY appreciate/ (depreciate) by 10% against other</b>				
Profit/(loss) from other net liability position	(545,712)	545,712	-	-
Hedged amount against other (-)	-	-	-	-
<b>Net effect of other</b>	<b>(545,712)</b>	<b>545,712</b>	<b>-</b>	<b>-</b>
<b>Total net effect</b>	<b>(11,728,445)</b>	<b>11,728,445</b>	<b>22,353,559</b>	<b>(22,353,559)</b>

**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  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

**NOTE 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

31 December 2018				
	Profit/ Loss		Shareholders' equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Had TRY appreciate/ (depreciate) by 10% against USD</b>				
Profit/ (loss) from USD net asset position		(165,955)	165,955	-
Hedged amount against USD risk (-)		-	-	-
<b>Net effect of USD</b>		(165,955)	165,955	-
<b>Had TRY appreciate/(depreciate) by 10% against EUR</b>				
Profit/(loss) from EUR net liability position	(33,912,522)	33,912,522	6,326,587	(6,326,587)
Hedged amount against EUR risk (-)	15,599,124	(15,599,124)	18,493,904	(18,493,904)
<b>Net effect of EUR</b>	(18,313,398)	18,313,398	24,820,491	(24,820,491)
<b>Had TRY appreciate/(depreciate) by 10% against other</b>				
Profit/(loss) from other net liability position	(1,502,986)	1,502,986	-	-
Hedged amount against other (-)	-	-	-	-
<b>Net effect of other</b>	(1,502,986)	1,502,986	-	-
<b>Total net effect</b>	(19,982,339)	19,982,339	24,820,491	(24,820,491)

*Price risk*

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

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

**NOTE 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

*Interest rate risk*

The table of the financial instruments that have interest rate sensitivity are as follows:

**Financial instruments with fixed interest rate**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Time deposits (Note 3)	<b>604,038,180</b>	398,286,551
Financial liabilities (Note 4)	<b>1,286,285,455</b>	1,577,179,304
Lease liabilities (Note 4)	<b>30,607,818</b>	-

**Financial instruments with floating interest rate**

	<b>30 September 2019</b>	<b>31 December 2018</b>
Financial liabilities (Note 4)	<b>198,672,000</b>	195,560,000

For financial instruments with variable interest rates, if the interest on 30 September 2019 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 TRY1,439,498 (30 September 2018: TRY1,345,846).

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).

**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  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

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

**NOTE 22 - 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 2019 and 31 December 2018 are as follows:

	30 September 2019					
	Trade receivables		Other receivables		Banks deposits	Derivative instruments
	Related party	Third party	Related party	Third party		
Net book value of financial assets which are undue and not impaired	153,428,246	305,199,344	-	390,367	616,754,895	-
Net book value of restructured financial assets, otherwise that will be considered as due dated or impaired						
Net book value of impaired assets	-	28,792,919	-	-	-	-
- Due dated (gross book value)	-		-	-	-	-
- Provision (-)	-	50,961,232	-	-	-	-
- Undue (gross book value)	-	(50,961,232)	-	-	-	-
- Provision (-)	-		-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
<b>Amount exposed to maximum credit risk (*)</b>	<b>153,428,246</b>	<b>333,992,263</b>	<b>-</b>	<b>390,367</b>	<b>616,754,895</b>	

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

As of 30 September 2019, the guarantee amount of the maximum exposure to credit risk is TRY955,176,889. Besides, all assets which are due but not impaired and are impaired are guaranteed.

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

NOTE 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2018					
	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	150,186,703	296,552,252	-	382,572	412,668,530	-
Net book value of restructured financial assets, otherwise that will be considered as due dated or impaired	-	1,985,081	-	-	-	-
Net book value of impaired assets						
- Due dated (gross book value)	-	51,547,274	-	-	-	-
- Provision (-)	-	(51,547,274)	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Provision (-)	-	-	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	150,186,703	298,537,333	-	382,572	412,668,530	-

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

As of 31 December 2018, the guarantee amount of the maximum exposure to credit risk is TRY650,122,562. Besides, all assets which are due but not impaired are guaranteed.

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  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

NOTE 22 - 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 2019	31 December 2018
Total Financial Liabilities	1,515,565,274	1,772,739,304
Less: Cash and cash equivalents (Note 3)	(616,754,895)	(412,668,530)
<b>Net financial debt</b>	<b>898,810,379</b>	<b>1,360,070,774</b>
Total shareholders' equity	699,037,079	651,857,722
Total liabilities	1,597,847,458	2,011,928,496
<b>Net financial debt/ shareholders' equity</b>	<b>%56.25</b>	<b>67.60%</b>

***Fair value of financial assets***

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

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

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



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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated.)

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**NOTE 22 - 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 23 - SUBSEQUENT EVENT AFTER BALANCE SHEET DATE**

None.

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