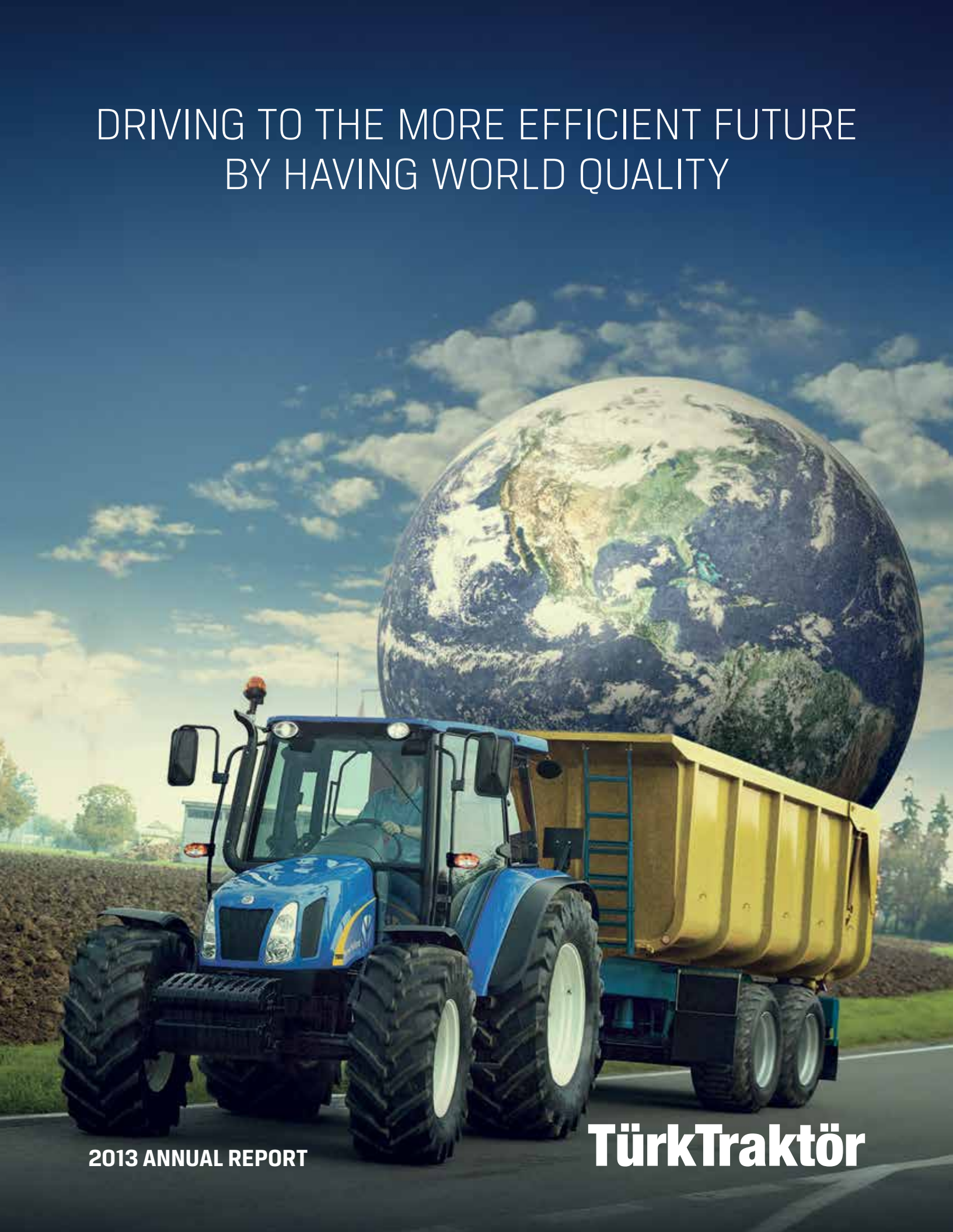
DRIVING TO THE MORE EFFICIENT FUTURE BY HAVING WORLD QUALITY



2013 ANNUAL REPORT

TürkTraktör

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Our history began in Turkey in 1954 and today, **we export to more than 130 countries** around the world. We manufacture and assemble most of the tractor parts at our own facilities, applying much effort and hard work as **we introduce the achievements of Turkish engineers to the world.**

In fact, each unit we produce represents a contribution that every TürkTraktör employee has made; they have a lot to tell...

Our leadership is a source of pride we gladly share with you.

We are giving direction to both our sector and agriculture.
Thanks to the importance placed on R&D, the innovations we have introduced as well as our achievements have helped us maintain our leadership while serving as role models to the overall industry.

R&D STRENGTH

With force derived from sustainable financial performance and a robust corporate infrastructure, TürkTraktör maintains its competitive edge and product competence by steadily ongoing R&D investments.

TürkTraktör, following nearly 60 years of experience and expertise, has significantly distinguished itself from its rivals thanks to our R&D competence. In 2011, the Company was recognized by CNHI, as an R&D Center and assumed new duties within CNHI's global production network.

The Ministry of Science, Industry and Technology, as per Law No. 5746 dealing with the Support of Research and Development Activities, certified TürkTraktör as an R&D Center in 2009. Deriving strength from sustainable financial performance and robust corporate infrastructure, TürkTraktör has maintained a strong competitive edge coupled with product competence through ongoing R&D investments. These investments totaled TL 49 million in 2013. We contribute to the development of the Turkish economy and agriculture by contining to utilize our innovative approach.

Comprehensive product development has helped TürkTraktör steadily increase the number of patents we hold. The Company has determined all the processes related with property rights and implemented all intellectual and industrial property rights through the Intellectual Property Rights Committee established within the R&D Center.

105
TOTAL NUMBER OF PATENT APPLICATIONS IN 2013

PATENT APPLICATIONS	2010	2011	2012	2013
Total Application Number	62	66	84	105
Number of Applications Added Throughout the Years	18	4	18	21

We have rapidly climbed the ladder of success.

We continue to build on our achievements. One out of every two tractors sold in Turkey in the last six years was made by TürkTraktör.

ABOUT TÜRKTRAKTÖR

TürkTraktör's Ankara Plant is located on a 257,325 square meter site; its manufactoring processes are geared toward speed and quality, thanks to an infrastructure built on the latest technological developments.

Considered one of Turkey's most important industrial companies, TürkTraktör has produced tractors in Ankara since 1954. Our vision is to lead the country's development of modern agriculture and steadily increase our production capacity along with improved quality standards. We have become the largest tractor manufacturer in Turkey. An embodiment of Koç Holding's professional management as well as of CNHI's expertise in agricultural machinery manufacturing, TürkTraktör's Plant operates on a total area of 257,325 square meters. Our plant boasts gear and heat treatment facilities, over 400 CNC benches, engine manufacturing facilities, a paint shop, transmission and assembly lines as well as modern quality control laboratories, engine and transmission testing equipment and computer-aided design and manufacturing infrastructure. Most of TürkTraktör product parts are internally manufactured while others are procured from domestic or foreign suppliers able to meet international quality standards. Fully aware of the responsibility to manufacture our products in compliance with international standards, TürkTraktör also holds certification processes in high regard. Following "zero error" performance, TürkTraktör obtained the ISO 9001:2000 certification on February 25, 2005. The Company also earned the ISO 14001 Environmental Management System certification for its "Industrial Waste Water Treatment Plant" on October 17, 2005. Within the framework of the Safety Culture, which has a become a lifestyle at TürkTraktör, the Company is continuously improving working conditions and production processes, thanks to several practices implemented by active employee involvement. TürkTraktör aligned its occupational health and safety practices with BS OHSAS 18001 standards. After passing audits successfully, the Company obtained the BS OHSAS 18001 Occupational Health and Safety certification; TürkTraktör is the first company in Turkey to receive the TS ISO/IEC 27001 certification. Drawing admiration with its innovative practices tailored to customers and high quality services, TürkTraktör also earned the ISO 10002 Customer Complaints Management System certification, due to its successful handling of customer complaints by the New Holland Call Center. In 2012, TürkTraktör became the first company to receive both the ISO 50001 Energy Management System certification, which sets the standards for determining companies' energy needs, monitoring and measuring their energy consumption and the ISO 14064 Greenhouse Gas Accounting and Verification, which aims to limit greenhouse gas emissions into the atmosphere.

As of year-end 2013, TürkTraktör manufactured a total of 38.530 tractors and posted an operating profit of TL 349.219.859. Our domestic market share stands at approximately 50% and we are recognized as a global player exporting to more than 130 countries. Thanks to our well-established corporate culture, TürkTraktör has a deeply entrenched customer base and through a network of 224 tractor and spare parts sales dealers and 468 after-sales service centers across Turkey, we continue to build customer relationships based on mutual trust.

TürkTraktör has a total of 2.572 employees, with qualifications and experience surpassing the sector average. The Company manufactures New Holland, Case IH and Steyr branded tractors. We possess an advanced R&D center that complies with the design and production requirements of CNHI's global production infrastructure. This facility is the sole design center for New Holland TDD and Case IH JX series tractors and several specialty ranges, the only manufacturing center for Utility Light series tractors and the global engineering and manufacturing center for the 66 series transmission.

60
YEARS OF MANUFACTURING EXPERIENCE

In line with our consistent business growth, TürkTraktör broke ground on the Adapazarı Assembly Plant in 2013 and aims to sustain our strong competitive advantage with this investment. The Adapazarı Assembly Plant, planned to commence operations in 2014, is expected to expand the Company's local and export sales capacity through the logistical advantages it presents. Our Adapazarı Plant will be focusing on assembly and paint shop processes, while the Ankara Plant will continue to operate as the engine/transmission manufacturing center. With the commissioning of the Adapazarı Assembly Plant, we expect that the Company's annual manufacturing capacity will increase from 35,000 to 50,000 tractors. We also foresee that the new plant will contribute to the economic development of Adapazarı area through local employment opportunities and the development of a supplier industry in the region.

We have always looked to the future with hope.
We meet the needs of farmers both in Turkey and around the world; thanks to our solid strategies, we look to the future with confidence.

STRATEGIC INVESTMENTS

The Adapazarı Assembly Plant, planned to go online in 2014, will increase TürkTraktör's manufacturing capacity.

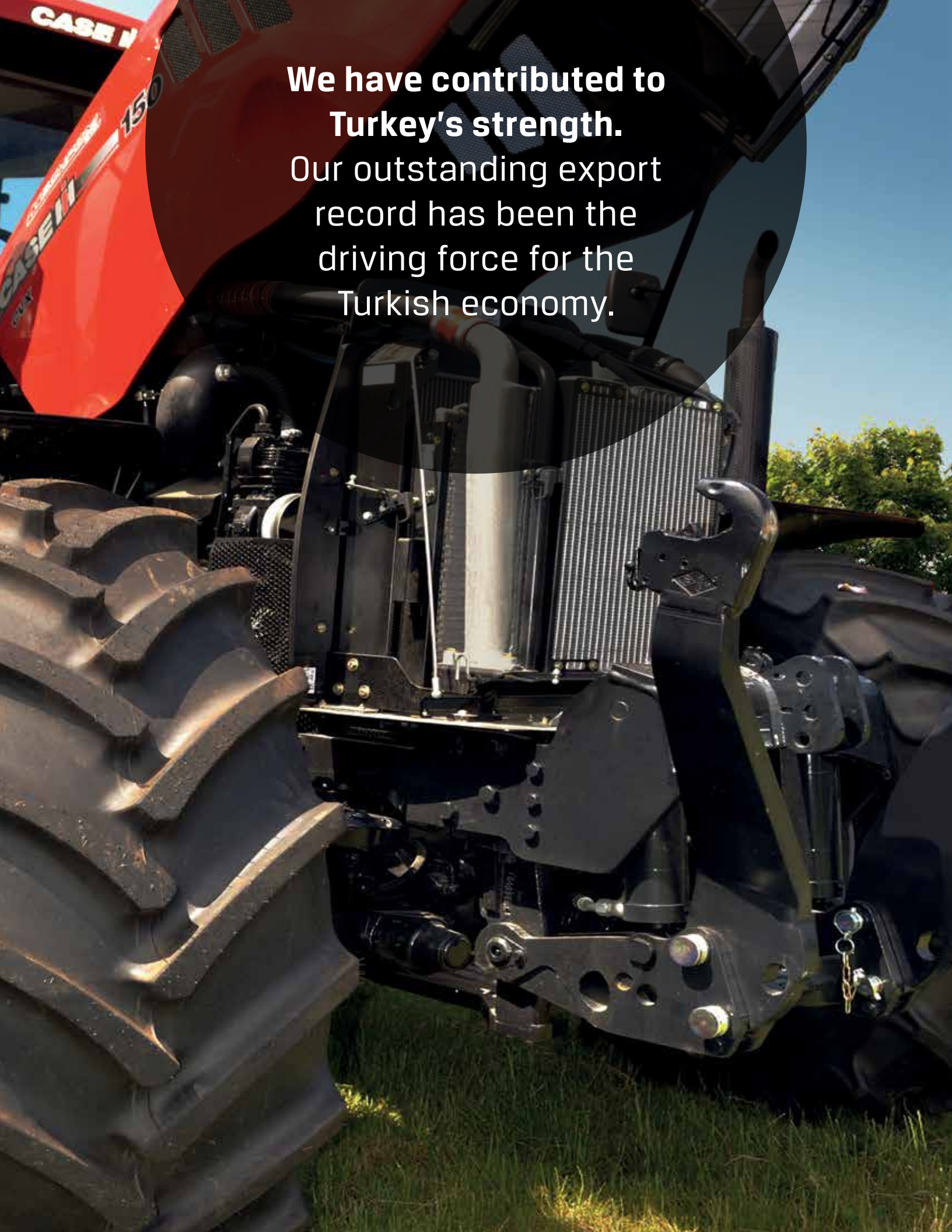
TürkTraktör, as one of Turkey's most established industrial companies, always considers the following strategic priorities while planning its investments and the future:

- Competing at the highest levels with global manufacturers operating in the same product segments
- Closely following developments in world markets and the latest innovations in the sector
- Ensuring the Company's reputation by offering the best price deals at local and global markets through R&D investments and market recognition
- Maintaining profitability and protecting shareholder interests by increasing unit sales and market share
- Steady performance results through a balanced EBITDA as well as high ROE and ROA that is equal to the world's leading industrial companies
- Protecting market value against developments in the foreign exchange market by taking the right positions

In addition to these strategic priorities, TürkTraktör conducts activities that aim toward creating added value for the development of the Turkish economy and agriculture. We have taken an important step during 2013 with the groundbreaking of an assembly plant in Adapazarı where we plan to invest over US$ 80 million; the plant is scheduled to open in 2014. We anticipate that the Adapazarı plant will increase the Company's manufacturing capacity targeting local and global markets. With our 60 years of manufacturing experience from the Ankara Plant and our R&D competence, the Adapazarı Assembly Plant is expected to contribute to the Turkish economy, coupled with export operations to be undertaken by CNHI's global sales and marketing network.

2014

THE ADAPAZARI ASSEMBLY PLANT WILL COMMENCE OPERATIONS.



We have contributed to Turkey's strength.
Our outstanding export record has been the driving force for the Turkish economy.

OUR EXPORT STRENGTH

As of year-end 2013, TürkTraktör's export destinations exceeded 130 with export revenue of TL 690 million.

Thanks to our strong product portfolio and CNHI's effective global sales network, TürkTraktör has become one of the leading exporting companies in Turkey. We have exported a total of 14.402 tractors despite the contraction in global markets. Additionally, 3,698 unit transmissions have been produced and abroad sales has realized as 3,813 units.

As of year-end 2013, TürkTraktör's export destinations exceeded 130 with export revenue of TL 690 million.

TRACTOR EXPORT FIGURES

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
678	8,991	6,723	5,124	4,597	5,404	9,645	8,808	8,938	9,601	14,565	14.402

TRANSMISSION EXPORT FIGURES

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
4,625	1,594	3,622	5,433	6,459	8,436	7,979	4,767	5,280	5,346	5,211	3.813

OUR PERFORMANCE AND SUSTAINABLE PROFITABILITY

With an elevated return on equity, high return on assets and strong financial performance, TürkTraktör has distinguished itself from its peers and increased operating profit by 15% over figures from the previous year to reach TL 324.628.094.

SUMMARY RESULTS

FINANCIAL INFORMATION (TL MILLIONS)	2009	2010	2011	2012	2013
Sales Revenue	668	1,193	1,801	1,974	2,175
- Domestic	344	878	1,398	1,363	1,485
- Export	323	315	403	611	690
Operating Profit	54	240	311	294	325
Operating Profit Margin (%)	8	20	17	15	15
EBITDA	61	248	322	313	349
EBITDA Margin (%)	9	21	18	16	16
Profit Before Tax	37	223	342	318	320
Net Income	31	180	277	268	280
Net Income Margin (%)	5	15	15	14	13
Financial Debt	-242	80	10	23	-139
Capex	11	35	74	75	187
Net Working Capital	440	271	373	405	470
Return on Equity (%)	10	38	47	40	38
Return on Assets (%)	4	20	22	20	19
Year-End Mcap	483	1,254	1,804	3,109	3,282

325
(TL MILLION)
TÜRKTRAKTÖR'S
OPERATING PROFIT
IN 2013

OPERATING PROFIT

325 TL MILLION 2013

294 TL MILLION 2012

311 TL MILLION 2011

EBITDA

349 TL MILLION 2013

313 TL MILLION 2012

322 TL MILLION 2011

NET INCOME

280 TL MILLION 2013

268 TL MILLION 2012

277 TL MILLION 2011

NET WORKING CAPITAL

470 TL MILLION 2013

405 TL MILLION 2012

373 TL MILLION 2011

We have exerted our influence on the overall sector with our high quality production.
At TürkTraktör, we always aim for the best; with each award we receive, we reaffirm our high quality.

OUR AWARDS

As one of the first established industrial companies in Turkey, TürkTraktör ranked 32nd on the Istanbul Chamber of Industry's (ISO) list of Turkey's Top 500 Industrial Enterprises with sales from production (net) figure reaching TL 1.78 billion as of year-end 2012.

Most Valuable Brands List
Brand Finance, a global brand valuation firm, published Turkey's Most Valuable Brands list for the seventh year after conducting a brands survey.

Our brand was valued at US$ 84 million, ranking us 45th on the list in 2012. Results for 2013 showed that we had moved up to 41st place with a brand valued at US$ 105 million.

The 12th Annual Respect for Humans Award from Kariyer.net
Kariyer.net, a human resources platform, organizes a Respect for Humans Awards ceremony annually to recognize and share with the public the companies with the most scrupulous HR practices. TürkTraktör was chosen as the winner of the 2012 Respect for Humans Award.

ISO 500 List
The Istanbul Chamber of Industry (ISO) revealed the results of the 2012 Turkey's Top 500 Industrial Enterprises survey. In 2011, TürkTraktör ranked 35th on the ISO 500 list; in 2012, the Company had moved up to 32nd place after increasing (net) sales from production figures to TL 1,781,623,268.

TürkTraktör Ranks Among the Top Ten Employers Paying the Highest SGK Premiums in Ankara
In 2013, TürkTraktör was listed among the top ten private companies that owed no debt to the Social Security Institution (SGK). We paid the highest amount of social security premiums in Ankara.

Solid Steps Toward Achieving Full Compliance with Corporate Governance Principles
TürkTraktör, one of the first five companies listed on the Corporate Governance Index, raised the corporate governance rating from 89.2 to 91.04 during 2013.

TürkTraktör has increased its Corporate Governance rating every year, demonstrating the extent to which we serve the interests of our shareholders. In today's market conditions, investors take into account not only a company's financial results while making their investment decisions, but also the quality of their corporate governance practices such as management quality and non-financial data. We are fully aware that good corporate governance is very important for our Company as well as the economic development of the country in general. As such, we are constantly improving the quality of our corporate governance practices.

Supported by a deep-rooted history, we are moving toward the future.

Today we derive our power from our deep-rooted history and take solid steps into the future.

OUR VISION

To be the driving force for modern agriculture-today and tomorrow.

OUR MISSION

With our experience over half a century and reliance to the Koç Group, as the leader of the domestic market, empowered by the prestige and the global leadership of CNHI with it is well- known brands, New Holland, Case IH and Steyr, by developing our own technology and flexible manufacturing possibilities, by introducing modern and technically advanced agricultural equipment to help our customers to become more productive, by delivering the best experience to our customers in sales and after sales services; we create value for our customers, country, employees, dealers, business partners and our shareholders as a driving force for modern agriculture.

MILESTONES

TürkTraktör signed an Import and distribution agreement with CNHI International SA to import New Holland and Case IH branded construction machines, to undertake sales and marketing activities and to provide after sales services in the domestic market.

2013 TÜRKTRAKTÖR BROKE GROUND ON ADAPAZARI ASSEMBLY PLANT.

1954 Minneapolis Moline TürkTraktör ve Ziraat Makineleri A.Ş. (MMTT) was established in Ankara as the first domestic manufacturer in the Turkish automotive industry with a capital of TL 20.

1955 Turkey's first tractor was manufactured at TürkTraktör's plant on March 8, 1955.

1962 The first FIAT tractor was assembled in the second half of the year.

1963 Under a commercial agreement signed by Egemak, the distributor of Fiat in Turkey, Egemak started selling tractors that were manufactured and assembled at TürkTraktör facilities.

1967 Internazionale Holding Fiat S.A. and Egemak became partners in the Company.

1968 The name of the Company was changed to Türk Traktör ve Ziraat Makineleri A.Ş.

1977 Egemak transferred its general distributorship to Trakmak, established as a wholly owned subsidiary of Koç Group.

1978 The 100,000th tractor was manufactured.

1979 Celebrating its 25th anniversary, TürkTraktör began exporting tractors for the first time.

1983 Garanti Bank became a partner in 1982, transferred its shares to Koç Holding A.Ş. The shareholding of Koç Holding reached 18%.

1992 The Public Participation Administration transferred all of its ownership shares to Koç Group on September 12, 1992; the Company thereby became entirely privately owned.

1993 The name of Fiat Geotech S.p.A. (previously, Internazionale Holding Fiat S.A.) was first changed to Fiat S.p.A at the beginning of the year; it was later changed to New Holland N.V. toward the end of the year. Thus, New Holland N.V. became the Company's foreign partner.

1998 The registered shares of Koç Holding and New Holland N.V. became equal pursuant to the joint venture agreement and joint management principles were adopted. The Türk Fiat brand was renamed New Holland.

1999 TürkTraktör was selected as the R&D and manufacturing center for the 56-66 series tractors under the 50 HP - 95 HP categories within New Holland's global network.

2002 New Holland bought the shares of Case Company; thereby Case New Holland (CNH) became the partner of TürkTraktör.

Serial production of TD and JX series tractors, designed and developed by TürkTraktör, started for the domestic and foreign markets. Further, these products were exported to many countries across five continents through CNH's sales network.

2004 TürkTraktör was granted the Circle of Excellence Award by Case New Holland for the successful design of the TD/JX model.

C Group bearer shares held by Koç Holding A.Ş. were offered to the public through the Istanbul Stock Exchange (Borsa Istanbul) at a share price of TL 8; the Company's shares began trading on the Stock Exchange.

2007 TürkTraktör paid its shareholders a total of TL 107,000,000 in dividends and became one of the companies listed on Istanbul Stock Exchange (Borsa Istanbul) to pay out the highest amount of dividends.

The 500,000th tractor was manufactured.

2008 TürkTraktör and New Holland Trakmak merged under the roof of TürkTraktör.

2009 On July 2, 2009, TürkTraktör R&D Center was officially registered by the Ministry of Science, Industry and Technology under the Law No. 5746 on Supporting Research and Development Activities and according to the regulations governing the implementation and supervision of this law.

2010 The 200,000th engine was manufactured.

TürkTraktör and CNH Group signed a Supply Agreement to manufacture a new generation of tractors (Utility series) pertaining to the export of these tractors to overseas markets.

2011 The Netherlands-based CNH Global NV, one of the partners of the Company, transferred its shares amounting to TL 20,013,375 to its wholly owned subsidiary, CNH Osterreich GmbH, based in Austria.

A record was broken with 40,753 units of tractor sales in 2011, the same year when the 600,000th tractor was manufactured.

The Tier 3 project, initiated in 2009 and completed by 2011, was finalized and TürkTraktör became the first company to manufacture the Tier 3 agricultural engines in Turkey. More eco-friendly engines in world class standards can be used through the manufacturing of new model agricultural engines.

2012 Exports hit record high with 14,565 tractor units.

The Company celebrated the 10th anniversary of its first export of TDD/JX series tractors.

110HP tractors were domestically produced for the first time in the Turkish tractor market.

2013 Marked an important milestone in TürkTraktör's history as we began exporting the NH UTL light 75HP model tractor to Japan, one of the world's leading industrial nations.

TürkTraktör broke ground for the Adapazarı Assembly Plant.

The Utility Light series tractor, introduced to overseas markets in 2011, was launched in the domestic market.

TürkTraktör began exporting the TDD/JX 110 HP model, designed for vast agricultural areas and equipped with a high-powered engine, to the Russian Federation, Ukraine, South Africa and Argentina.

Manufacturing and delivery of Utility Medium model tractors began.

TürkTraktör broke sales records after selling 651 combine harvesters in 2013 and achieving a 51% increase over 2012 sales.

TürkTraktör signed an Import and Distribution agreement with CNHI International SA to import New Holland and Case IH branded construction machines, to undertake sales and marketing activities and to provide after-sales services in the domestic market.

We became a member of the family.

We became a family member in Anatolia and many other countries around the world regardless of the season, summer or winter, rainy or muddy conditions; we felt the pride of overcoming challenges together.

OUR POWERFUL PARTNERS

Thanks to Koç Holding's well-established business culture and CNHI's global experience in the area of agricultural equipment manufacturing, TürkTraktör is making solid progress toward sustaining financial and operational success.

Koç Holding A.Ş.
With a 37.5% stake in TürkTraktör, Koç Holding is the largest conglomerate in Turkey in terms of total turnover, export revenue, contribution to employment and returns from Borsa Istanbul. For the past 87 years, the Holding has focused on creating value for stakeholders as it provides significant added value to the Turkish economy and successfully performs in the international arena.

CNH Industrial NV
CNHI is one of the world's largest agricultural equipment and tractor manufacturers and has a 37.5% stake in TürkTraktör. Operating with approximately 68,000 employees, the Company has a global organization made up of 11 brands, 64 manufacturing facilities and 49 R&D centers with sales and marketing operations in 190 countries and more than 6,000 dealers around the world.

As a result of the merger registered on March 31, 2008 with permission from the Capital Markets Board on February 25, 2008, numbered B.02.1.SPK.0.13-276/3197, TürkTraktör's issued capital was changed to TL 53,369,000; the registered capital ceiling remained at TL 250,000,000. Pursuant to the provisions of Capital Markets Law No. 2499, shares representing the increased capital were registered with the CMB document dated March 31, 2008, reference number 17/214.

The breakdown and amount of all registered shares per Groups A, B and C are shown in the table.

SHAREHOLDER	SHARE GROUP	NUMBER OF SHARES	CAPITAL (TL)	(%)
Koç Holding A.Ş.	A Group Registered	2,001,337,500	20,013,375	37.50
CNHI Group	B Group Registered	2,001,337,500	20,013,375	37.50
A. W. Huff Beneficiaries	C Group Registered	36,190.00	361.900.001	0,001
İnan Kıraç	C Group Registered	1,751,475.00	17,514.75	0,033
A.Aslıgül Kıraç	C Group Registered	875,738.00	8,757.38	0,016
A.Numan Kıraç	C Group Registered	875,738.00	8,757.38	0,016
Public Float	C Group Registered	1,330,685,859.00	13,306,858.59	24,93
TOTAL		**5,336,900,000**	**53,369,000**	

53
(MILLION TL)
TÜRKTRAKTÖR'S
ISSUED CAPITAL

OUR PRODUCTS

NEW HOLLAND AGRICULTURE

Tractors

Local Products

T 480
T480 › 48 HP

TT
TT 50 › 50 HP
TT 55 › 55 HP
TT 65 › 65 HP
TT 75 › 72 HP

56S
55-56S › 55 HP
65-56S › 65 HP
75-56S › 75 HP

TDS
TD 65S › 65 HP
TD 75S › 72 HP
TD 80S › 80 HP

TDD
TD 65D › 65 HP
TD 75D › 75 HP
TD 80D › 83 HP
TD 90D › 88 HP
TD 100D › 98 HP
TD 110D › 110 HP

TTJ
TT50J › 50 HP
TT55J › 55 HP
TT65J › 65 HP
TT75J › 72 HP

TTB
TT 50B › 50 HP
TT 55B › 55 HP
TT 65B › 65 HP

TDB
TD 65B › 65 HP
TD 75B › 72 HP
TD 80B › 80 HP

New products

Imported Products

TCF
TC25F › 22 HP
TC30F › 25 HP
TC70F › 66 HP

T4000 Deluxe/F/N/V
T4030 De. F-N-V* › 78 HP
T4040F › 88 HP
T4050F › 97 HP

** Deluxe Fruit-Narrow-Vineyard*

T5000
T5050 › 96 HP
T5060 › 106 HP
T5070 › 113 HP

T6000
T6020 › 112 HP
T6050 › 127 HP
T6060 › 132 HP
T6070 › 141 HP
T6080 › 155 HP
T6090 › 165 HP

T7000
T7040 › 182 HP
T7060 › 213 HP
T7070 › 225 HP

T8
T8.300 › 257 HP
T8.360 › 311 HP
T8.390 › 340 HP

CASE IH AGRICULTURE

Tractors

Local Products

JXC
55 › 55 HP
65 › 65 HP
75 › 75 HP

JX
70 › 65 HP
75 › 75 HP
80 › 80 HP
90 › 88 HP
100 › 98 HP
110 › 110 HP

Imported Products

Quantum
75N › 78 HP
85N › 88 HP
95N › 98 HP

JXU
95 › 96 HP
105 › 106 HP
115 › 113 HP

Maxxum
110 › 112 HP
130 › 132 HP
140 › 141 HP

Puma
125 › 126 HP
140 › 141 HP
155 › 155 HP
165 › 167 HP
180 › 182 HP
210 › 213 HP
225 CVX › 225 HP

Magnum
260 › 257 HP
315 › 311 HP
340 › 340 HP

STEYR

Tractors

Steyr**
Compact 4055 S › 55 HP
Compact 4065 S › 65 HP

*** Only for export markets*

Agricultural Equipments

Combine Harvesters
TC5070 › 207 HP
CX5080 › 238 HP
CX 5090 › 272 HP
CX 6080 › 272 HP
CX 6090 › 299 HP
CX 8070 › 326 HP
CR 9080 › 489 HP

Self-Propelled Forage Harvesters
FR 450 › 424 HP
FR 500 › 500 HP
FR 600 › 600 HP
FR 700 › 685 HP
R 850 › 824 HP

Square Balers
BC5040 HB › 46X36X135cm
BC5060 ET › 46X36X132cm
BIG BALER 870 › 80X70X260
BIG BALER 890 › 80X90X260
BIG BALER 1270 › 120X70X260
BIG BALER 1290 › 120X90X260

Corn Headers
5 rows rigid chassis
6 rows rigid chassis
6 rows folding chassis

Fantini Corn Headers
L03 rigid › 2-12 or 6-16
LH3 folding › 5-10 or 8-12

Round Balers
BR6090 RF › 125X120cm
BR6090 RC › 125X120cm
BR6090 Combi › 125X120cm
BR 7060 › 120x90-150 cm
BR 7070 › 120x90-180 cm

Sprayers
SA400 › 400 lt*
SA600 › 600 lt*
SA1000 › 1000 lt.*
SA1600 › 1600 lt.*
SA2000 › 2000lt.*
SA2002*
SP600 › 600lt.**
SP800 › 800lt.**
SP1000 › 1000lt.**
SP2000 › 2000 lt.**
Berthoud Mounted Type › 400 lt

** Orchard type sprayer*
***Field type sprayer*

Fantini Sunflower Headers
G02 › 2-12 or 6-16
GH2 › 5-9 or 8-1

Mower Conditioners
H 7220 › 280 cm
H 7230 › 320 cm
H 7450 › 400 cm

Pedrottı Grain Driers
Super 120 › 10-12 ton
Super 180 › 16-18 ton
Large 240 › 20-24 ton
XLM 350 › 30-35 ton

Agricultural Equipments

Pneumatic Precision Planters
DV40R *
DV60R *
DV60T Telescopic Chassis *
CV40R **
CV50R **
CV60R **
CV60T Telescopic Chassis **
DD40R ***
DD60R ***
DD80R ***
DD100R ***
DD120R ***

** Disc type*
*** Coulter type*
**** No-till seed drill*

Cotton Pickers
Cotton Express 420
(4-5 rows) › 275 HP
Module Express 635 › 400 HP

Combine Harvesters
Axial Flow 5130 › 265 HP
Axial Flow 6130 › 320 HP
Axial Flow 7130 › 350 HP

Self-Propelled Sprayers
Patriot 3330 › 250 HP

TürkTraktör

Agricultural Equipments

Pneumatic Precision Planters
DM40S › 4 rows*
DM60S › 6 rows*
BM40S › 4 rows**
BM50S › 5 rows**
BM60S › 6 rows**

** Disc type*
*** Coulter type*

Power Harrows
DR 250M(4V) › 250 cm
DR 300M(4V) › 300 cm
DR 400M(4V) › 400 cm

Rotary Tillers
TF 160 › 160 cm
TF 180 › 185 cm
TF 210(4V) › 210 cm
TF 240(4V) › 235 cm
TF 160K › 160 cm
TF 180K › 185 cm
TF 210K › 210 cm
TF 180M(4V) › 185 cm
TF 205M(4V) › 210 cm
TF 230M(4V) › 235 cm
TF 265M(4V) › 280 cm
TF 300M(4V) › 290 cm

OUR PRODUCTS

NEW HOLLAND CONSTRUCTION

Construction Equipments

Skid Steer Loader
L213 590 kg
L215 680 kg
L218 818 kg
L225 1,135 kg

Backhoe Loader
B110B Small front wheels
B115B 4 big wheels

Compact Wheel Loader
W50 4,800 kg
W60 5,085 kg
W70 5,580 kg
W80 5,930 kg

Wheel Loader
W110C 11 ton
W130C 12,5 ton
W170C 14,5 ton
W190C 17,6 ton
W230C 19,95 ton
W270C 24,38 ton
W300C 27,7 ton

Mini Excavator
E16B 1,62 ton
E18B 1,78 ton
E26BSR 2,7 ton
E29B 2,87 ton
E35B 3,50 ton
E39B 3,90 ton
E45B 4,44 ton
E50B 4,95 ton

Crawler Excavator
E135B 15,20 ton
E215C 21,4 ton
E245C 23,3 ton
E305C 29,6 ton
E385C 35,63 ton
E485C 49,08 ton

Telehandler
LM1333 13 m
LM1445 14 m
LM1745 17 m

CASE CONSTRUCTION

Construction Equipments

Skid Steer Loader
SR130 590 kg
SR150 680 kg
SR220 1,000 kg
SV250 1,135 kg

Backhoe Loader
580ST Small front wheels
695ST 4 big wheels

Compact Wheel Loader
21E 4,624 kg
121E 4,920 kg
221E 5,418 kg
321E 5,771 kg

Wheel Loader
521F 10,46 ton
621F 12,17 ton
721F 14,53 ton
821F 17,6 ton
921F 19,95 ton
1021F 24,38 ton
1121F 27 ton

Mini Excavator
CX15B 1,48 ton
CX17B 1,62 ton
CX18B 1,78 ton
CX26B 2,7 ton
CX30B 2,87 ton
CX35B 3,5 ton
CX39B 3,9 ton
CX45B 4,44 ton
CX50B 4,87 ton

Crawler Excavator
CX130B 14,3 ton
CX210B 20,9 ton
CX250C 24,8 ton
CX300C 29,9 ton
CX370C 37,05 ton
CX470C 48,2 ton
CX700C 69,3 ton

Telehandler
TX130 13 m
TX140 14 m
TX170 17 m

CONSTRUCTION EQUIPMENT

The construction industry has played a significant role in the national economy and this new line of business is expected to provide value-added contributions to TürkTraktör.

THE TURKISH CONSTRUCTION EQUIPMENT INDUSTRY GENERATES US$ 6.2 BILLION IN ANNUAL REVENUE.

Continuous development remains an important goal in all of our operations, as such when TürkTraktör entered the construction equipment market in 2013 with Case and New Holland branded machines, we achieved a new level of corporate improvement. The construction industry has played a significant role in the national economy and this new line of business is expected to provide value-added contributions to TürkTraktör and increase the Company's business volume.

New Product Launches by TürkTraktör

NEW HOLLAND CONSTRUCTION

Skid Steer Loaders

Backhoe Loaders

Compact Wheel Loaders

Wheel Loaders

Mini Excavators

Crawler Excavators

Telehandlers

CASE CONSTRUCTION

Skid Steer Loaders

Backhoe Loaders

Compact Wheel Loaders

Wheel Loaders

Mini Excavators

Crawler Excavators

Telehandlers

Construction Equipment Market in Turkey
The Turkish construction sector has spearheaded the recent growth momentum in the economy and has also led the fast growth in various supplier industries. The construction sector accounts for 6% of Turkey's GDP and employs an estimated 1.5 million people together with sub-sectors. The construction equipment business that is one of these sectors, has achieved significant growth in terms of both production and sales.

Turkey is the third fastest-growing construction equipment market in the world after China and India; in terms of market size, it ranks 11th in the world and 4th in Europe. Currently, domestic manufacturers meet 40% of the market demand; distributors meet 60%. Turkey ranks 9th in the list of countries manufacturing construction equipment.

The Turkish construction equipment industry consists of 600 companies, of which 100 are manufacturers of machines and spare parts.

Excavators, backhoe loaders and wheel loaders are 3 main products that make up 80% of the construction equipment market.

The Turkish construction equipment industry generates US$ 6.2 billion in annual revenue; in the last 10 years, approximately US$ 1.6 billion has been invested on the sector. Boasting a production infrastructure at international standards, the industry also exports to 127 countries, including 25 EU member countries. The sector employs 7,500 people in manufacturing (construction equipment, spare parts, auxiliary and complementary products) – 14,000 in total. Considering its steady growth, the industry is expected to provide more employment opportunities in the near future.

The factors that will accelerate the growth in the sector can be outlined as follows:

- The residential sector is growing rapidly in parallel to urban transformation projects, boosting the need for urban infrastructure.
- Turkish construction companies-contractors are steadily expanding their business volume overseas, particularly with neighboring countries.

The position of New Holland and Case brands in Turkish construction equipment market will further improve with the collaboration of CNH Industrial having global power and product knowhow in the sector with TürkTraktör having reputation, extensive distribution network and high service skills.

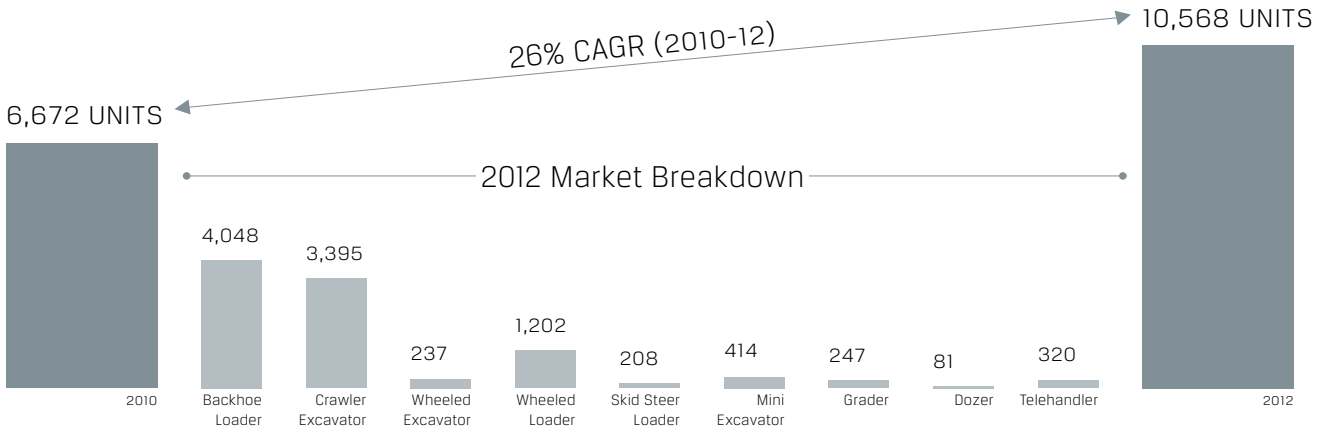
CONSTRUCTION EQUIPMENT MARKET IN TURKEY (2007-2013)

	LIGHT MACHINES	(%)	HEAVY MACHINES	(%)
2013	5,428	(49%)	5,649	(51%)
2012	5,406	(51%)	5,162	(49%)
2011	4,198	(45%)	5,052	(55%)
2010	2,962	(44%)	3,710	(56%)
2009	1,256	(39%)	1,938	(61%)
2008	2,181	(40%)	3,233	(60%)
2007	4,759	(47%)	5,341	(53%)

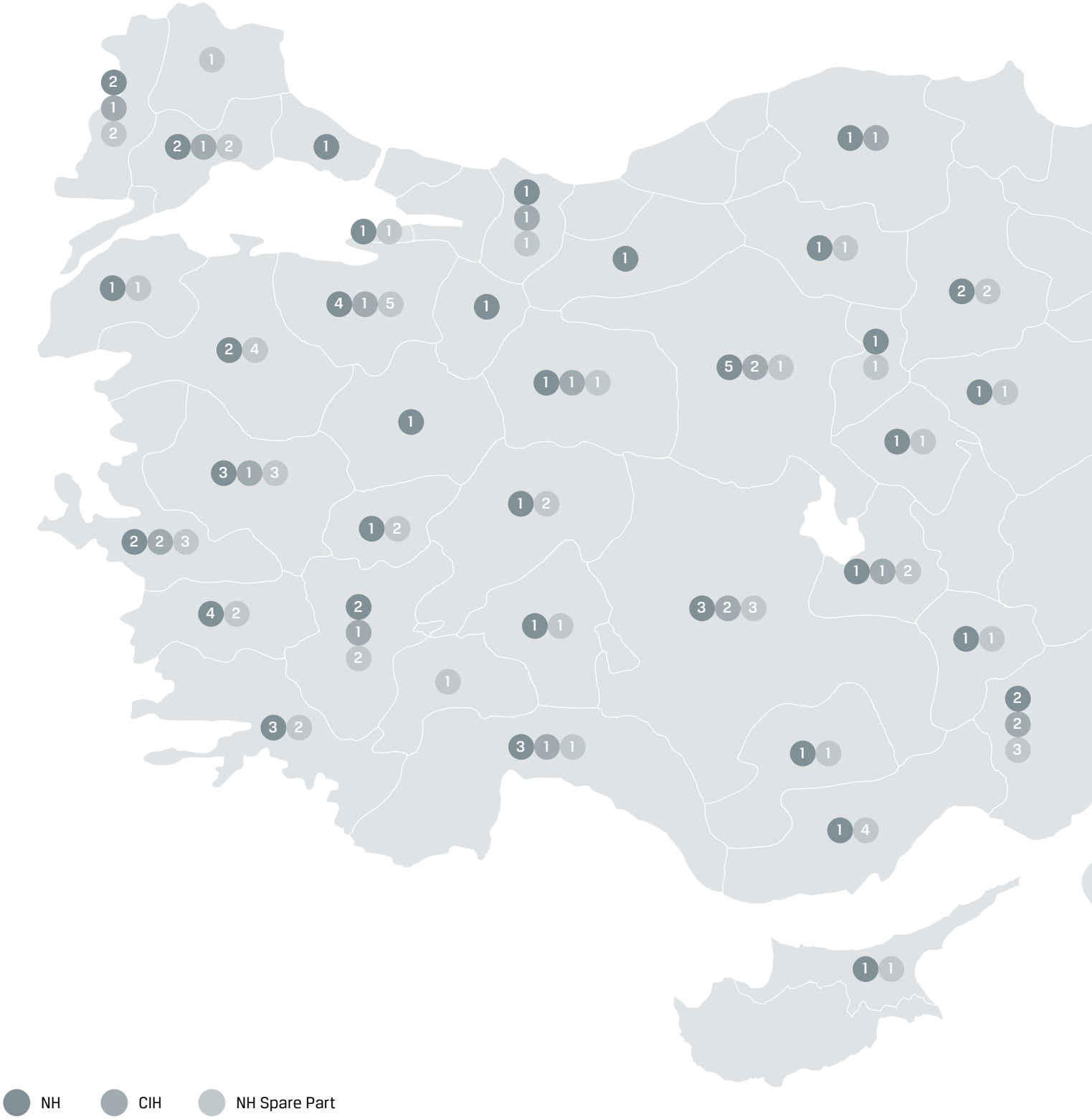
PRODUCT BREAKDOWN IN THE TURKISH CONSTRUCTION EQUIPMENT MARKET (%)

	BACKHOE LOADERS	MINI EXCAVATORS	EXCAVATORS	MINI LOADERS	WHEEL LOADERS	TELEHANDLERS
2013	36	6	35	3	12	3
2012	38	6	32	3	11	3
2011	34	3	32	4	15	3
2010	36	3	32	4	17	2

MARKET FOR CONSTRUCTION EQUIPMENT – SALES, (TURKEY), 2009 AND 2012



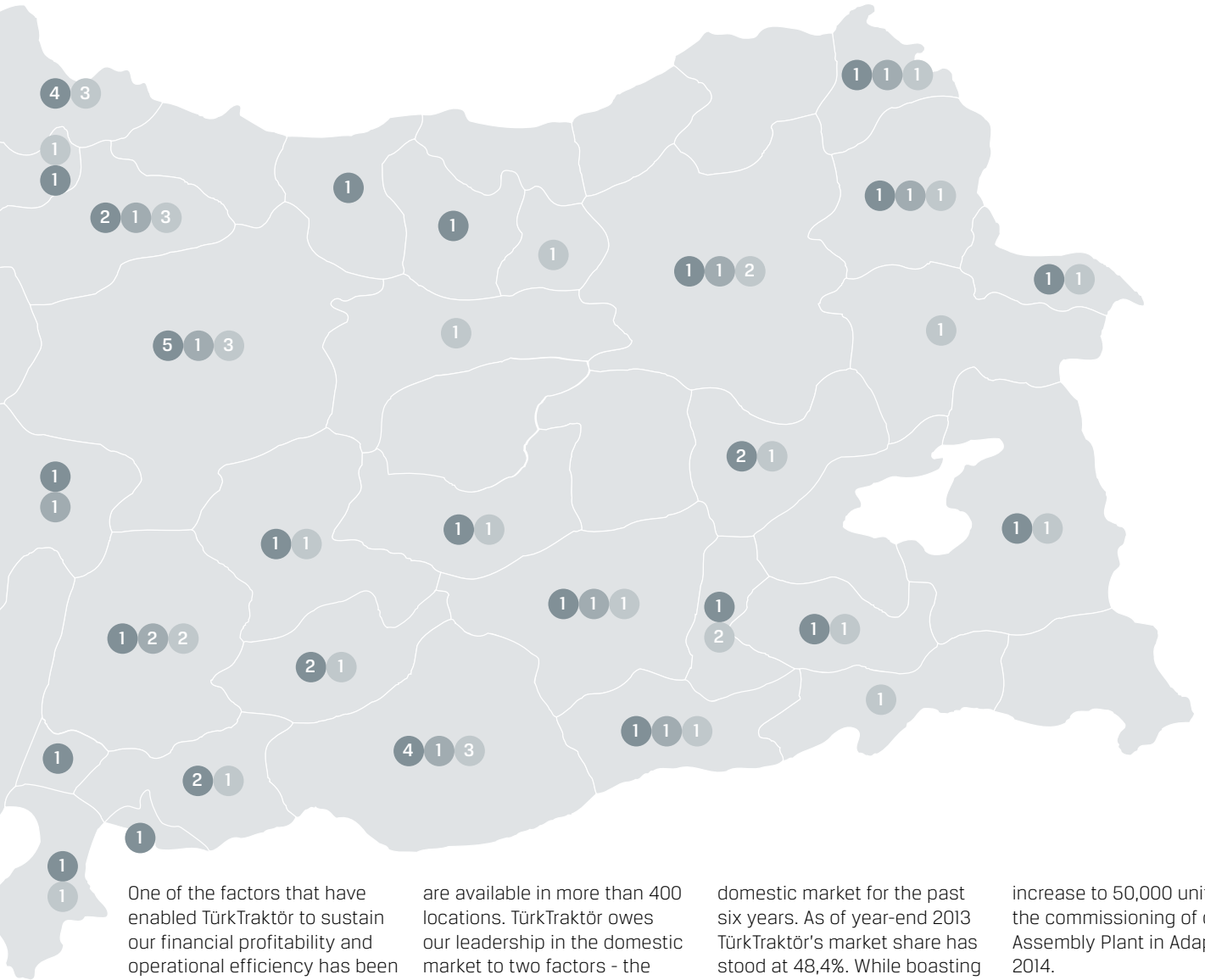
OUR WIDESPREAD PENETRATION AND POSITION IN THE MARKET



48.4%
TÜRKTRAKTÖR'S MARKET SHARE AS OF YEAR-END

AFTER-SALES SERVICES IN MORE THAN
400
LOCATIONS

A MANUFACTURER WITH A HISTORY SPANNING NEARLY
60
YEARS



One of the factors that have enabled TürkTraktör to sustain our financial profitability and operational efficiency has been our effective dealer and service network across Turkey. As a manufacturer with a history spanning nearly 60 years, we have dealers in more than 200 locations, including towns that are significant in terms of agricultural production. After-sales services for our products are available in more than 400 locations. TürkTraktör owes our leadership in the domestic market to two factors - the high quality standards we have achieved and our reputation for excellent sales and after-sales services.

Thanks to a strong product portfolio for agricultural machinery and equipment, we have been the leader of the domestic market for the past six years. As of year-end 2013 TürkTraktör's market share has stood at 48,4%. While boasting of an annual manufacturing capacity of 35,000 tractors, the Company has distinguishes itself from the competition with widespread brand recognition and superior quality standards. It is expected that the Company's tractor manufacturing capacity will increase to 50,000 units after the commissioning of our new Assembly Plant in Adapazarı in 2014.

Utilizing international sales and marketing operations through the global sales network of our major partner CNHI, TürkTraktör continued to be one of Turkey's top exporters; exporting 14.402 out of a total of 38.530 tractors we manufactured in 2013.

SALES AND MARKETING

TürkTraktör demonstrated superior quality standards to customers through new product launches at various agricultural fairs during 2013.

TürkTraktör distinguishes itself from its rivals with effective and fast sales organization and also with its strong distribution and service network. With 224 New Holland, Case IH tractor and spare parts dealers across the country, the Company's after-sales network consists of 468 service centers. Thanks to effective sales and marketing activities aligned with superior quality standards, TürkTraktör has been the market leader for the New Holland brand for the past seven years and ranks among top five for the Case IH brand.

Carrying out international sales operations through CNHI's global sales and marketing network, TürkTraktör is capable of exporting products to various regions around the world. The Company utilizes multiple sales and marketing channels thanks to highly qualified sales and marketing personnel, who have successfully represented TürkTraktör at major agricultural fairs held in Izmir, Bursa, Konya and Adana in 2013. The Company is focused on maintaining its market leadership position and aims to continue to strengthen brand awareness by participating in trade fairs and industry events in the upcoming period.

TürkTraktör is committed to developing products that make life easier for farmers in Turkey and around the world, by offering after-sales services that directly aim at providing customer satisfaction. TürkTraktör has earned the ISO 10002 Customer Complaints Management System certification, thanks to the successful Handling of Customer Complaints at the New Holland Call Center.

The Case IH brand in the Company's product portfolio has maintained successful growth since its launch in the Turkish market. This upward trend continued into 2013 with the sale of 2,634 tractors.

TÜRKTRAKTÖR BROKE SALES RECORDS AFTER SELLING 651 COMBINE HARVESTERS.

CASE IH
JX110

2013 HIGHLIGHTS

TürkTraktör joined with industry representatives and customers at prominent national fairs throughout 2013.

New Holland TDD Bluemaster is launched

The New Holland TDD series, originally launched in 2012, was reintroduced to Turkish farmers with newly added features and under the new brand name – TDD Bluemaster, at the 2013 Konya National Agricultural Fair. The New Holland TDD series includes a large variety of products, ranging from 65 to 110 HP engines that combine power and performance with fuel economy, using eco-friendly Tier 3 engines. Thanks to the compression feature that is standard in all TDD series products, daily maintenance and cleaning of the tractors become much faster and easier. The Powershuttle forward-reverse lever, offered as an option, allows the operator to switch between forward and reverse movements without having to use the clutch.

A new product in the equipment product range: New Holland Corn Headers

Continuing to expand our equipment product range and comply with customer needs, TürkTraktör launched New Holland Corn Headers in 2013. These superior corn headers, manufactured in compliance with New Holland's high quality standards, are offered in either rigid frame of 5,6 rows or foldable frame with six rows.

Localization of Soil Tillage Equipment Completed

Distinguishing itself from its rivals with high local content rates, within the context of local procurement activities, TürkTraktör completed the localization process of tillage equipment in 2013 after completing the process of New Holland branded sprayers, small balers and TürkTraktör branded planters produced by the local manufacturers for New Holland product range. As done for the planters, TürkTraktör branded tillage equipment integrated into New Holland product range and introduced to farmers at the Konya Agricultural Fair.

CE Certificates for products were successfully renewed

The CE certificates for the U.S origin New Holland branded mowers, small square balers and Case IH branded cotton pickers in TürkTraktör's product portfolio, were successfully renewed in 2013. In this regard, the compliance of these machines with the most current safety directives and standards set forth by the Turkish Standards Institution regulations were checked and certified. Similarly, the CE certification process was also initiated and technical documents are currently being prepared for the small square balers, soil tillage equipment, planters and sprayers procured from the local manufacturers. In addition to the CE certification process initiated for locally procured equipment in TürkTraktör's product portfolio, the compliance of these machines with EU directives and standards on machinery safety, which are also recognized by the Turkish Standards Institution, has been certified. With this initiative, TürkTraktör has taken yet another groundbreaking step towards ensuring user safety.

Additionally, test reports for New Holland branded large square balers, TürkTraktör branded rotary tillers, planters, and some models of New Holland sprayers were also completed by the relevant departments of universities and agricultural credit facility certificates were obtained.

Case IH JX MaxPro introduced to farmers

The JX series, highly admired in local markets, was reintroduced to Turkish farmers with newly added features and under a new brand name - JX MaxPro, during the 2013 Konya National Agricultural Fair. Their powerful engines and new features, have assured their indispensable quality geared toward medium and large-scale companies. In addition to our large variety of products ranging from 65 to 110 HP, this series is expected to stand out in its segment with standard features such as viscous fan and fan aspiration in all models, compressor feature in 4-cylinder models and the hydraulic top link in the JX90, JX100 and JX110 models. The MaxPro series leaves a strong impression with a lifting capacity of up to 4,700 kg thanks to its powerful and reliable hydraulic system. It features a Powershuttle forward-reverse lever that is standard in 4-cylinder models; it maneuvers easily without having to engage the clutch.

With these superior features, the JX MaxPro series meets customer expectations at the highest level possible. The compressor feature, standard in 4-cylinder-cab and canopy models, makes daily cleaning and maintenance quick and easy for users.

As of June 2013, training programs began at TürkTraktör Academy; established to offer professional and personal development opportunities to employees of TürkTraktör's dealers and service centers.

New Holland TL665 Model Front-End Loaders introduced in Izmir
The new TL665 model front loaders, available optionally with a 4-cylinder engine within the New Holland TDD series, were introduced to at the 2013 Izmir Agricultural Fair. We expect this product to attract attention from livestock enterprises and factories as well as construction companies and agricultural enterprises to be used in their loading/unloading operations.

New Holland Big Balers now equipped with new features
New Holland Big Balers have new features including a new chassis design, increased piston speed and advanced density control system admired by farmers. The Big Baler models in this series, specifically Big Baler 870 and Big Baler 890 models with four twines and Big Baler 1270 and Big Baler 1290 models with six twines help increase productivity significantly, due to their high capacities.

New Holland FR Series Self-Propelled Forage Harvesters were introduced at the Bursa Agricultural Fair
New Holland FR Series Self-Propelled Forage Harvesters have an important place in TürkTraktör's product portfolio. They were introduced to farmers at BURTARIM 2013, with their new hood design and improved technology. With the Variflow™ system, the New Holland FR Series offers more harvest productivity when compared to similar products. Equipped with a high capacity feeding system, the products in this series can harvest areas as large as 40 football fields in a single day.

Training programs started at TürkTraktör Academy

As of June 2013, training programs commenced at TürkTraktör Academy, established to offer professional and personal development opportunities to the employees of TürkTraktör's dealers and services across Turkey. Designed as a platform to further improve the Company's sales and after-sales service standards, the Academy plans to offer training programs on such topics as competitive management, human resources, customer relations, product management, financial services and personal development.

Within the scope of this project, online training programs will be provided to users via the Academy's website. Through these interactive courses users will access information about existing and new products. Sales training programs will ensure that employees are able to respond to customers' needs correctly. Through customer relationship and business process management, all communication and personal development needs of our dealers will be met.

The content and variety of the training programs available via the Internet and in classrooms will be enriched to meet the changing needs in the future. Thus, our field team will have the support they need to work more efficiently and effectively.

Theoretical and applied training sessions, which have previously been conducted on how to operate tractors and other equipment in the field and under harvest conditions, will continue at the Academy in parallel with emerging needs.

Türk Traktör Academy plans to provide training to the Company's dealers, dealers' sales staff, spare parts service stations and their staff and will also include after-sales service staff for Sales, Products, Customer Relationship Management (CRM) and Business Process Management (BPM). These training programs aim to improve sales and customer relationship skills, to help participants get acquainted with new products and to ensure that they introduce customers to these products effectively. Experienced trainers will ensure that dealership managers adopt a proper management style regarding personnel selection as well as in finance and business processes.

New Strategies Geared Toward New Holland CX 5000-6000 Series Combine Harvesters

In order to further increase its effectiveness in the medium-capacity combine harvester market, which has been gaining more and more prominence, TürkTraktör revealed its new pricing and promotion strategy geared toward CX 5000-6000 series combine harvesters, its representative product in this segment, at a meeting attended by all combine harvester dealers.

The new New Holland TC 5070 Combine Harvester

The new TC 5070 model has important new features including a new hood design, a completely renewed cabin and an increased grain tank capacity; it was imported in 2013 as a test harvester. Wheat harvest field tests were conducted with employees of TürkTraktör from related departments. All participants had the chance to use this combine harvester in the field and were able to provide relevant feedback. The Company has drawn up a sales campaign for the new New Holland TC 5070 combine harvester for the 2014 season.

BOARD OF DIRECTORS REPORT

Esteemed partners,

Welcome to the 60th Ordinary General Assembly Meeting of TürkTraktör.

We submit the Annual Report of 2013 to your review. The report covers the general information about our company, management's evaluations for the activities in 2013 and the developments in the sector. At the last section of the report, financial statements which are subject to independent audit, dated 31.12.2013 and related footnotes are included. Financial results stated in this report are prepared in accordance with the CMB Financial Reporting Communique, Turkish Accounting Principles/ Turkish Financial Reporting Standards ("TAP/TFRS), the recommended formats of the Capital Markets Board.

General Assessment of the year 2013

According to TURKSTAT traffic registration data, in 2013, total tractor sales has increased 4% compared to the previous year, and has become 52.286. When we look at the year 2013, rainfalls in winter and spring were quite abundant and this positively affected the harvests of cereals (wheat and barley), maize, rice, vegetables and fruits except from the harvests of sunflower and cotton. In 2013, commodity prices were parallel to the previous year, the opportunity of low-cost loans was available for retail sales financing. Overall, we have spent a year with good government support; direct and indirect supports have been increased 17%. In addition, support offered by Ziraat Bankasi for all tractor purchases has been increased to 50% from 25%.

Turkey is the 5th biggest tractor market in the world. Considering the number of tractors being sold in the market and the fact that 32 different brands are competing, despite this fierce competition environment, TürkTraktör has been in the leading position for 6 years continuously, with its 2 brands and with its market share, which is 50%.

The mission of TürkTraktör is to provide the most useful product to its customers, whose expectations rise continuously, demanding more productive and more comfortable tractors. We are certain that we will meet the demand of Turkish farmers with our tractors developed by our R&D team, which is putting in great effort, and with our constantly expanding product range. One of our most important tasks to accomplish in the future is to improve our distribution network and continue serving our customers at our best. As TürkTraktör family, we work every single day to reach this target and keep the customer satisfaction and the customer loyalty at a high level.

After 3 years, which passed effectively for the industry, and by looking at the current sector indicators, we have positive expectations for 2014. Except for the major changes that can occur in the global or national economies or the adverse weather conditions, we expect that 2014 will be another good year for the tractor market. Financing provided by Ziraat Bank and some private commercial banks and the agricultural subsidies and incentives provided by the government will be significant indicators for 2014.

About our financial and operational results

In 2013, we manufactured 38.530 tractors, our export sales reached to 14.402 tractors and our domestic sales were recorded as 24.624 tractors. Totally 3.698 transmissions were produced for export markets and 3.813 of them were exported.

According to financial statements approved by our company's Board of Directors, in 2013, we generated total 2.175.319.881 TL revenue, 1.485.301.660 TL of which is from our domestic sales and 690.018.221 TL of which is from export. Our gross profit is 471.866.535 TL.

2,175
(TL MILLION)
TÜRKTRAKTÖR'S
GENERATED TOTAL
REVENUE IN 2013

Our operating profit is 349.219.859 TL and operating profit margin is realized as 16%. Our pre-tax profit was 320.254.571 TL and after tax net profit for the period is recorded as 279.905.939 TL.

TürkTraktör contributed to various non-governmental and educational organizations via donation and sponsorship to transfer the social sensitivity awareness to the next generations. During the year, 4.156.770 TL of donation and subsidy were granted by our company.

Dividend Proposal

According to our financial statements for the fiscal period 1 January 2013 to 31 December 2013, the Company's net income is TL 279.905.939 These financial statements were prepared under International Financial Reporting Standards, and audited by Güney Bağımsız Denetim ve S.M.M.M. A.Ş. (a member of Ernst&Young Global Limited). Our proposal for profit distribution – prepared with due regard for profitability and cash status – is stated below.

The current period profit calculated in accordance with CMB communiqués;

Distribute first dividend to the shareholders TL 170.437.625,40
Distribute second dividend to the shareholders TL 84.264.905,51
Distribute from the previous year's profit TL 45.297.469,09
Allocate 2nd type legal reserve TL 29.733.155,00 of which TL 25.203.408,09 allocated from current year profit and the remaining TL 4.529.746,91 allocated from the previous year's profit

Thereby, the dividend will be distributed in cash;

- to the resident taxpayer shareholders and non-resident taxpayer shareholders obtaining dividend income through an office or a permanent representative in Turkey as gross (=net) 5,6212408 kr for each share nominal 1 kr (562,12408 %) and,
- to foreign-based taxpayer shareholders; as gross 5,6212408 kr (5,34017876 kr net) for each share nominal 1 kr (534,017876 %)
- to the rest of our shareholders as gross 5,6212408 kr (4,7780547 kr net) for each share nominal 1 kr (477,80547 %).

It is hereby resolved that the offer suggesting to distribute the profit on 31st of March, 2014 shall be accepted and it shall be submitted to the Ordinary General Assembly that will be held on 24th of March, 2014.

Our esteemed investors, business partners and employees,

Today, our Board of Directors completed its term of office. In this meeting new members of the Board of Directors will be selected and their term of office will be determined. We would like to thank each and every one of you for your trust and support towards us during our term of office.

We submit a brief summary of all the works we did and outcomes we gained in 2013 with our Annual Report to your information. We would like to thank, first of all, to our employees and all our shareholders and the business partners that we advanced together owing to their devoted work and solid support and we hope that this unity will bring stronger successes.

Turgay DURAK
Chairman of Board of Directors

ASSESSMENT OF THE CHAIRMAN

Aiming to diversify its product range, TürkTraktör signed an agreement with CNHI International SA to import New Holland and Case branded machines as well as spare parts and accessories.

Distinguished investors, business partners and employees,

The year 2013 laid witness to both favorable global market developments, as well as the appearance of risks that could derail the post-crisis recovery. The main tendency within the year summarizes world economy which is expected to expand by 3% in 2013, saw a partial rebound in the most developed economies, including the US and the Euro Zone, as well as slowing growth rates in emerging markets led by China. In January 2014 the IMF announced the 2014 growth expectation as 3.7%.

In parallel with the economic upturn and rising employment in the US, the Federal Reserve announced on May 22 that it will taper its quantitative easing program based on bond purchases. This in turn increase the risk perception of emerging markets dependent on foreign financing, as advanced economies once again became safe havens in the world economy. Due to the budget law debate on debt ceiling in the US Senate, which ultimately led to a temporary shutdown of the public sector, the FED postponed the tapering move. At the meeting in December, FED took the first step to terminate the cheap and generous support by decreasing bond purchases by 10 billion US dollars. This policy is anticipated to continue exerting pressure on emerging economies including Turkey. In the Euro Zone, which was deeply affected by the global financial crisis due to the public debt crises, programs designed to reestablish fiscal discipline in the troubled nations of the EU's periphery started bearing fruit in 2013, thus recovery throughout the region and in the manufacturing sector has been considered as the first signs of an exit from the lingering recession.

The fall in economic growth rates of emerging markets including Turkey, on the other hand, are seen as the result of declining exports to the developed economies and measures to curb the high inflation rates and current account deficits triggered by consecutive growth rates also play a role in the slowdown. In addition to this, more tighten monetary policy of FED will possess new problems for the developing countries. Despite losing steam in general, emerging economies are still expected to outpace those in the most developed world in the period ahead.

Since 2012, Turkey has implemented a macro-economic program designed to curtail the current account deficit. The IMF's World Economic Outlook report expects the country's economy to maintain its growth momentum and expand by 3.8% in 2013. Measures taken to cool the domestic economy in the wake of high growth, coupled with the FED's decision to start tapering bond purchases, have led to decrease in capital inflow into the country, with an adverse effect on Turkey's production and domestic consumption figures. In light of this development, which reverberated across the emerging market economies that had posted high growth in the post-crisis era, the Turkish government announced the Medium Term Program (2014-2016) which would focused on curbing the current account deficit, boosting export-oriented production and increasing domestic savings. The MTP is expected to help reduce the current account deficit from USD 58.8 billion as of year-end 2013 to USD 55.5 in 2014. Inflation rate in 2014 was realized as 6.6% showing an increase to 2013 figure of 7.4%.

As outlined in the Medium Term Program, Turkey will focus on growth with increased domestic savings in the period ahead. To attain the program targets, the public sector will implement savings measures while private companies will undertake R&D investments to bolster Turkey's international competitive edge. Thanks to a strong product portfolio, internationally recognized R&D capabilities, and export operations in over 130 countries, TürkTraktör plans to continue providing robust support to meeting Turkey's economic targets in the coming years.

Next year, TürkTraktör will celebrate its 60th anniversary. Driven by the deep-rooted business culture of its parent companies Koç Holding and CNHI, our Company went from strength to strength throughout 2013. TürkTraktör produced 38.530 tractors as of year-end 2013, bringing its domestic market share up to 48% with export destinations totaling 130. As of year's end, our Company posted operating profit of TL 349.219.859 for 2013, reinforcing its strong reputation among stakeholders. Additionally, TürkTraktör, strengthened its corporate sustainability with TL 186.563.421 in investment spending.

186
(MILLION TL)
TÜRKTRAKTÖR'S INVESTMENT AMOUNT IN 2013

In line with its innovative management approach, TürkTraktör plans to diversify its product portfolio in the period ahead. Our Company entered into an agreement with CNHI International SA for the importation of New Holland- and Case-branded construction equipments, spare parts and accessories. Our Company is keen to further improve its profit levels by carrying out sales and marketing activities for New Holland and Case products.

TürkTraktör has played a pioneering role in the development of both Turkish agriculture and the overall economy throughout its nearly 60 years of continuous corporate development. I would like to extend my gratitude to all our stakeholders who supported our groundbreaking initiatives in the 2013 reporting year. Our objective is to realize further achievements in the coming period in order to make TürkTraktör's robust brand image even more sustainable.

Turgay DURAK
Chairman

BOARD OF DIRECTORS

Turgay Durak
Chairman
Turgay Durak completed his undergraduate and graduate studies in mechanical engineering at Northwestern University in the United States. He joined Koc Group in 1976, beginning his career at Ford Otomotiv as Product Development Engineer. A decade later, he was appointed Assistant General Manager; in 2000, he became Deputy General Manager, followed by General Manager of Ford Otosan in 2002. Durak served as President of the Automotive Group at Koç Holding from 2007 to 2009 and was appointed Deputy CEO in May 2009; he has been CEO since April 2010.

Franco Fusignani
Vice Chairman
An electrical engineer, Franco Fusignani began his career in 1970 at Fiat Trucks and Buses Company, where he held several positions. Later he assumed responsibility for Bus Industrial Operations worldwide. From 1981 to 2002, Fusignani served as worldwide Vice President – After-sales for New Holland, Vice President for European Commercial Operations, Vice President for New Holland International Operations and Senior Vice President for Industrial and Commercial Operations for Fiat. In 2002, he was appointed head of the Ag Business for the Europe-Africa-Asia Region at CNH. He has been CEO of CNH International S.A. in 2007 and has been appointed the head of New Holland Industrial Equipment on September 2010.

Franco Fusignani, appointed Brand President of New Holland Agricultural Equipment in 2012, has been serving as the Chief Operating Officer of IVECO S.p.A since September 2013.

Temel Kamil Atay
Member
A graduate of mechanical engineering from Istanbul Technical University, Temel Kamil Atay holds an MBA from Wayne State University in the US. He joined the Koç Group in 1966 and later served as the General Manager of Otoyol Sanayi A.Ş. and Tofaş Türk Otomobil Fabrikası A.Ş. After working in various senior management positions at Koç Holding, he became Vice Chairman of the Koç Holding Board of Directors in 1998. He served as CEO from 2000 to 2001.

Kudret Önen
Member
Kudret Önen graduated from Gazi University with a degree in mechanical engineering and joined Koç Holding in 1975 at Ford Otosan. In 1980, he became R&D Department Manager at Koç Holding and was appointed Assistant General Manager of Otokar in 1984. He worked as General Manager of Otokar from 1994 to 2005 and he was appointed Vice-President of Koç Holding Other Automotive Companies Group in 2005.

He was appointed as President of Defense Industry and Other Automotive Group at Koç Holding in 2006. He has been the President of Defense Industry, Other Automotive and Information Group at Koç Holding in since 2010.

Marco Votta
Member – CEO
Marco Votta graduated from Luigi Bocconi Commerce University, Business Administration Department. He started his professional life at Pluritec S.p.A. (specializing in industrial machinery) and then, in 1994, he joined Andersen Consulting as a Management Consultant. He moved to New Holland Business Development Department in 1998. He then joined TürkTraktör ve Ziraat Makineleri A.Ş. and New Holland Trakmak Traktör ve Ziraat Makinaları Ticaret A.Ş. in 1999 as Assistant General Manager dealing with Business Control. He held the position of CFO between 2006 and 2010 and has served as General Manager since April of that year.

Memet İlkan Kamber
Member - CFO
Memet İlkan Kamber is an economics graduate from Middle East Technical University; he completed his post-graduate studies at Massachusetts University, in the Department of Business Administration. Kamber started his professional career as Audit Group Management Trainee at Koç Holding in 1991. Between 1995 and 1998 he worked as an Audit Specialist. In 1999, he was appointed Audit Assistant Coordinator and in 2002 was appointed Audit Group Coordinator in 2004, he became a Finance Coordinator. Since April 2010, he has served as CFO of TürkTraktör ve Ziraat Makineleri A.Ş.

Memet İlkan Kamber
Member - CFO

Andreas Christian Schröter
Independent Member

Alessio Berretta
Member

Marco Votta
Member - CEO

Temel Kamil Atay
Member

Turgay Durak
Chairman

Franco Fusignani
Vice Chairman

Kudret Önen
Member

Haşim Savaş Arıkan
Independent Member

Ali Aydın Pandır
Member

Alessio Berretta
Member
After graduation with a degree in mechanical engineering from the Politecnico di Torino (Italy), Alessio Berretta began his professional career in 1993. He joined New Holland in 1995 as Environment, Health and Security Responsible and was appointed Industrial Engineering Manager and Production Unit Manager at the CNH plant in Modena (Italy). From 2001 to 2004, Berretta was Plant & Manufacturing Engineering Director at the Basildon Plant (UK). In 2004, he was appointed as a Supervisor in Europe Industrial Equipment and Joint Venture Center Technologies; in 2006, he became Plant Manager in Modena (Italy). Since November 2009, Berretta has been a Senior Director for the Industrial Coordination Agricultural & Construction Equipment International Region.

Ali Aydın Pandır
Member
Ali Aydın Pandir graduated from Istanbul Technical University, Mechanical Engineering Department. He started his professional life at Koç Holding and has held a number of posts in Otokar, General Motors Turkey, Opel Germany, General Motors Asian Pacific Operations Singapore, General Motors China, General Motors Indonesia. From 2006 to 2012, Pandir held a CEO position at Tofaş A.Ş. He is currently serving on the Boards at Tofaş A.Ş. and Prysmian Turkey. He is the Chairman of Ereğli Demir ve Çelik Fab. T.A.Ş.

Haşim Savaş Arıkan
Independent Member
Born in 1942 in Istanbul, Haşim Savaş Arkın graduated from the faculty of Mechanical Engineer at Robert College Engineering School in 1965. He completed his post-graduate studies at Middle Eastern Technical University. He started his career at TOFAŞ in 1970 and was appointed Press Plant Chef in 1972, Assistant Manager – Production in 1979, Assistant Manager – Maintenance, Maintenance and Facility Manager in 1981, Technical Services Manager in 1983, Assistant General Manager (Business) in 1995 and Production Director in 2001. He retired from TOFAŞ in 2002. He serves as a Board member and also 2nd Chairman at Uludağ University Faculty of Engineering and Architecture Technology Association established in 1996 where he is one of the Founding members. He is still working as Management Advisor of Deren Ambalaj Sanayi ve Ticaret and Senior Advisory Committee member of Bursa Chamber of Mechanical Engineers and Advisory Committee member of Uludağ University Cooperation Improvement Center and Board member at the Bursa Disaster Association. Haşim Savaş Arıkan who is amon 71 members of National Innovation Approach established by Sabancı University and TUSIAD in 2003, is still giving Innovation training at Uludağ University Faculty of Engineering.

Andreas Christian Schröter
Independent Member
Andreas C. Schröter completed his vocational training at Deutsche Bank AG Cologne and is a graduate in Economics from Bergische University Wuppertal. After joining Westdeutsche Landesbank AG in 1983, he worked several years in staff functions and was appointed to head Human Resources Germany in 1991. In 1998, he moved to WestLB New York where he worked as Client Relationship Manager. In 2003, Schröter was appointed General Manager WestLB Istanbul Branch & Head of Origination Turkey. In 2011, he was also appointed Global Head Business Management & Development of WestLB AG/ it was renamed Portigon AG as of July 2012. Since 2009, he has served on the Board of Alman-Türk Ticaret ve Sanayi Odası. In 2011, he was appointed to the Board of Companie Belge de la WestLB S.A. now CBAL S.A.

MESSAGE FROM THE CEO

As a reflection of our steady sales growth, TürkTraktör decided to make an investment at the Adapazarı-Erenler manufacturing facility and broke ground on March 28, 2013.

Esteemed investors, business partners and employees,

Since its establishment in 1954, TürkTraktör has made significant breakthroughs and advances, helping Turkey become one of the world's leading agricultural product exporters. In 2013, TürkTraktör not only closely monitored developments in both the domestic market and globally but also implemented projects that effectively responded to the current needs of Turkish agriculture. At year's end, the New Holland, Case IH and Steyr branded products in our portfolio are exported to 130 countries the world over through CNHI's global distribution network. This fact attests to our Company's strong reputation and robust production infrastructure as we focus on developing and providing comprehensive solutions to diverse market needs.

At year's end, Turkey is the seventh largest agricultural economy in the world, thus 8% of GDP and 25% of real employment are provided from agriculture industry. Although Turkey is a net exporter of some 1,532 agricultural products, the country remains inadequate in the very competitive industrial agriculture sector. The 1.5 million tractors currently in Turkish tractor park have an average age of 25 years, positioning Turkey as one of the most important tractor markets which has renewal potential. Ongoing state agricultural support mechanisms along with the convenient credit opportunities extended by the Turkish banking system to the agriculture industry in recent years stand out as other factors adding dynamism to the domestic tractor market.

Thanks to significant achievements in its core businesses of tractor and agricultural equipment, TürkTraktör enjoys a strong brand image that is widely associated with innovation. The Company ranked 41st in "Turkey's Most Valuable Brands 2013 Survey" by the international brand rating agency Brand Finance, and 32nd in the Istanbul Chamber of Commerce's (İSO) "Turkey's Top 500 Industrial Corporations Survey." As revealed by these surveys, which are key reference points for the country's economy, TürkTraktör is a leading player not only in the agricultural equipment industry, but in the Turkish private sector as a whole, with an annual tractor production capacity of 35,000 units in Ankara Plant and a highly skilled workforce of 2,572 employees. Fully aware of the responsibilities arising from this market leading position, our Company implemented numerous projects during the year to further bolster its strong brand image, in operational areas extending from production to after-sales services.

Since its establishment, TürkTraktör has conducted its manufacturing operations in the Company's Ankara facility. As a result of its consistently expanding sales volume, TürkTraktör broke ground on its investment in Adapazarı-Erenler on March 28, 2013. This new production facility is scheduled for completion in 2014 with the strong support of our main shareholders Koç Group and CNHI. The Adapazarı-Erenler manufacturing center will help further improve our Company's competitive advantage in both the domestic and international markets.

One of Turkey's leading exporters, TürkTraktör has confirmed its strength in the highly competitive international marketplace by exporting its New Holland T4.75 Utility Light tractor model to Japan in 2013. Having exported a total of 14.402 tractors in 2013, our Company added TDD/JX model with 110 HP engine to its product portfolio in 2013, significantly expanding its market share in countries which have large-scale agricultural enterprises such as the Russian Federation, Ukraine, South Africa and Argentina.

Maintaining a close watch on various opportunities arising in the Turkish market, TürkTraktör plans to maintain its competitive edge through projects focused on added value. Pursuant to an Import and Distributorship Agreement signed with CNHI International SA, our Company has assumed the sales, marketing and after-sales services of New Holland- and Case-branded construction equipments. TürkTraktör is also an industry standout with its sustainable financial structure based on a healthy EBITDA and a high return on assets ratio. In 2013, the Company sold a total of 39.026 units domestically and internationally, and posted operating profit of 349.219.859 TL, up 15% year-on-year. Despite the slowdown in the global economy, TürkTraktör has managed to preserve its domestic and international market shares as well as its profit margins, which reinforced the strong reputation the Company enjoys among shareholders and other stakeholders.

With a wide product portfolio designed to serve diverse geographic conditions across the world, TürkTraktör's R&D activities continue uninterruptedly in line with changing customer demands and expectations. To increase the capacity and in line with the modernization activities, the Company undertook investments in its Ankara manufacturing facility for capacity increase and modernization purposes. Undertaking product development efforts within its own R&D center, our Company's research and development expenses reached to TL 49 million in 2013, representing a five-fold increase comparing to the prior year, and it was issued patents for 18 new products.

Seeing corporate social responsibility as an integral component of its core business, in 2013, TürkTraktör focused on projects on education and the disabled population. During the year, our Company donated plenty of components to 19 vocational high schools; and also organized educational site tours in Ankara manufacturing facility for vocational high school students from Ankara, Amasya and Bursa provinces where are supported the agricultural schools by opening the TürkTraktör Agricultural Machinery Training Laboratory. In keeping with the slogan "For My Country: Barrier Free Life", TürkTraktör has strived to raise public awareness on the key issue of participation of disabled citizens to social life; to this end, volunteer employees provided training on establishing healthy relations with the disabled to 2,186 persons in 2013.

I would like to extend my gratitude to our main shareholders Koç Group and CNHI, and all our other stakeholders for their support during the 2013 operational year. Our greatest wish is to enjoy more achievements and happiness in the coming period, when we shall celebrate our 60th anniversary.

Marco Votta
CEO

TOP MANAGEMENT

Marco Votta
CEO

Memet İlkan Kamber
CFO

Sedat Tezerişener
Assistant General Manager - Purchasing

İrfan Özdemir
Assistant General Manager - Sales

Marco Votta
CEO
Marco Votta graduated from Luigi Bocconi Commerce University, Business Administration Department. He started his professional life at Pluritec S.p.A. (specializing in industrial machinery) and then, in 1994, he joined Andersen Consulting as a Management Consultant. He moved to New Holland Business Development Department in 1998. He then joined TürkTraktör ve Ziraat Makineleri A.Ş. and New Holland Trakmak Traktör ve Ziraat Makinaları Ticaret A.Ş. in 1999 as Assistant General Manager dealing with Business Control. He held the position of CFO between 2006 and 2010 and has served as General Manager since April of that year.

Memet İlkan Kamber
CFO
Memet İlkan Kamber is an economics graduate from Middle East Technical University; he completed his post-graduate studies at Massachusetts University, in the Department of Business Administration. Kamber started his professional career as Audit Group Management Trainee at Koç Holding in 1991. Between 1995 and 1998 he worked as an Audit Specialist. In 1999, he was appointed Audit Assistant Coordinator and in 2002 was appointed Audit Group Coordinator in 2004, he became a Finance Coordinator. Since April 2010, he has served as CFO of TürkTraktör ve Ziraat Makineleri A.Ş.

Sedat Tezerişener
Assistant General Manager / Purchasing
Sedat Tezerişener graduated from the Mechanical Engineering Department at Middle East Technical University and started his professional careet at Türk Traktör ve Ziraat Makineleri A.Ş. in 1984 as a Method Engineer. He has worked as Machine Shop Manager, Production Planning and Follow-up Team Manager and Sector Manager; he took up his current post as an Assistant General Manager in 2003.

Irfan Özdemir
Assistant General Manager / Sales
Irfan Özdemir graduated from Istanbul Technical University with a degree in Management Engineering. He started his professional career at DYO as a Marketing Representative in 1991, then as Marketing Specialist and Marketing Manager. In 1994, he moved to Tofaş where he held various positions such as Regional Sales Manager and Regional Sales Coordinator until 2007. He took up his current post in 2007.

Siyami Eser
Assistant General Manager - Production

Friedrich Wirleitner
Assistant General Manager - Product Research and Development

Matthieu Sèjournè
Assistant General Manager - Marketing

Hasan Haldun Özgümüş
Assistant General Manager - Quality

Siyami Eser
Assistant General Manager / Production
Siyami Eser is a graduate from the Department of Mechanical Engineering at Middle East Technical University; he also holds an MBA from the same university. He started his professional life as a research assistant in Middle East Technical University's Mechanical Engineering Department in 1980. In 1983, he joined Hersek Machine and Steel Construction Company as a production manager and began working for Türk Traktör ve Ziraat Makineleri A.Ş. as a Cutting Tool Engineer. In 1996, he joined the Production Engineering Department as manager and he took up his current post in 2008.

Friedrich Wirleitner
Assistant General Manager / Product Research and Development
Friedrich Wirleitner has a post-graduate degree in Agricultural Machinery, he started his professional life at Steyr Daimler Puch AG in 1979. Until 2003, he held various positions in that company – such as head of Steyr Service Team in Middle East, Steyr Product Specialist in the After-sales Department, head of Technical and Warranty area, head of After sales, Head of Product and the Telehandler Product. He was appointed Product Coordinator for Joint Ventures at India Tractors in 2004 and has served at his current post since 2008.

Matthieu Sèjournè
Assistant General Manager / Marketing
Matthieu Sèjournè graduated from CESTI – Paris University, Department of Mechanical Engineering. He completed his post-graduate studies at SDA Bocconi Milan University, Department of Business Administration. He started his professional career at CNH Commercial Logistics Department in 2002 and worked as planner for Asia, Africa, Middle East and Eastern Europe between 2003-2005. He was Business Manager for CNH within the International Region for the African Continent Francophone countries and then served as Business Manager for Southern Africa. He took up his present position in 2009.

Hasan Haldun Özgümüş
Assistant General Manager / Quality
Hasan Haldun Özgümüş graduated from Middle East Technical University (ODTÜ) with a degree in Mechanical Engineering in 1982 and started his professional life at ODTÜ Isılmaren Institute as a research assistant. In 1984, he became a Project Survey Engineer at TürkTraktör ve Ziraat Makineleri A.Ş. and continued at Türk Traktör as an Assembly Check Engineer before subsequently becoming a Quality Assurance Engineer, Quality Assurance Manager and Production Engineering Department Manager. He was appointed to his present post in 2011.

AGRICULTURAL SECTOR AND TRACTOR MARKET

Industrial agriculture is becoming more and more important in Turkey and around the world. We foresee that the Turkish tractor market will develop rapidly in the coming period.

Agricultural Sector Around the World and in Turkey

With the global population approaching eight billion and the possible connection between human activities and climate change, the cost of food and food production has become exceedingly important. The increasing demand for bioenergy and bioenergy plants has stimulated investor interest in our sector. Food shortages due to surging population growth and climate change have accelerated the trend toward agricultural science and industrial agriculture around the world.

The Turkish agricultural sector, the world's seventh largest agricultural producer with 1,663 agricultural products that are exported to 188 countries, has undergone an important transformation in recent years. Turkey is also the largest agricultural producer in Europe with the sector taking an 8.1% share of GDP as of year-end 2013 and accounting for 25% of employment in Turkey. However, it is confronted with a number of problems including labor loss due to internal migration, division of fertile lands through inheritance and climate change due to global warming. In the face of these problems, the implementation of certain practices has become even more important; specifically, products brands with high export potential, land consolidation, support and exemption programs geared toward agricultural mechanization and utilization of scientific methods in agriculture.

Climate conditions in 2013 also impacted on agricultural productivity. Fortunately, sufficient rainfall throughout the winter and spring affected barley and wheat harvests as well as corn, rice, vegetables and fruit harvests. High productivity did not reach expected levels for sunflower and cotton harvests, however. A 17% increase in financial support, provided by the government directly or indirectly along with a 50% increase in Ziraat Bank loans was made available for tractor purchases that cost more than TL 30,000 indicating the vigor of the market. Decreases in animal feed prices and the incentives for livestock farming have significantly helped revive the livestock industry in Turkey.

Tractor Market in Turkey

It is expected that tractor sales will reach 1.5 million units worldwide by the end of 2013.

It is also expected that a total of 900,000 tractors will be sold in China and India, which jointly account for half of the global tractor market. While a contraction is foreseen in the European markets, where 171,000 tractors were sold in 2012, a revival is expected in the North American market. Taking into account the increasing demand in Brazil, Latin American markets are expected to grow.

According to the Turkish Statistical Institute (TURKSTAT) traffic registration data, tractor sales increased 4% in Turkey to 52.286 units in 2013 compared 2012. In 2013, commodity prices remained at the same level as in the previous year and low-cost loans for retail sales financing became easier to obtain.

Increased prices for hay and the subsequent increase in contractors' income have resulted in the expansion of the combine harvester market by 50%.

TURKISH TRACTOR MARKET (UNITS)

TURKEY;
THE WORLD'S
7TH
LARGEST
AGRICULTURAL
PRODUCER

Turkey, the world's fifth largest tractor market, offers important opportunities for manufacturers. According to data from TURKSTAT, the average age of the 1,466,208 tractors currently in use in Turkey is twenty-three years.

The specifications of more than 500,000 of these tractors have expired presenting great potential for the renewal of the tractor park. Products that have higher horsepower and distinct technological functions draw more attention as efficiency and quality gain prevalence in line with the branding trend in the sector. The Turkish finance sector has followed this process closely and has been developing special financial products and services tailored to the agricultural sector, specifically special loan packages aimed at replacement sales in this market. If the potential for renewing the tractor park in Turkey has been evaluated correctly, a significant increase in productivity should be expected in the agricultural sector in the upcoming period.

Industrial agriculture is gaining importance around the world and in Turkey. We expect that the tractor market in Turkey will develop rapidly.

For this process to develop in a healthy manner, we must provide more incentives for modern agriculture along with agricultural mechanization. Considering the mandatory adoption of new international standards in the domestic market, such as the Tier 4 emission standards, the export potential of the sector will increase significantly.

As a result of new product launches and the contraction in the overall market, in 2013 competition significantly increased in the Turkish tractor market. Considering that intensive price competition prevails in the market, TürkTraktör retains a significant competitive edge with nearly 60 years of industry experience and expertise. Manufacturing the essential components, including engines, transmissions, axles and hydraulic lifts at our own facilities, we are appreciated by all stakeholders and farmers for high local content. Aware of the struggle against global warming, TürkTraktör was the first in its sector to manufacture Tier 3 compliant engines in Turkey in 2011. According to the Regulation on Amending Regulation No. 2000/25/, published in the Official Gazette No. 28563 on May 21, 2013, all tractor engines manufactured in Turkey henceforth must comply with Tier 4 emission standards. As of year-end 2013, TürkTraktör accelerated R&D efforts to start production of a new engine family in addition to its already existing production of Tier 4 compliant engines. To that end, the Company signed a EUR 21.7 million Engineering Services Agreement with CNHI International SA.

According to TURKSTAT's traffic registration data, TürkTraktör has a 48% market share with our New Holland and Case IH brands in the Turkish tractor market, TürkTraktör serves farmers in all of the segments with its New Holland brand. According to TURKSTAT records, significant expansion has been observed during the past six years especially for the JXC series that has helped the Company sell 23 thousand tractors, corresponding to a 43% market share and 3 thousand CASE IH tractors, corresponding to a 5% market share.

The Company's main advantages over our competitors are as follows:

- The most effective sales and after-sales network for agricultural tractor in the sector
- A strong brand portfolio consisting of New Holland, Case IH and Steyr brands
- A rich product range made up of agricultural tractors with various displacements (from 22 hp to 340 hp), combine harvesters, planters and cotton pickers
- The "Made in Turkey" logo that has created a strong brand image among stakeholders
- A powerful worldwide sales and marketing network leading to export leadership
- A competent workforce at all levels, from production to sales and marketing
- A high brand recognition and customer satisfaction levels thanks to superior product quality
- A product range equipped with new features based on competence in product development

R&D ACTIVITIES

TürkTraktör's R&D Center is comprised of various units such as engine, power transmission parts, hydraulic and cabin-platform design, simulation, system and component testing, prototype and product evaluation, field test verification, homologation and engineering services.

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EMPLOYEES AT THE R&D CENTER

TürkTraktör has gained expertise in product development and local manufacturing, thanks to our partnership with CNHI. The R&D Center that has been certified by the Turkish Ministry of Science, Industry and Technology.

TürkTraktör's R&D Center, comprised of three main departments, 13 sub-departments and 117 employees as of year-end 2013, includes various units such as engine, power transmission parts, hydraulic and cabin-platform design, simulation, system and component testing, prototype and product evaluation, field test verification, homologation and engineering services. In 2013, a separate NVH (Noise, Vibration, Harshness) team was formed within the simulation team to develop sound and vibration specifications. To date, the team has successfully completed its initial studies regarding the new cabin project. This unit will concentrate efforts on new NVH projects within the framework of the Scientific and Technological Research Council of Turkey (TÜBİTAK), Technology and Innovation Funding Programs Directorate (TEYDEB) and the Industrial Thesis Supporting Program (SANTEZ) of the Turkish Ministry of Science, Industry and Technology. Of the total employees at TürkTraktör's R&D Center, 15 have earned post-graduate degrees, 18 are currently undertaking post-graduate studies and two are enrolled in doctoral programs. The Company encourages R&D employees to pursue post-graduate degrees related to their field of work.

In accordance with the rapidly growing product development infrastructure, the organizational structure at the TürkTraktör's R&D Center is undergoing a huge institutionalization process. Following the establishment of Vehicle Integration, Matrix Organization, Cost Management and New Technologies Research departments, it is anticipated that work sharing within the Center will become more efficient.

TürkTraktör's R&D Center heavily relies on software development to strengthen the R&D infrastructure. Accordingly, the following applications were put into use in 2013: Abaqus CFD nonlinear analysis software application, STAR CCM flow analysis software, Lab-View laboratory management and test results analysis program, Hypermesh analysis software, MathLab calculation program, DesignLife and N-Code Fatigue Analysis softwares, AVL Boost and AVL Fire engine design software.

Product development projects carried out at our R&D Center throughout 2013 include:

Compact Orchard Project
The Compact Orchard tractor developed at TürkTraktör's R&D Center is utilized in narrow vineyards and gardens. The project, started under TÜBİTAK's Technology and Innovation Funding Programs Directorate (TEYDEB) program, is still ongoing; preliminary design and production work was completed in 2012 and initial mass production began in 2013.

Narrow Orchard Ergonomics Project
Another project completed by TürkTraktör's R&D Center in 2013 was the Narrow Orchard Ergonomics Project, involving design improvement of Narrow Orchard tractors in accordance with customer demands. As per customer expectations, we added a two-wheel drive function to these tractors, originally manufactured and sold as four-wheel drive vehicles.

Development of Engines Compatible with Tier 4 Emission Standards
Within the scope of this project, also carried out under TÜBİTAK's Technology and Innovation Funding Programs Directorate program, we purchased an AVL test system that was utilized to perform tests and emission measurements on Tier 4 engines. This state-of-the-art system enables fast testing with features such as a load-adjustment system, conditioning control system and automated test runs. It will add significant value to TürkTraktör and has already reached the stage of engine certification approval.

Our R&D Center completed the redesign process of New Holland TDD and Case IH JX tractors, originally manufactured for the markets in Asia, Africa, Australia and America. This design process was required to manufacture and sell these tractors to European countries. Subsequently, we fulfilled these regulatory requirements to target markets; exports to Europe began in 2013.

PRODUCTION

With regard to new products in our portfolio and within the scope of modernization efforts, TürkTraktör made some important investments at the Ankara Plant.

Being the first manufacturer in the Turkish automotive industry and being one of the leading manufacturers in Turkey, TürkTraktör started its industrial life in 1954 and has grown constantly over the years. Today it is one of the most important enterprises in the country with its export performance including the American continent.

The pride of Turkey, Turkish tractors have been launched and exported to world markets through our joint venture partner CNHI. They are designed in Turkey, by Turkish engineers with almost all parts used in production manufactured in Turkey.

TürkTraktör has production strength and control due to its more than 400 CNC machines, modern paint shop, facilities to manufacture its own engine, gear and heat treatment facility, body and assembly production lines. Thanks to its modern quality control laboratories, engine and transmission test equipment, computer supported design and production facilities there is no room for error. TürkTraktör has a continuing program for maintaining the highest standards so every tractor runs smoothly and reliably for many years.

The R&D team of TürkTraktör, consisting of Turkish engineers, using unique design processes, which is why TürkTraktör is the first R&D center in its sector officially registered both by the State and CNH. With the R&D studies, market research and analysis, TürkTraktör feels the pulse of the market. From the very first stage of design to the last stage of the manufacturing process it considers the farmer's work and demands. For these reasons one in every two tractors operating in the field in Turkey is manufactured by Türk Traktör.

Boasting an annual production capacity of 35,000 tractors and 25,000 engines, TürkTraktör decreased total production by 3% over the previous year; a total of 38.530 tractors and 3.698 transmissions were manufactured in 2013. Thanks to a strong manufacturing infrastructure and high brand recognition,

TürkTraktör maintained uninterrupted production despite the contraction in global markets. With its market share of 48% the Company protected its leadership in local market and realized exports to more than 130 countries. In 2013, exporting NH UTL light 75HP model to Japan, one of the world's pioneer industrial countries, is an indicator of the Company's high-level quality standards in manufacturing activities.

With new products in our portfolio and within the scope of modernization efforts, TürkTraktör made some important investments at the Ankara Production Facility. The Company initiated action at several production stages for the 8000 series Tier 4 engine; production will start in 2015. TürkTraktör spent approximately EUR 3 million in areas related to engine technological specifications, such as emission standards, motor oil consumption, cleaning and high performance; investments will continue in the coming year. We plan to open a second production facility in Adapazarı in 2014 and will utilize the latest manufacturing technology available on the assembly line while strengthening our manufacturing infrastructure. The Company is working in collaboration with the leader companies of its sector. Using principles based on World Class Manufacturing, the logistical planning for the facility in Adapazarı, a city that presents unique opportunities in terms of logistics, is carried out in collaboration with a leading consulting firm in Turkey.

ANNUAL PRODUCTION CAPACITY OF 35,000 TRACTORS AND 25,000 ENGINES

QUALITY ASSURANCE ACTIVITIES

In addition to the Integrated Management System certification, TürkTraktör also holds ISO 27001 Information Security Management System, ISO 10002 Customer Complaints Management System, ISO 50001 Energy Management System and ISO 14064 Standards for Greenhouse Gas Accounting and Verification certificates.

TürkTraktör regularly measures, monitors and updates all business processes within the ISO 9001 Quality Management System. The Company gives priority to environmental protection, occupational safety and energy efficiency. Evidence of this has been proven by obtaining the OHSAS 18001:2007 Occupational Health and Safety Management System and ISO 14001:2004 Environmental Management System certifications. In order to achieve a more effective implementation of these management systems, TürkTraktör combined the requirements of these standards under one common denominator and following an extensive external audit these systems were verified in 2010. The Company is able to efficiently carry out document controls, internal audits, management review meetings and corrective/preventive actions, all of which are required by these standards. In July 2013, TürkTraktör successfully passed all certificate renewal inspections, ensuring the continuation of the integrated management system. In addition to the Integrated Management System certification, the Company holds other quality certificates including the ISO 27001 Information Security Management System and ISO 10002 Customer Complaints Management System. TürkTraktör is the first Turkish company to obtain certification for both the ISO 50001 Energy Management System and ISO 14064 Standards for Greenhouse Gas Accounting and Verification.

TürkTraktör has defined the Integrated Management System policy and shared it with all of our employees. With this policy, the Company commits to high quality, continuous improvement, customer satisfaction, occupational health and safety, reducing negative environmental impact and greenhouse gas emissions and energy efficiency while providing all necessary resources to that end. TürkTraktör sustains this commitment with the participation of all of our employees.

Integrated Management System Policy:
TürkTraktör embraces the philosophy of managing and continuously improving Quality, Customer Complaint Management, Occupational Health and Safety, Environment and Energy processes. Energy efficiency is always taken into account in process design and purchasing.

In order to achieve this aim, we guarantee to;

- Consider our customers' expectations in our designs;
- Provide unconditional customer satisfaction;
- Realize targets of quality, just in time production, energy efficiency, optimum cost and profitability with participation and coordination of our employees;
- Comply with any legal legislation and other obligations related to Quality, Environment, Energy and Occupational Health and Safety, Provide every necessary resources and Use new technologies;
- Create a working environment where work accidents and occupational diseases are avoided for the benefit of employees, visitors, subcontractors, trainees and where environment is protected and energy efficiency awareness is created;
- Develop awareness of employees, services, suppliers, dealers, and end users make studies to increase sensitivity and education in order to create a common culture;
- Identify health and safety risk and environmental impact; take the necessary measures and systematically minimize risk and greenhouse gas emissions.

FIRST TURKISH COMPANY TO HAVE OBTAINED BOTH ISO 50001 ENERGY MANAGEMENT SYSTEM AND ISO 14064 STANDARDS FOR GREENHOUSE GAS ACCOUNTING AND VERIFICATION

INVESTOR RELATIONS

TürkTraktör's free float shares, which include 85% foreign ownership, are traded on Borsa Istanbul with the symbol: TTRAK.

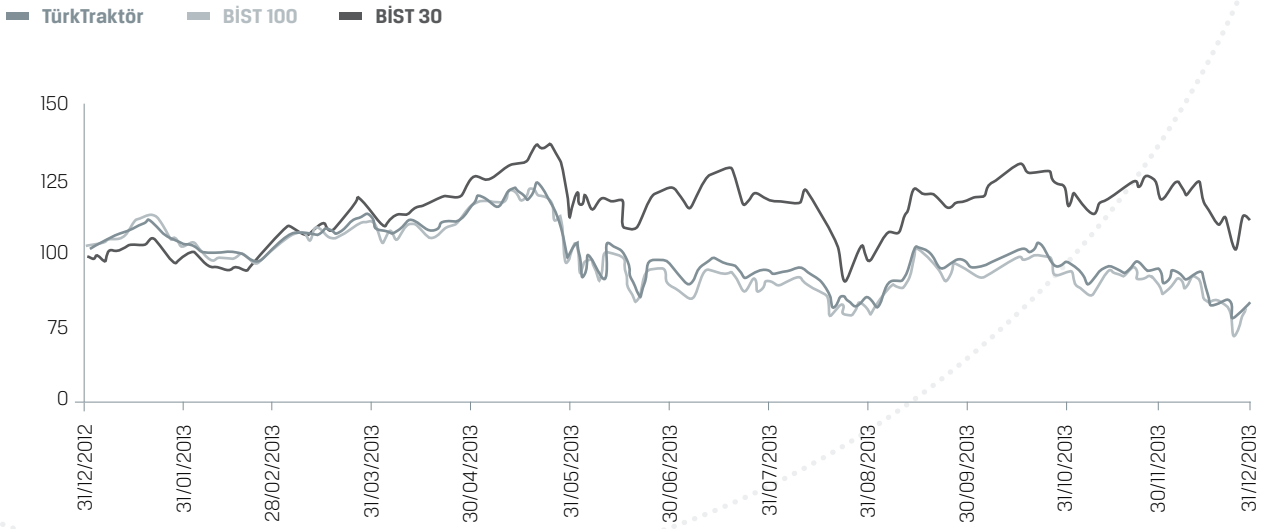
The Borsa Istanbul National Market has been trading 25% of TürkTraktör shares since 2004. The Company's Investor Relations Supervisory builds transparent and accountable relationships with our shareholders. In addition to face-to-face meetings, roadshows and analyst meetings, the Supervisory responds to all written and/or verbal questions from shareholders, analysts and fund managers throughout the year. Investors are thoroughly informed and notified about any and all changes; efforts are made to increase interest of current and potential investors in the activities of the Company.

TürkTraktör's floating shares are traded with the symbol "TTRAK" on the Borsa Istanbul National Market; a foreign share of 85% represents the Company's publicly traded shares as of year-end 2013.

TürkTraktör has maintained a steady price performance since our initial public offering. The Company's 2013 stock performance on Borsa Istanbul National Market is presented:

THE BORSA ISTANBUL NATIONAL MARKET HAS BEEN TRADING 25% OF TÜRKTRAKTÖR SHARES SINCE 2004.

TÜRKTRAKTÖR SHARE PERFORMANCE (31.12.2012 = 100)



OCCUPATIONAL HEALTH AND SAFETY

TürkTraktör utilizes precautionary methods, the basis for all occupational health and safety and aims to meet all the requirements of this approach.

TürkTraktör always strives to maintain a healthy and safe work environment. In accordance with the principles of World Class Manufacturing, the Company implements occupational health and safety practices within the framework of OHSAS 18001. TürkTraktör prioritizes precautionary methods, the basis of all occupational health and safety and we aim to meet all the requirements of this approach. To that end, the On-the-Job Talks about Occupational Health and Safety initiated by TürkTraktör in 2012 was presented as a "best practice" in 2013 in France at the Health and Safety at Work in Relation to Productivity (HESAPRO), EU LDV project; the General Directorate of Productivity participated from Turkey. The On-the-Job Talks on OHS practice, implemented at TürkTraktör's factory for over a year has been continuously updated. It was much admired by participating EU countries (France, Belgium, Finland and Slovakia). This program is centered on natural disaster action plans, potential risk in daily life, such as electrical shock and also safety rules that must be obeyed while working at workbenches and assembly lines. The General Directorate of Productivity presented a certificate of appreciation to TürkTraktör for this practice.

TÜRKTRAKTÖR WAS PRESENTED AS A "BEST PRACTICE" IN 2013 IN FRANCE.

ENVIRONMENT

TürkTraktör undertakes training and incentive programs on a regular basis to raise employee awareness about the importance of protecting the environment.

TürkTraktör stresses the importance of environmental sustainability in all of our operations and minimizes the environmental impact of our operations. The Company organizes regular training and incentive programs to increase employee environmental awareness. Sustainability activities carried out by the Company are outlined below:

- Environmental audits within the framework of the Integrated Management System have been successfully completed.
- TUV Rheinland has conducted an external audit of the Integrated Management System.
- Acting with sensitivity to ensure an agricultural environment legacy for future generations and for the protection of nature, TürkTraktör has taken an important step to fight the effects of global warming by initiating "carbon footprint" practices. In July 2013, the ISO 14064 Greenhouse Gas Accounting and Verification procedure was completed at the plant level; greenhouse gas emissions were calculated and reported. The calculations for the year 2012 were approved by BSI and the ISO 50001 Energy Management System was audited both internally and externally; no noncompliance issues were detected.
- A field audit report at the Ankara Production Facility was published; "corrective-preventive action forms" were issued to unit managers regarding non-compliances detected during the audit. Critical non-compliance has been closely monitored by the Environment Board and rapidly resolved.
- An environmental risk analysis was performed under seven risk categories, within twelve departments and at 8,042 locations in the Ankara Production Facility. Related reports were sent to relevant units and corrective actions were taken.
- Employees received environmental training with a view to raise their awareness of the segregation of waste at the source.
- Visual materials promoting energy efficiency were made available at offices, workshops, meeting rooms, and bathrooms throughout the Company.

ISO 14064 GREENHOUSE GAS ACCOUNTING AND VERIFICATION PROCEDURE WAS COMPLETED AT THE PLANT LEVEL.

ENERGY MANAGEMENT

Efforts related to the operation of the 250KW generator with a motor driver, recently integrated into the system infrastructure at TürkTraktör's Ankara Plant and its adaptation to the Energy Management System (SCADA) was initiated in 2013.

TürkTraktör takes into consideration economic efficiency and environmental priorities while planning energy management activities. Energy management projects carried out by the Company in 2013 are outlined below:

Inverter-Driven 250KW Generator
The operation of the 250KW generator with an inverter, recently integrated into the system infrastructure at TürkTraktör's Ankara plant, along with the adaptation of the Energy Management System (SCADA) were initiated in 2013. The aim of this project is to use the SCADA/DCS system for all processes, including the generators' identical aging functions, transmission of data values, automatic load sharing according to the plant's need for compressed air while achieving greater energy savings. Within the scope of the project, in 2013, generator drivers were integrated with the DCS/SCADA through a communication system; all data including driver diagnostics, generator operation condition/duration, malfunction and alarms are now centrally monitored. Thanks to this system, which operates generators automatically and starts them as needed, an approximate energy savings of 15% was achieved.

Recovering Waste Heat From Generators to Provide Hot Water
With this project, kicked off in 2013, waste heat from the generators is recovered to provide hot water, resulting in a significant increase in energy efficiency.

15%
ENERGY SAVING WAS ACHIEVED.

HUMAN RESOURCES

TürkTraktör aims to ensure that corporate goals and individual goals are aligned; employee performance is measured according to fair and objective criteria, using the balanced scorecard method.

Our people are our most important asset...
Since 1954, TürkTraktör has carried out operations with the vision of becoming the driving force for modern agriculture in Turkey. The Company has based its human resources approach on Vehbi Koç's motto, 'Our most valuable asset is our human resources.'

Finding the right employee for the right job...
Hiring individuals that fit best into our corporate culture as well as our organizational structure requires evaluation of candidates through various stages during the recruitment process. Open positions are also announced within the Company and TürkTraktör encourages employees to apply for available positions or business areas that they consider suitable.

We encourage our employees to aim for even higher performance...
TürkTraktör endeavors to align both corporate and individual goals. Employee performance is measured according to fair and objective criteria and employees are given the support needed to achieve higher performance levels.

We manage our talent to create awareness...
TürkTraktör Human Resources Department works in close collaboration with universities and vocational schools to provide students with job opportunities and prepare them for professional life.

Within the scope of the MLMM project carried out in collaboration with Koç Holding and the Ministry of National Education (MEB), TürkTraktör has set up Agricultural Machinery Laboratories in four cities; Ankara-Gazi Technical and Industrial Vocational High School, Amasya-Gökhöyük Agricultural Vocational High School, Bursa-Agricultural and Technical Vocational High School, Şanlıurfa-Gap Agricultural Vocational High School. This project aims to improve the quality and significance of middle-level vocational education, to help create a qualified workforce equipped with the necessary vocational knowledge and experience and to build collaboration between the private sector and schools.

We pave the way for development...
In order to contribute to TürkTraktör employees professional and personal development, a 360-Degree Assessment is conducted once a year. The findings are used to support employee development through one-to-one feedback. TürkTraktör Human Resources Department prioritizes the development areas for employees and then determines individual development plans.

Employee career plans are monitored through periodic HR workshops and HR Planning Meetings; short, medium and long-term succession plans are reviewed annually. The HR Strategic Plan is updated accordingly.

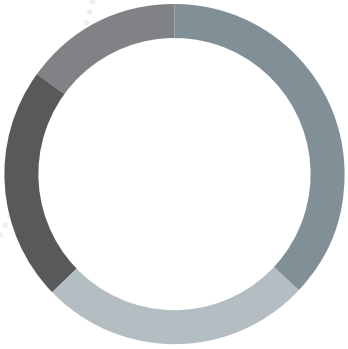
We increase employee loyalty and recognize their achievements...
TürkTraktör prepares questionnaires to measure employee loyalty and satisfaction and conducts improvement activities in line with the findings.

Annually, a "Mark of Excellence Award" ceremony is organized to honor and share the accomplishments and performance of employees in all business activities.

TürkTraktör is considerate of its employees...
TürkTraktör reinforces team spirit among employees by organizing special events such as the Sports Festival, Summer Festival, Koç Sports Festival and New Year celebrations, all of which have become traditional over the years.

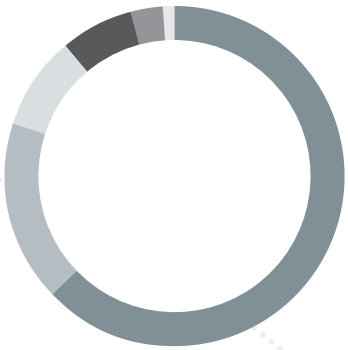
Human Resources Profile

AGE DISTRIBUTION



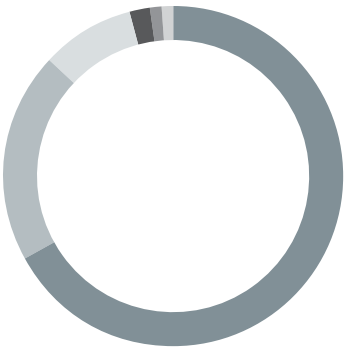
- 25-29 ages **37%**
- Below 25 ages **22%**
- 30-39 ages **26%**
- 40-54 ages **15%**

EDUCATIONAL LEVEL – WHITE COLLAR EMPLOYEES



- Graduate-**63%**
- Industrial High School-**7%**
- Post-graduate-**17%**
- High School-**3%**
- Associate-**9%**
- Doctoral-**1%**

EDUCATIONAL LEVEL – BLUE COLLAR EMPLOYEES



- Industrial High School-**67%**
- Middle School-**2%**
- Associate-**20%**
- Elementary School-**1%**
- High School-**9%**
- Graduate-**1%**

LEVEL OF SENIORITY - WHITE COLLAR EMPLOYEES

- 10+ years **32%**
- 0-1 year **14%**
- 5-10 years **23%**
- 3-5 years **10%**
- 1-3 years **21%**

LEVEL OF SENIORITY - BLUE COLLAR EMPLOYEES

- 1-3 years **30%**
- 10+ years **17%**
- 5-10 years **19%**
- 0-1 year **15%**
- 3-5 years **19%**

CORPORATE SOCIAL RESPONSIBILITY

Aiming to raise awareness about the circumstances of the disabled, TürkTraktör has been carrying out several social responsibility projects and awareness-raising training activities related to disabled people over the course of the last two years.

4

THE NUMBER OF VOCATIONAL HIGH SCHOOLS WITH AGRICULTURAL MACHINERY LABORATORIES

TürkTraktör carries out social responsibility and sponsorship projects in several areas in the sector as we add value to the country and society in general. Through these social responsibility projects, the Company aims to contribute in both a material sense and by encouraging employees to take part in these projects voluntarily and become part of them. TürkTraktör reaches out to the families of employees to increase their awareness of social issues and to encourage more personal involvement. With social responsibility projects focusing on education, the Company contributes to the development of young people as it instills in them a sense of social responsibility.

Agricultural Machinery Laboratories

TürkTraktör joined the Vocational Education: A Crucial Matter for the Nation Project initiated by Koç Holding in cooperation with the Ministry of National Education and the Vehbi Koç Foundation. Inspired by this school-enterprise cooperation model, the Company set a unique example in the sector and established Agricultural Machinery Laboratories at Ankara Gazi Technical and Industrial Vocational High School, Amasya Gökhöyük Agricultural Vocational High School, Şanlıurfa Gap Agricultural Vocational High School and Bursa Osmangazi Agricultural and Technical Vocational High School. TürkTraktör plans to put these first-of-its-kind laboratories, to serve farmers, in collaboration with the Ministry of Food, Agriculture and Livestock. These laboratories will improve the quality of vocational education for agricultural machinery, contribute to fulfill the unmet need for well educated staff and raise awareness about safety implementation for farmers.

Given the great importance of a solid education and occupational development and being aware that unemployment in Turkey is partly due to the lack of vocational skills, TürkTraktör established Agricultural Machinery Laboratories in four cities during 2012 and began training 32 teachers, over 300 students and 750 farmers. In 2013, TürkTraktör's Agricultural Machinery Laboratory project was introduced to 45 teachers and approximately 600 students at Gazi Industrial Vocational High School. A second reference book was prepared for laboratory students; graduation exams were given to the students of TürkTraktör's Agricultural Machinery Laboratories in Ankara, Amasya and Bursa. Successful students were awarded certificates of completion. TürkTraktör organized a two-day field trip to its facility for the students of Agricultural Machinery Laboratories in Ankara, Amasya and Bursa. Three students from the TürkTraktör's Agricultural Machinery Laboratory in Ankara Gazi Industrial Vocational High School began working at the Company in 2013 - a positive result of this project.

World Environment Week Essay Contest

In commemoration of World Environment Week, celebrated during the second week of June, an essay contest was organized entitled "How do you suggest we protect the environment?" The children of employees between the ages of 7 and 14 participated in the competition. The results were announced at the Summer Festival; all participating children were given books from Yapı Kredi Publications and the winners were awarded with a Kindle.

Engine and Spare Parts Donation

In 2013, TürkTraktör donated a total of 13 engines, 27 gearboxes and 23 transmissions to 20 vocational high schools, contributing greatly to student technical training programs.

TürkTraktör Anatolian Scholarship

University admission tests have shown that the majority of outstanding students are in need of some form of financial support. Koç University, driven by its commitment to be socially responsible and provide the best educational opportunities to bright, financially challenged students, successfully launched the Anatolian Scholarship program in 2011. As per the protocol signed with Koç University, TürkTraktör is continuing to provide financial aid to 2 outstanding and needy students, covering a full five years at Koç University.

For My Country: Barrier Free Life Training Programs

According to data published by the State Planning Organization and Turkish Statistical Institute, 12.29% of the general population lives with a physical disability. This percentage corresponds to 8,431,937 individuals according to the recent population census. Aiming to raise awareness about the circumstances of the disabled, TürkTraktör has been carrying out several social responsibility projects and awareness-raising training activities related to disabled people over the course of the last two years. This program bears the slogan; For My Country: Barrier Free Life, similar to other Koç Group companies. In 2013, TürkTraktör's volunteer trainers assisted a total of 2,660 people within the Proper Approach to the Disabled Project.

FINANCIAL INFORMATION

MEMBERS OF THE BOARD OF DIRECTORS AND COMMITTEES WHO HAVE SERVED DURING THE PERIOD

BOARD OF DIRECTORS	TITLE	INCEPTION	EXPIRY DATE
Turgay Durak	Chairman	18.03.2013	24.03.2014
Franco Fusignani	Vice-Chairman	18.03.2013	24.03.2014
Kudret Önen	Member	18.03.2013	24.03.2014
Temel Kamil Atay	Member	18.03.2013	24.03.2014
Marco Votta	Member	18.03.2013	24.03.2014
Memet İlkan Kamber	Member	18.03.2013	24.03.2014
Alessio Berretta	Member	18.03.2013	24.03.2014
Haşim Savaş Arıkan	Member	18.03.2013	24.03.2014
Andreas Christian Schröter	Member	18.03.2013	24.03.2014
Ali Aydın Pandır	Member	18.03.2013	24.03.2014

EXECUTIVE COMMITTEE	TITLE	INCEPTION	EXPIRY DATE
Franco Fusignani	Chairman	18.03.2013	24.03.2014
Kudret Önen	Member	18.03.2013	24.03.2014

AUDIT COMMITTEE	TITLE	INCEPTION	EXPIRY DATE
Haşim Savaş Arıkan	Chairman	18.03.2013	24.03.2014
Andreas Christian Schröter	Member	18.03.2013	24.03.2014

CORPORATE GOVERNANCE COMMITTEE	TITLE	INCEPTION	EXPIRY DATE
Haşim Savaş Arıkan	Chairman	18.03.2013	24.03.2014
Kudret Önen	Member	18.03.2013	24.03.2014
Alessio Berretta	Member	18.03.2013	24.03.2014

RISK ASSESSMENT COMMITTEE	TITLE	INCEPTION	EXPIRY DATE
Andreas Christian Schröter	Chairman	18.03.2013	24.03.2014
Temel Kamil Atay	Member	18.03.2013	24.03.2014
Alessio Berretta	Member	18.03.2013	24.03.2014

LEGAL EXPLANATIONS

-The registered personnel number of the company by December 31st, 2013 is 2,572 and 471 of this number is white collar officers and administrators, 2,101 blue collar workers. No disagreement or worker movement observed during the period in terms of activities.

-Our company is subject to collective group agreement signed between Turkish Metal Industry and MESS. Since the Union and Collective Bargaining Agreement Law numbered 6356 has been entered into force on 07.11.2012 and the acquisition of authorization has been served; the collective agreement signed between Turkish Metal Industry and MESS. The conditions pertaining the collective group agreement for the period of 01.09.2012-31.08.2014 have been announced on 03.06.2013.

- Within the legal regulations our staff's social rights are regularly and periodically provided.

- Reference to the financials prepared in line with Turkey Accounting Standards/ Turkey Financial Reporting Standards (TAS/TFRS) and the formats determined by Capital Markets Board (CMB) under the CMB communiqué with serial no II.14.1 entitled Principles of Financial Reporting at Capital Markets (Communiqué), the senior indemnities liability of our company is 15.435.367 TL by 31.12.2013, reserves are allocated for the entire sum.

- The board of directors convened 25 times in 2013. Board members attended the meetings regularly.

- The remuneration payments to the chairman of board and the members have been done in parallel with current Remuneration Policy. Payment to board members' shall be done by considering their task period from inception to expiry date in pro rata basis. The expenses (transportation, telephone, insurance, etc.). of which covered by the board members due to their contribution to company, can be met by the company.

- There is not any significant administrative sanction and penalty concerning the company and board members due to the applications that are contrary to the legislation provisions.

- There is not any change in legislations that can affect the company's activities significantly.

- There is not any significant sue against the company.

Legal Disclaimer

This annual report (report) which includes the Board of Directors' Report concerning the activities and accounts of the year 2013, Auditor Report, Financial Statements and Independent Audit Report, has been prepared in line with the legal regulation in order to present at Türk Traktör ve Ziraat Makineleri A.Ş. (the company) Ordinary General Assembly Meeting that will be held on Monday 24.03.2014 at the address of company's headquarter, Güvercin Yolu No: 111 Gazi 06560 Ankara. This report has been prepared just for the purpose of informing the shareholders, shall not intended to provide a basis for any investment decision. The report includes the forward-looking views and a figure that reflects the Company's management assumptions for future events and may be differentiates depending on the assumptions and variables constituted realizations and estimated figures. Accordingly, neither the company nor any of its board members, consultants nor employees shall have any liability whatsoever for any information or communication transmitted within the scope of this report or the information contained in this report are not included in an information-based or as a result of incurred losses and loss of a person directly or indirectly. At the time of preparation of this report, all of the information is believed to be accurate; the company shall not accept any responsibility for inaccuracies that may occur typographically and at printing stages.

AGENDA OF ORDINARY GENERAL ASSEMBLY DATED 24.03.2014

1. Opening and Election of the Presidential Board,

2. Reading, discussing and approving the Annual Report of 2013 prepared by Company's Board of Directors,

3. Reading the summary of Independent Audit Report related to the accounting year of 2013,

4. Reading, discussing and approving the Financial Statements related to the accounting period of the year 2013

5. Acquitting the members of the Board of Directors separately due to the activities of the company for the year 2013,

6. Approving the company's dividend policy for the year 2013 and for the following years according to the Capital Markets Board legislation,

7. Full adoption, acceptance by certain changes, or rejection of the Board of Directors' proposal with respect to distribution of the profit for the year 2013 and date of such profit distribution,

8. In the case that necessary permissions are obtained from Capital Markets Board and Ministry of Customs and Trade, full adoption, acceptance by certain changes, or rejection of the proposal of the Boards' of Directors concerning to make amendment to the 3rd article entitled "Purpose and Scope", 6th article entitled "Share Capital", 8th article entitled "Transfer of Shares and Establishment of Rights of Usufruct on Shares", 12th article entitled "Daily Management of the Company and the Executive Committee" of the company's Articles of Association.

9. Selecting the board members and determination of the task period, selecting the independent board members

10. Pursuant to Corporate Governance Principles, informing the Shareholders about the remuneration policy towards the Members of the Board of Directors and top managers and about the payments made within the scope of this policy and approving them,

11. Determination of monthly gross remunerations of Board of Directors' members,

12. Approval of the selection of the Independent Auditing Company proposed by the Board of Director in connection with the provisions of Turkish Commercial Code and Capital Markets Board,

13. Obtaining information to the shareholders concerning the transactions done with the related parties in 2013, within the context of Capital Markets Board legislation,

14. Obtaining information to the shareholders about the donations granted in 2013 and determination the upper limit for donations in 2014,

15. Obtaining information to the shareholders about the guarantee, pledge, mortgage and bails given in favor of third parties within the context of Capital Markets Board regulation,

16. Granting of permission to shareholders having managerial control, shareholder board members, top managers and up to the second degree blood or affinity relatives in accordance with articles 395 and 396 of Turkish Commercial Code, Capital Markets Board legislation and obtaining information to the shareholders concerning the transactions done in the year 2013 in line with Corporate Governance Principles,

17. Wishes.

ARTICLES OF ASSOCIATION AMENDMENTS WITHIN THE YEAR

At the Ordinary General Assembly Meeting dated 18.03.2013, amendments to the 1st article entitled "Formation", 2nd article entitled "Title", 3rd article entitled "Purpose and Scope", 4th article entitled "Head Offices and Branch Offices of The Company", 5th article entitled "Term of The Company", 6th article entitled "Share Capital", 7th article entitled "Share Certificates Not To Be Split", 8th article entitled "Liability of Shareholders", 9th article entitled "Consequences of Owning Share Certificates", 10th article entitled "Increasing or Decreasing the Capital", 11th article entitled "Transfer of Shares", 12th article entitled "Issue of Bonds", 13th article entitled "Loss of Share Certificates and Bonds", 14th article entitled "The Board of Directors", 15th article entitled "Provisions Concerning the Board of Directors", 16th article entitled "Security to be deposited by Directors", 17th article entitled "Powers of the Board of Directors", 18th article entitled "Administration and Representation", 19th article entitled "Other Matters", 20th article entitled "Directors' Remuneration", 21st article entitled "Auditors", 22nd article entitled "Duties and Obligations of the Auditors", and make cancellation of 23rd article entitled "The General Assembly", 24th article entitled "Meeting Agenda", 25th article entitled "Meeting Place", 26th article entitled "Meeting Officer", 27th article entitled "Meeting Quorum", 28th article entitled "Voting Rights and Their Exercise", 29th article entitled "Appointment of Proxies", 30th article entitled "Entry Card", 31st article entitled "Attendance List", 32nd article entitled "When Share Certificates Cannot Be Transferred", 33rd article entitled "Announcements", 34th article entitled "Changes to the Articles of Incorporation", 35th article entitled "Documents to be submitted to the Capital Markets Board and the Ministry", 36th article entitled "The Accounting Period", 37th article entitled "Profit Determination and Distribution", 38th article entitled "Reserves", 39th article entitled "Foundation for Company's Personnel", 40th article entitled "Termination and Dissolution", 41st article entitled "Competent Courts", 42nd article entitled "Legal Provisions", the transitory article and 43rd article entitled "Adoption to Corporate Governance Principles" of the company's Articles of Association were approved. The old and new versions of related articles were published at our websites under the Investor Relations part.

DIVIDEND POLICY

Our Company distributes dividend in parallel with the provisions of Turkish Commercial Code, Capital Markets Board regulations, Tax legislations, other related regulations and the related dividend distribution article of the articles of association. In line with the Corporate Governance Principles, balanced and accurate policy is followed between the benefits of the shareholders and the Company.

In principle, as long as the relevant regulations and financial possibilities be convenient, by taking into consideration of the market expectations, long-term company strategy, investment and financing policies, profitability and cash situation, minimum 60% of net distributable profit that calculated in line with Capital Markets Board provisions, shall be distributed in cash and/or as bonus shares.

It is aiming to distribute dividend within a month following the General Assembly Meeting at the latest, general assembly decides the date of the dividend distribution. General Assembly or if authorized the Board of Directors may decide to pay the dividend in installments in line with Capital Markets Board regulations.

Reference to the articles of association of the company, the board of directors may distribute the dividend in advance only if the board has authorized by the General Assembly and done in parallel with the Capital Markets Board regulations.

PROFIT DISTRIBUTION PROPOSAL

According to our financial statements for the fiscal period 1 January 2013 to 31 December 2013, the Company's net income is 279.905.939 TL. These financial statements were issued under International Financial Reporting Standards, and audited by Güney Bağımsız Denetim ve S.M.M.M. A.Ş. (a member of Ernst&Young Global Limited). Our proposal for profit distribution – prepared with due regard for profitability and cash status – is stated below.

The current period profit calculated in accordance with CMB communiqués;

Distribute first dividend to the shareholders TL 170.437.625,40

Distribute second dividend to the shareholders TL 84.264.905,51

Distribute from the previous year's profit TL 45.297.469,09 TL

Allocate 2nd type legal reserve TL 29.733.155,00 of which TL 25.203.408,09 allocated from current year profit and the remaining TL 4.529.746,91 allocated from the previous year's profit

It has been resolved to determine the dividend payment date as 31st of March and present to the approval of General Assembly held in March.

Thereby, the dividend will be distributed in cash;

- to the resident taxpayer shareholders and non-resident taxpayer shareholders obtaining dividend income through an office or a permanent representative in Turkey as gross (=net) 5,6212408 kr for each share nominal 1 kr (562,12408 %) and,
- to foreign-based taxpayer shareholders; as gross 5,6212408 kr (5,34017876 kr net) for each share nominal 1 kr (534,017876 %)
- to the rest of our shareholders as gross 5,6212408 kr (4,7780547 kr net) for each share nominal 1 kr (477,80547 %).

PROFIT DISTRIBUTION TABLE

DIVIDEND DISTRIBUTION TABLE OF TÜRK TRAKTÖR VE ZIRAAT MAKINELERI A.Ş. FOR 2013 (TL)

1. Paid-Up/Issued Capital		53.369.000,00
2. General Legal Reserve Fund (According to legal records)		114.169.112,03
Information relating to preferences, if any on dividend distribution according to articles of association		
	ACCORDING TO CMB	**ACCORDING TO LEGAL RECORDS (LR)**
3. Profit for the Period	320.254.571,00	316.063.265,57
4. Taxes Payable (-)	40.348.632,00	55.300.896,39
5. Net Profit for the Period (=)	279.905.939,00	260.762.369,18
6. Losses from Previous Years (-)		
7. General Legal Reserve Fund (-)		
8 NET DISTRIBUTABLE PROFIT (=)	279.905.939,00	260.762.369,18
9. Donations of the Year (+)	4.156.770,00	
10. Net Distributable Profit of the Period Including Donations	284.062.709,00	260.762.369,18
11. Primary Dividend to Shareholders		
- Cash	170.437.625,40	2.668.450,00
- Bonus Share		
- Total		
12. Dividends Paid to Privileged Shareholders		
13. Other Distributed Dividend		
- To the Members of the Board		
- To the Employees		
- To the Others Who are not Shareholder		
14. Dividend Distributed to the Owners of Dividend Right Certificate		
15. Secondary Dividend to Shareholders	84.264.905,51	234.630.835,61
16. General Legal Reserve Fund	25.203.408,09	23.463.083,56
17. Statutory Reserves		
18. Special Reserves		
19. EXCESS RESERVES		
20. Other Resources that Assumed to be Distributed	45.297.469,09	62.700.714,39
21. General Legal Reserve Fund for Other Resources that Assumed to be Distributed	4.529.746,91	6.270.071,44

ABOUT THE RATE OF PAID DIVIDEND

	GROUP	TOTAL DISTRIBUTED DIVIDEND AMOUNT		TOTAL DISTRIBUTED DIVIDEND AMOUNT / NET DISTRIBUTABLE PROFIT	DIVIDEND CORRESPONDING TO ONE SHARE OF 1 TL NOMINAL VALUE	
		CASH (TL)	BONUS SHARE (TL)	RATE (%)	AMOUNT (TL)	RATE (%)
NET	A	112.500.000		40,19%	5,6212408	562,12408
	B	106.875.000		38,18%	5,34017876	534,017876
	C	63.750.000		22,78%	4,7780547	477,80547
	TOTAL	**283.125.000**		**101,15%**	**-**	**-**

(1) There is not privileged right for dividend.

(2) A Group shares are holding by the resident taxpayer shareholders, thus 0% withholding tax is calculated.

(3) Foreign-based taxpayer shareholder CNH Industrial Österreich GmbH is holding B group shares. Due to the agreement to avoid double taxation between Austria and Turkey, withholding tax is calculated 5%.

(4) %15 withholding tax calculated for the remaining C group share owners.

ASSOCIATED COMPANY REPORT PREPARED PURSUANT TO ARTICLE 199 OF TURKISH COMMERCIAL CODE

Pursuant to Article 199 of the Turkish Commercial Code no. 6102, became effective on 1 July 2012, Board of Directors of Türk Traktör ve Ziraat Makineleri A.Ş. is obligated to prepare a report regarding the relations between the controlling shareholder of the company and the associated companies affiliated to the controlling shareholder, in the first three months of the activity year and to include last part of this report in the activity report. Necessary explanations regarding the transactions conducted by Türk Traktör ve Ziraat Makineleri A.Ş. to the related parties are in the footnote of the financial report no.22.

In the Report dated 25 February 2014, prepared by the Board of Directors of Türk Traktör ve Ziraat Makineleri A.Ş., it is stated that; in 2013, within all the transactions made between the controlling shareholder of Türk Traktör ve Ziraat Makineleri A.Ş. and the subsidiaries of the controlling shareholder, according to terms and conditions known by us at the moment when the transaction is made or the measure is taken or the measure is avoided to be taken, an appropriate return performance is acquired in every procedure, and that there is no measure taken or avoided to be taken that can damage the company, and that there is no procedure or measure requiring a balancing in this regard.

REPORT OF RELATED PARTY TRANSACTIONS IN 2013

This report has been prepared within the context of the 10th article of Capital Markets Board (CMB) communiqué serial II.17.1. In accordance with the mentioned article, in case the common and continuous purchasing transactions are expecting to reach up to 10% of cost of goods sold amount, selling transactions reach up to 10% of revenue amount, stated in financial statements that will be announced to public, within 1 fiscal year; it becomes obligatory for the company board to prepare a report concerning the conditions of transactions and comparison with market requirements and to announce this report through KAP.

The purpose of this report is to set forth and verify the fact that disclosure of the conditions and operations carried out by Türk Traktör ve Ziraat Makineleri A.Ş. with the related parties which are determined by International Accounting Standard no 24 (IAS 24) within the context of CMB legislation shall not result in any disadvantage or damage to the company, provided that any of these declared condition shall not lead to reveal or disclose any trade secret.

The detailed information about related party transactions of TürkTraktör carried out in 2013 was announced to public in 22nd footnote of financial statements concerning our activities in 2013. In this report, only and solely the conformity of tractor, transmission and spare part sales that was exceeding 10% range, to CNHI International was evaluated.

Information about TürkTraktör

TükTraktör engages in manufacturing and selling tractors, combines, agricultural equipment, engines and diesel engines.

TürkTraktör's activities are jointly managed by Koç Group and CNHI Group in line with Joint Venture Agreement signed in 1998. Within the context of the agreement signed for the purpose of protecting interest of two parties that are completely independent from each other, both sides have equal share in TürkTraktör capital.

TürkTraktör's paid-in capital is TL 53.369.000 and the shareholder structure is given below.

SHAREHOLDER NAME	SHARE RATIO (%)
Koç Holding A.Ş. (Koç Group)	37,50%
CNH Osterreich GmbH (CNH Group)	37,50%
Public Quotation	24,93%
Other	0,07%

General Information about CNHI International

CNHI International S.A. of which the main shareholder is CNH Industrial NV (CNHI) based in England, engages in agricultural equipment sales, after sales service and customer support services in 120 countries throughout Africa, Commonwealth of Independent States, Middle East, Asia, Far East and Oceania.

One of the company shareholders CNHI, based in England, transferred 2.001.337.500 Group B shares, in the Company's share capital, which were paid up in full and with a nominal value of TL 20.013.375, to CNH Industrial Osterreich GmbH, based in Austria, on 16 February 2011. CNH Industrial Osterreich GmbH is 100% owned subsidiary of CNHI and manufactures tractor and agricultural equipment branded Steyr, Case IH and New Holland and responsible for after sales service.

CNHI has worldwide leader position both in agricultural and construction sectors. CNHI shares are quoted on New York Stock Exchange (NYSE:CNH).

Its operations are divided into 3 parts as shown below:

1) Manufacturing Agricultural Equipment
2) Manufacturing Construction Equipment
3) Financial Services

CNHI offers its products through 2 brands; Case IH and New Holland. CNHI's brand family in agricultural sector is sold under Case IH (Steyr brand in Europe) and New Holland, and its construction sector is sold under Case and New Holland Construction brands (Kobelco brand in North America). As of December 31, 2013, CNHI manufactures its products in 64 facilities and distributes its products in approximately 190 countries through a network of approximately 6.000 full-line dealers and distributors. CNHI is in leader position especially in agricultural equipment sector. Agricultural and construction equipment revenue reached to 16 billion Euroat 31.12.2013 and truck and commercial vehicle revenue realized as 8,8 billion Euro. In total net revenue realized as 25,8 billion Euro.

Information about the conditions of transactions with related parties and conformity of these operations with market requirements

Since CNHI holds the copyright according to Joint Venture agreement signed by Koc Group and CNHI, TürkTraktör export sales (tractor, spare parts and transmissions) are carried out through CNHI. The large majority of risks, transportation and insurance costs of sales to CNHI, are taken over by CNHI. Whereas, TürkTraktör export sales are mostly to CNHI, it does not have promotional, advertising, market and customer searching costs. In addition, the company does not have collection risk and overdue debt thanks to direct sales to CNHI. TürkTraktör, only in case of export sales being realized in foreign currency basis, might bear exchange risk and inventory risk.

Details of TürkTraktör sales to CNHI International pertaining to 01.01.2013-31.12.2013 over 10% range, are given below table.

SUMMARY OF RELATED PARTY TRANSACTIONS

TITLE OF RELATED PARTY	TRANSACTION AMOUNT TL	TRANSACTION TYPE	TRANSACTION PRICING METHOD
CNH INTERNATIONAL S.A.	671.762.570	Product Sale	Cost Plus Pricing Method
	321.977.243	Product Purchase	Cost Plus Pricing Method
	35.513.794	Service Purchase	Favorable Price on Market Conditions Method

Total sales amount between TürkTraktör and its related party CNHI International realized as TL 671.762.570 within 2013, and total purchasing amount realized as TL 357.491.037. The determined method for this transaction was Cost Plus Pricing Method.

TürkTraktör whose shares are quoted on stock exchange since 2004, carries out its activities as per the provisions of Joint Venture agreement signed in 1998 by CNHI and Koç which has equal share in TürkTraktör's capital and has not any relation between each other in terms of capital, management and audit, and the provisions of Supply Agreement signed in 2003.

- Reference to the provisions of Supply Agreement, TürkTraktör is responsible for manufacturing products that are approved by CNHI in accordance with CNHI coordination and requests.
- TürkTraktör is in charge of providing tractor and spare parts only to CNHI in order to be distributed worldwide. On the other hand, CNHI is in charge of distributing tractors manufactured by TürkTraktör.
- The method used in sales, as mentioned in both agreements, is Cost Plus Pricing method.

The Cost Plus Pricing Method is generally applied in such areas like raw-material, work in progress goods, manufactured goods, sub-production and supply of service. In this method, arm's length price is determined by increasing cost of goods and service sold with reasonable gross profit ratio and also direct or indirect manufacturing should be considered. In case any need to make transfer from operational expenses to costs, in gross margin calculation, the relevant costs of goods and services should be correlated with the most proper criteria on the condition that it shall be related with the mentioned transaction.

TürkTraktör is sub-manufacturer of CNH Company because of purchasing main parts related with manufacturing of export goods, in other words, doing import based export and assembling in-house. As TürkTraktör is holding sub-manufacturer position, the Cost Plus Pricing Method of which conditions are determined as per the provisions of the agreement, is preferred.

As a result of this transactions carried out with CNH in that way, TürkTraktör has the opportunity to sell its products to different foreign markets through market discrimination and therefore, TürkTraktör is affected by local market volatility at minimum level.

Total purchasing amount between TürkTraktör and its related party CNHI International realized as TL 357.491.037 within 2013. In general, CNHI International supports TürkTraktör in in terms of designing and manufacturing engineering areas.

Reference to the mentioned service purchasing, it is not possible to find any peer by using traditional pricing methods. Cost reflection has been taken as basis for this transaction done with favorable price on market conditions.

Conclusion

This report has been prepared within the context of the 10th article of Capital Markets Board (CMB) communiqué serial II.17.1, in accordance with the fact that the common and continuous purchasing transactions reach up to 10% of cost of goods sold amount, selling transactions reach up to 10% of revenue amount, stated in financial statements that will be announced to public, within 1 fiscal year and it is expected that this kind of related party transaction will reach to the same level in 2014. This report gives information about the conditions of transaction with CNHI International, pricing method and the reasons for choosing this method and comparison between the market requirements.

REMUNERATION POLICY FOR TOP MANAGEMENT AND BOARD MEMBERS'

This policy document identifies the remuneration system and practices concerning our board members' and top management whose have administrative responsibility as per the CMB regulations.

Fixed compensation for all board members' is determined in general assembly meetings every year.

Payment for executive board members shall be done within the context of below given policy that has been determined for top managers.

Performance based compensation is not applied for the independent board members remuneration.

Payment to board members' shall be done by considering their task period from inception to expiry date in pro rata basis. The expenses (transportation, telephone, insurance, etc.) of which covered by the board members due to their contribution to company, can be met by the company.

The top management compensation is comprised of two components; fixed and performance based.

Top management's fixed compensation is determined in parallel with international standards and legal obligations by considering macroeconomic data in the market, remuneration policies prevalent in the market, corporate growth and long term targets and the position of the managers'.

Top management bonuses are calculated according to bonus based, company performance and personal performance. The information concerning the mentioned criteria is summarized below.

- **Bonus Based:** The base of bonus updated at the beginning of every year and can be variable according to the size of managers' position. While updating the base of the bonuses, the top management bonus policies prevalent in the market shall be considered.
- **Company Performance:** The company performance is obtained by evaluating period end values of the financial and operational (market share, export, foreign market activities, efficiency, etc.). targets given at the beginning of every year. The sustainability of the success, covering improvements compared to previous years is the overemphasized principles considering determining the company targets.
- **Personal Performance:** Targets concerning employee, customer, process, technology and long term strategy are considered together with the company targets to determine the personal performance. While evaluating the personal performance, in line with company performance, it is paying regard to long term sustainable improvement principle excluding the financial areas,

In case the top managers leave the company, post-employment benefits may be paid by taking into consideration of their working period as top manager, their contribution to the company, last target bonus before the leaving date, salaries and the bonuses paid within the last year.

Total amount of remuneration of which paid to top management and board members' within the year, and determined as per the above given principles, shall be presented to the information and/or approval of shareholders in the following general assembly in line with the legislation.

RISK MANAGEMENT AND THE ACTIVITIES OF RISK ASSESSMENT COMMITTEE

Risk Management
Risk management is implemented under the policies that were approved by the Company's Board of Directors.

Internal and external factors shall be taken into consideration during risk identification studies and be located under the following categories:

Operational Risk: Risks resulting in direct or indirect loss due to insufficient or problematic work processes, employees, systems or external factors.

Strategic Risk: Risks that cause a threat for the corporations mid and long term position, profitability and mission in the sector.

Financial Risk: Risks that arise from the financial positions and choices against changes on the economic conditions.

a) Market Risk

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

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.

c) Liquidity Risk
Liquidity risk is managed by mainintaining 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.

Reporting Risks: Risks that threaten the being of data that affect the corporation's financial tables, the correctness, coherence recording and confidentiality are known as reporting risks.

Information Technology Risks: The risks that are exposed in terms of management, safety, confidentiality and coherence systems in which the work and data of the applications used within the corporation are recorded.

Legal and Reputation Risks: Risks that form with the corporation breaching the laws that they are supposed to abide by and not fulfilling their legal responsibilities.

Information Safety Risks: Risks that threaten the confidentiality, coherence and accessibility of the information in the corporation.

Business Continuity Risks: The risk of operations, the main practice of the corporation, being cut.

a) Climate Risk
Changes on the climatic conditions are another risk factor for the Company. Fluctuations in the agricultural sector due to the climatic conditions, impacts the sales of the Company. Since the main customer of the Company is the farmers; climatic conditions that is the important factor for shaping the agricultural sector, is different risk factor for the Company.

b) Market Risk
Until 2008, the competition continued between 2 brands but now current situation is getting harder with the addition of new brands every day.
The market penetration target is "High Equipment – Low Price" especially for the importers. The new importers, especially India and China are entering the market with "Low Quality – Low Price" strategy. Notwithstanding, the local tractor manufacturers are increasing their market share with "Low Quality – Low Price" strategy implementing on the lower segment that is sensitive to the price.

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.

The determined risks will be detailed and recorded using the "TTF Risk Management Follow up Table" will be reviewed and updated once every 3 months 4 times a year by the officials. Every month, internal reporting shall be made to the responsible persons by the Internal Audit Department after evaluating the summary table of risks.

Risks shall be managed according to the classification below:

- **Low Risks (L:Low):** shall be followed at "Supervisor" level.
- **Moderate Risks (M:Moderate):** shall be followed at "Manager" level.
- **High Risks (H:High):** require notification and management at "General Manager" and "Assistant General Manager" level.
- **Extreme Risks (E:Extreme):** shall be submitted by the Risk Management Committee to the consideration of the Board. Continuous follow up is required.

Activities of the Risk Assessment Committee

The Risk Assessment Committee established in our company's Board of Directors meeting dated 09.07.2012 for the purpose of complying with the 378th article of Turkish Commercial Code numbered 6102 entered into force on 01.07.2012 and ensuring the effective operation of the committees established under board of directors, and making studies to early recognize the risks that may jeopardize the company's existence, development and continuity; implementing necessary precautions concerning to the recognized risks and making studies to manage the risks. Since its establishment Mr. Andreas Christian Schröter, independent board member, engages on the chairmanship of the committee. Other members of the committee are Mr. Temel Kamil Atay and Mr. Alessio Berretta who are the board members as well.

The committee convened 10 times in 2013. The committee evaluates Türk Traktör ve Ziraat Makineleri A.Ş. Risk Management system and risk reporting principles, reviews Risk Reports prepared periodically in line with this scope, presents opinions concerning the necessary precautions that need to be taken for the purposes that are not complying with the limits determined at Risk Management System. Reporting studies and committee evaluations are presented to the information of the Board of Directors.

Internal Audit System and Internal Audit

The Risk Assessment Committee has been established to give opinions to the board of directors for the purpose of determining and evaluating the strategic, financial, operational and all kind of risks that may affect the Company, calculating the impact and possibilities, managing these risks in parallel with the company's risk-taking profile, reporting, ensuring that these risks are taking into consideration by taking decisions and accordingly establishing and integrating efficient internal audit systems. The Audit Committee continuously following the operation and efficiency of the system, sharing the problems and solutions concerning the internal audit mechanism with the board of directors.

Board of Internal Audit has been established for the purpose of executing the company activities and services in efficient, reliable and uninterruptedly way, ensuring integrity, consistency, reliability and safety of the information provided by accounting and financial reporting system. A "Risk Management Committee Report" shall be drafted by Board of Internal Audit at least 6 times a year in order to present Risk Management Committee review. The reports approved by the committee shall be distributed to the BoD and Independent Auditor. Internal Audit function:

- The Board of Directors and Upper Management of the Company make independent examinations that will enable a security for the company's operations and they provide the service of giving a detailed report on their examinations.
- It fulfills the need of protecting the company's assets and records.
- It enables the security of financial and operational information and reporting.
- It meets the need of increasing the company's practices' effectiveness and benefits.
- It provides support for meeting the policies set by the Company's Top Management.
- It helps the company gain a transparent operation with consciousness of the Company's high ethical values and responsibilities.

CORPORATE GOVERNANCE DECLARATION AND COMPLIANCE REPORT

CHAPTER I – DECLARATION FOR COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Our Company complies with the Corporate Governance Principles published by Capital Markets Board and makes regulations about issues to be complied with based on developing conditions in line with development of capital markets. The company aims to perform activities required for corporate governance practices as for rights of shareholders, informing public, ensuring transparency and decisions / transactions as regards stakeholders and the Board of Directors. In this sense, our Company oversees and aims to ensure implementation of the above-stated principles based on equal treatment of all stakeholders, responsibility of information and the principles of corporate governance.

Our company completely complies with compulsory principles stipulated in "Communiqué on Identification and Implementation of the Principles of Corporate Governance" with Serial Number: IV and Number: 56 (Communiqué) which was in force in 2013 and most of the non-compulsory principles have been kept. Although full-compliance is targeted for non-compulsory principles of Corporate Governance, full-compliance has not been achieved yet due to reasons such as difficulties encountered in relation to implementation of some principles, discussions about compliance with some principles in our country and at international level, non-alignment of some principles with the current structure of the market and the company. There are still some efforts aimed at the principles, which are not implemented, and there is a plan to implement these principles administrative, legal and technical infrastructure activities are completed in order to contribute to effective management of our company.

Comprehensive activities carried out in our company as regards the principles of corporate governance, the principles, for which compliance has not been achieved yet, and conflicts of interest, if any, related to these issues are described below.

In 2013, most important activities in the field of Corporate Governance include activities aimed at compliance with the Capital Markets Law on new regulations about the principles of corporate governance and with the new Turkish Commercial Code. In our ordinary general assembly organized in 2013, all amendments envisaged in these regulations were enacted in the articles of incorporation of our Company. Besides, the process about identification and announcement of independent member candidates was completed and election was organized in accordance with the regulations. Newly established committees of the board of directors have been carried out their activities. Remuneration policy for the board of directors and senior managers was determined and partners were informed about this policy during the general assembly. Through the general assembly information document, our investors were informed about privileged shares to be announced in line with the principles, information about the general assembly such as rights of voting, organizational changes, curriculum vitae for candidates for membership in the board of directors, remuneration policy for the board of directors and senior managers, reports to be prepared and information to be announced about procedures of the related parties 3 weeks prior to the general assembly. Besides, corporate web site and activity report of our Company were reviewed and necessary revisions were made for full-compliance with the principles.

Arrangements concerning the number of independent board member have been stated at the 4.3.4th article of Corporate Governance Principles that entered into force through the communique serial II.17.1 on Identification and Implementation of the Corporate Governance Principles.

It has also been cited at the 6th item of 1st article that, if the application deemed appropriate by the Capital Markets Board, the criteria determined at the 4.3.4th article concerning the number of independent board members will not been implemented for the joint venture companies constitute of two real or legal entities provided that having 51% equally directly or indirectly capital, not having management or audit relations amongst each other, sharing the managerial control through the agreement that requires affirmative votes of two parties for the important decisions on the company. Two independent board members will be sufficient for such companies.

Our Company's A group privileged shares at the rate of %37,50 belongs to Koç Holding A.Ş. (Koç Group) and B group privileged shares at the rate of %37,50 belongs to CNH Industrial Osterreich GmbH ("CNHI Group"). Controlling our Company's management equally between Koç Group and CNHI Group is provided with the articles in Our Company's Articles of Association.

Pursuant to the article 10 of the Company's Articles of Association, half of the Board shall be elected from among the nominees of the A Group privileged shareholders and the other half shall be elected from among the nominees of the B Group privileged shareholders. The whole Board is constituted equally by Koç and CNHI groups without making discrimination. As it is mentioned in the article 10 subsection 6 of the Company's Articles of Association, in case of the

absence of affirmative vote of two each board selected by proxy of Koç Group and CNHI Group, it is not possible to take a resolution for an issue in the Board. Therefore, Koç Group and CNHI Group have both control on our Company.

According to the article 5. (5) of the Communique in question, our Company is accepted as a joint venture and within this context, determining independent board member number as 2 is approved by the CMB on 16.02.2012 with document numbered 5/129.

In the upcoming period, necessary activities will be carried out for compliance with the principles by considering developments in the legislation and the related practices.

In this context, SAHA Corporate Governance and Credit Rating Services Inc. (SAHA INC.), which is authorized to perform rating activities in Turkey in line with the Corporate Governance Principles published by Capital Markets Board, increased our Company's corporate governance rating from 89.02 (8.9 over 10) to 91.04 (9.10 over 10) as a result of its analysis in 2013. According to the decisions taken at the Capital Markets Board meeting on 01.02.2013 numbered 4/105, our company's corporate governance rating has been revised on 03.03.2014 and the new rating and its breakdown is presented below. The grade (9.10) given by SAHA INC. in the rating activity organized by considering the Corporate Governance Principles shows that our company has significantly achieved compliance with the Corporate Governance Principles of Capital Markets Board, that it has implemented necessary policies and measures and that the activities about compliance with the principles of corporate governance will be strengthened and implemented.

Distribution of our corporate governance-rating grade by main topics is as follows:

SUB-CATEGORIES	WEIGHT	ASSIGNED GRADE
Shareholders	0.25	84,53
Public Disclosure and Transparency	0.25	88,91
Stakeholders	0.15	96,33
Board of Directors	0.35	84,14
TOTAL	**1.00**	**87,26**

Compliance report, which includes components of the Corporate Governance Principles (those implemented and those not implemented) for 2013 period in terms of the current management activities based on legal regulations and legislation, is submitted to your information. Besides, it is available in our internet site (www.turktraktor.com.tr).

CHAPTER II – SHAREHOLDERS

2.1. Investor Relations Department

In our company, the Investor Relations Department affiliated under Assistant General Management of Financial Affairs is responsible for regulating and ensuring corporate investor relations and public disclosure activities, implementing and following the Corporate Governance Principles, ensuring that employees of the company comply with these principles, representing company's corporate entity before Ministries, Capital Markets Board, Borsa İstanbul (BİST), Takasbank (Settlement and Custody Bank), Central Registry Agency, independent audit companies and all other related institutions and organizations, submitting necessary reports and information to these institutions, making necessary notifications to BİST through Public Disclosure Platform, extension of shareholding rights, carrying out stock transactions, responding to information requests of investors and intermediary institutions, organizing General Assembly meetings of Partners, organizing meetings of the Board of Directors and Inspection and keeping records thereof, preparing decisions of the Board of Directors and following the approval process. The Investor Relations Supervisory performs activities such as following and implementing regulations made and to be made in line with the legislation of the Capital Markets Board, establishing relations with shareholders without any discrimination, performing capital increases, keeping records of the shareholders in a sound, safe and updated manner, informing public about the legislation, updating the related parts of the company's internet site and responding to information requests about the company. The Investor Relations Supervisory responds to information requests of shareholders about the company and plays an active role in protecting and facilitating the use of shareholding rights. Ms. İlkiz Karagüllü who has the Advanced Level License of Corporate Governance Activities and Ms. Sıla Akçay work as authorized supervisor and specialist respectively in this unit which is under the Financial Affairs Assistant General Management. It is possible to receive information through the e-mail address, investorrelations@turktraktor.com.tr, or through telephone number: (0312) 233 25 02 and facsimile number: (0312) 233 33 73.

In addition to one-on-one interviews, roadshows and analyst meetings, all kinds of questions from shareholders, analysts and fund managers were answered in written and verbal form during the year. Through these meetings, it was ensured that the related people and institutions

were informed about TürkTraktör and about recent developments. Press conferences and analyst meetings were organized through participation of senior directors in order to reveal quarterly/annual financial results. Feedbacks for all information requests directed to e-mail address of the company were provided in a timely manner. Investor presentations were included in our internet site and it was ensured that investors and public were informed in an updated way. Our Company attaches utmost importance to this issue in line with its information policy in terms of individual and corporate investors and ensures updated information flow.

Material disclosures, financial statements and other information about the Company, which are to be notified to BİST through Public Disclosure Platform, are sent with electronic signature. Mr. Memet İlkan Kamber, Mr. Murat Ünver and Ms. İlkiz Karagüllü are authorized signatories for notifications to be made through Public Disclosure Platform.

2.2. Use of Information Rights by Shareholders

Activities were immediately initiated to ensure that shareholders make use of their information rights in Türk Traktör and Ziraat Makineleri A.Ş. (the company), which became a public company upon initial public offering of shares to bearer by Koç Holding Inc. to BİST on 3-4 June 2004, and necessary arrangements were made on the current web site of the Company in order to inform investors. To this end, information envisaged in line with the legislation of capital markets was added and an e-mail address, which is only available for investors, was brought into use.

No discrimination is made for shareholders about use of the right to information and inspection and all information except for trade secrets is shared with shareholders. Questions directed to the Investor Relations Supervisory except for confidential information and trade secrets are answered through telephone or in written form upon consultation with the most authorized person about the related issue. As explained in Chapter 3.2 of this report, any and all information and explanations, which could affect shareholding rights, are provided in internet site.

Although right to request a private auditor is not arranged in our Articles of Association as an individual right, each shareholder may request from the general assembly to clarify specific incidents through a private audit even if it is not included in the agenda in the event that it is necessary for ensuring use of shareholding rights and that right to information or inspection is not previously used. To date, none of the shareholders has made such a request. Besides, activities of the Company are regularly inspected by the Independent Auditor elected in the General Assembly.

2.3. General Assembly Meetings

During this period, Ordinary General Assembly meeting of Partners was organized on 18.03.2013 in Ankara headquarters of Company. Calls for General Assembly were made in Turkish Trade Registry Gazette as well as two major newspapers published in Turkey (Dünya and Milliyet) and shareholders included in Shareholders' Stock Register were informed about the General Assembly in written form and all necessary information was provided in line with the procedures and within legal time limits. The General Assembly was organized in public. All rightful stakeholders and press members were invited to our General Assembly meeting although they do not have any right to speak.

Meeting procedure of the General Assembly is arranged in a way that will provide the highest level of participation for shareholders. It is ensured that meeting minutes are always available through written copies or in electronic format.

Invitation to the General Assembly is made by the Board of Directors in accordance with the provisions stipulated in Turkish Commercial Code, Law on Capital Market and Articles of Association for the company. When a decision is taken by the Board of Directors in order to organize the General Assembly, necessary calls and explanations are made over Public Disclosure Platform and as of 2013, calls, announcements, participation and voting procedures for general assemblies has been carried out through Electronic General Assembly System of Central Registry Agency.

Financial statements and activity reports are made available in the Headquarters of our company at least 21 days before the General Assembly. Announcements for meetings of the General Assembly are published on the internet site at least 3 weeks prior to the meeting. Following submission of financial statements to BİST and publication of the Annual Report, any and all information and report to be handled in the agenda of the General Assembly are sent to those requesting this information through the fastest facility of delivery such as letter, facsimile message or e-mail. Records are kept public in areas, which are easily accessible by shareholders, including electronic media.

In addition to the announcement for meeting of the General Assembly, the following issues are available on the internet site of the company.

a. Total number of shares and voting rights that reflect the structure of partnership for the company and number of shares and voting rights that represent A and B privileged share groups as of the date on which the announcement is made,

b. Information about dismissal, replacement or election of board members and justifications thereof as included in the agenda of the meeting for the General Assembly and people to be nominated for board membership,

c. In the event that requests are made by shareholders, Capital Markets Board and/or other public institutions and organizations related to the company for inclusion of items in the agenda, information about these requests,

d. In the event that amendment of the Articles of Association is included in the agenda, the related decision of the Board of Directors and former provisions and newly-amended provisions of the Articles of Association.

Each motion covered by the agenda items of the General Assembly is clearly described under a separate headline. If requests are made by shareholders to the Investor Relations Supervisory in written form for inclusion of items in the agenda during preparation of the Agenda, these issues are taken into account by the Board of Directors. In addition, in case of the majority of affirmative votes of independent member which is required to get the board resolution does not secure, the issues can be included to the agenda and the General Assembly resolution can be taken related to these issues. General Assembly meeting is may be organized in Ankara, in which headquarters of the company is located, or another city to be determined by the Board of Directors in line with our Articles of Association. However, to this day, all general assembly meetings have been organized in the headquarters of the company upon preference of the Board of Directors.

It is quite natural that shareholders ask questions and present their views by taking the floor about an issue during our General Assemblies. Therefore, General Assembly ensures that partners of our company ask questions, present recommendations about items of the agenda and talk about their proposals in line with the related procedures. In the event that these questions are not related to the agenda or if they are too comprehensive to respond immediately, these questions are answered in writing as soon as possible. Within this framework, there is no question asked by the shareholders in the Ordinary General Assembly Meeting on 18 March 2013. All information including Annual Reports, financial statements and independent audit reports, dividend proposals and agenda of the general assembly, the related information and documentation, if any, and form for voting by proxy, current Articles of Association, texts of amendment, if any, material disclosures, distribution of the capital by shareholders and Corporate Governance Compliance Report are published on the internet site and this information is also available in electronic format. Open ballot method (through lifting hands) is used for voting items of the agenda during General Assembly meetings.

Board members, who are informed about the related items of the agenda, other related people, authorities, who are responsible for preparation of financial statements, and auditors are present in the General Assembly meeting in order to provide necessary information and to respond to questions.

It is possible to have access to all general assembly minutes and lists of participants by years from the headquarters of the company. Besides, this information is also available through Turkish Trade Registry Gazette in Ankara Trade Registry Office. Files of the General Assembly Meeting Minutes for the last 5 years can be accessed and reviewed through our internet site.

The General Assembly should provide a pre-approval and should be informed about the activities related to shareholders, who have dominance in management, board members, senior directors which have administrative liability and spouses and relatives of these people up to the second degree to carry out activities that may result in conflict of interest with the company and the affiliated partnerships and/or in case ofcarrying out an activity that may fall into the field of partnerships' operation on its or other's behalf or getting into another partnerships which are operated in the similar business area as unlimited partner; and related to activities in the field of partnerships' operation done by person on its behalf who are able to reach the company's information. People, who are privileged to have access to the information of the company, inform the board of directors about the activities they carry out in relation to field of activity for the company during the General Assembly.

Assignment of all or most of the assets of the companies, establishment of real rights on the assets or renting these assets, taking over or hiring an important asset, envisaging privileges or changing scope or subject of the current privileges and dequotation are considered significant procedures in terms of implementing the Corporate Governance Principles. Unless a decision of the general assembly is required for significant procedures in accordance with the related legislation, majority of the independent members need to provide approval for execution of a decision by the board of directors for the above-stated

procedures. However, in the event that majority of the independent members do not approve significant procedures and that there is a request for execution of the above-stated procedures in spite of opposition of the majority of the independent members, this procedure is submitted to the approval of the general assembly. In this case, justification for opposition by the independent board members is immediately disclosed, notified to the Capital Markets Board and read out in the general assembly meeting to be organized. If people, who become party to significant procedures, are affiliated parties, these affiliated parties may not vote during the general assembly meetings. Meeting quorum is not sought in the general assembly meetings to be organized for fulfilling the responsibility stipulated in this article and the decision is taken by simple majority of those with a voting right. Provisions about this issue are included in the Articles of Association.

The company does not have any written donation and aid policy, but all donation and aid amounts accrued during the period and beneficiaries thereof are submitted to the information of the partners through a separate agenda item during the General Assembly meeting. The Ordinary General Assembly held in 2013 is informed about the donation and aid done in 2012 through a separate agenda item and the donation limit for 2013 is determined as the amount of 4.1 Million TL and there is no change in the donation policy.

5. Voting Rights and Minority Rights

Each shareholder is allowed to make use of the voting right in the easiest and the most proper manner. The related articles of Turkish Commercial Code and Capital Markets Law and regulation is applied in the ordinary and extraordinary meetings of the General Assembly. Shareholders present in the meetings of the General Assembly will cast vote pro-rata to the nominal value of their total shares in the share capital of the Company and there is no privilege for the voting right (Paragraph c, Article 15 of the Articles of Association). Shareholders with privilege A and B group shares are allowed to nominate people for board membership (Paragraph 2, Articles 10 of the Articles of Association). Voting rights are utilized in the General Assembly in line with the arrangements in relation to the type of representation and voting (Paragraphs c and d, Articles 15 of the Articles of Association). The company complies with the regulations of the Capital Markets Board as regards voting by proxy.

There is no controlling shareholder on the basis of reciprocal shareholding. There are professional directors from the sector and companies of Koç Holding in the current Board of Directors. As there is a case of voluntary implementation in line with the legislation of capital market and controlling shareholders do not deem this arrangement necessary, no arrangement is made in the Articles of Association for the company with regard to representation of minority shares in the management and cumulative voting method. As for this issue, the current provision about the quorum of the General Assembly shall apply (Paragraph hArticle 15of the Articles of Association).

In the Company, using the minority rights is watched over compliance with the CMB and Turkish Commercial Law regulations. In 2013, there is not any diatribe or complaint for this issue. All shareholders including minority and foreign shareholders are treated equally.

6. Right of Dividend

There is no privilege about participation in profits of the company and distribution of dividends. Article 19 of the Articles of Association on "Distribution of Profit" shall apply. Dividends are distributed based on long-term strategies, investment and financing policies, profitability of our company and arrangements of Capital Markets Board and distribution of dividends is submitted to the approval of the General Assembly and the company complies with the legal time limits. In line with the policy for distribution of dividends, dividends are distributed to all current shares as of the accounting period on an equal basis irrespective of the dates of exclusion and acquisition. This issue is included in the related article of the Articles of Association and as it is a provision for the General Assembly, it is submitted to the information of shareholders. The dividend policy of Company is given below:

DIVIDEND POLICY

Our Company distributes dividend in parallel with the provisions of Turkish Commercial Code, Capital Markets Board regulations, Tax legislations, other related regulations and the related dividend distribution article of the articles of association. In line with the Corporate Governance Principles, balanced and accurate policy is followed between the benefits of the shareholders and the Company.

In principle, as long as the relevant regulations and financial possibilities be convenient, by taking into consideration of the market expectations, long-term company strategy, investment and financing policies, profitability and cash situation, minimum 60% of net distributable profit that calculated in line with Capital Markets Board provisions, shall be distributed in cash and/or as bonus shares.

It is aiming to distribute dividend within a month following the General Assembly Meeting at the latest, general assembly decides the date of the dividend

distribution. General Assembly or if authorized the Board of Directors may decide to pay the dividend in installments in line with Capital Markets Board regulations.

Reference to the articles of association of the company, the board of directors may distribute the dividend in advance only if the board has authorized by the General Assembly and done in parallel with the Capital Markets Board regulations.

Dividends distributed and dividend distribution policies implemented in the last 5 years are included in our Annual Report and web site of our company. The form and time of dividend distribution resolved to distribute are determined by General Assembly after the proposal of Board of Directors.

2.6. Assignment of Shares

In Article 8 of the Articles of Association on "Assignment of Shares", principles of selling and assigning registered shares for non-public A and B group are stipulated and there are limitations on assignment of shares in accordance with these rules and arrangements. Assignment of public C group shares is regulated by the Capital Market Board.

CHAPTER III – PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Information Policy

Our Company aims to submit easily-accessible information to the interested parties in a timely, accurate, complete, comprehensible, analyzable and affordable manner in accordance with the principle of public disclosure and transparency. On condition that it is not a trade secret, any and all information to be requested is provided to the interested parties. However, there is information activities performed in line with the proper policies of affiliated national and foreign partners and there are also strategic policies as a basis for this information, documentation and registration system. Besides, arrangements are made as regards relations with media and public meetings. Apart from information regulated under the legislation, the company's information policy includes information about the information to be announced in public or frequency of meetings to be organized.

Trade secret is defined as significant information for economic success and efficiency of the company, which is only known and acquired by a specific number of personnel and other employees of the company in the related field of activity and which should not be known by competitors and revealed to third parties and public. Trade secret may not be revealed, used or provided in line with the principles and limitations envisaged in the Law on Capital Market and other laws.

Depend on the Company's decision, public announcements which shall be disclosed maximum four times in a year concerning expectations about the future, are made together with the statistical information on which the expectations are based and by which they are justified. The information must contain no exaggerations or misleading elements and must be associated with the Company's financial standing and operational results. Any public statement about the future must be made through the authorization of Board of Directors resolution or through the written approval of a person authorized by the Board of Directors and with the knowledge of the Investor Relations Supervisory. Also, the expectations in question may be disclosed via the material event disclosure, annual report and investor presentation. If there is important differentiations occurs on the disclosures about the future expectations or be recognized that these expectations will not be realized, material event disclosure will be made together with the reasons and the aforementioned information will be updated.

Our Company has published the Information Policy approved by the Board of Directors in web site of the company, on intranet, through which corporate communication is established, submitted it to BİST as an attachment to a material disclosure and all shareholders and stakeholders have been informed about the policy. General Manager Mr. Marco Votta is authorized to create and execute this policy.

As explained in some presentations in its internet site, our Company informs public about future projections together with assumptions and data, which forms the basis for assumptions. In the event that estimations and bases specified in the previous future projections do not come true or if it is realized that they will not come true, updated information is provided about these issues.

3.2. Corporate Web Site and Its Content

Our Company has an active and up-to-date internet site. This corporate web site is arranged in two languages: Turkish and English. In this internet address, there is comprehensive information about possible requests from our Company. In our internet site, which can be updated based on developments, there is a section for "Investor Relations" that covers minimum components envisaged by Capital Markets Board. Important headlines which can be followed through the web site of the company are as follows:

- Stock Information and Investor Tools
- Share Chart
- Dividend History
- Capital Increases
- Analyst Coverage
- Calendar
- Corporate Overview and Governance
- Management Team

- Trade Registration
- Articles of Association
- General Assembly Document
- Corporate Governance
- Disclosure Policy
- Dividend Policy
- Corporate Governance Adoption Report
- Ethical Rules
- Corporate Governance Rating Reports
- Policy Regarding Disclosure of Material Event
- Policy Regarding Protection of Insider Information
- Task and Performance Principles of Committees
- Committee Reports
- Board of Directors Resolutions
- Material Disclosures
- Financial Results
- Independent Audit Company Report
- Investor and Analyst Presentation
- Annual Report
- Financial Statements
- Financial Kit
- Investor Registration
- Investor Feedback
- Contact Us
- FAQ
- News
- Links

The related information, which reflects the situation in the last 5 years, is available in our internet site. Our company's Annual Report may be provided in printed form. Besides, our web-based Annual Report may be reviewed from our internet site. The Investor Relations Supervisory is responsible for preparing content for the section of Investor Relations in our internet site, updating information as they change and adding extra information. Necessary responses are provided to shareholders and stakeholders for questions asked through "Contact Us" section of our internet site and information requested through electronic media.

Announcement of Real Person Final Controlling Shareholder/Shareholders

There are no shareholder/shareholders with a rate of shares higher than 5% in partnership structure of our company except for our principal partners, Koç Holding A.Ş. and CNHI Group. Information about our principal partners, Koç Holding A.Ş. and CNHI Group, is available in our internet site and it is possible to have access to detailed information through links. Board members, senior management and shareholders, who directly or indirectly have 5% of capital, inform public about their actions over capital market tools and shares of the company and results thereof. This information is published in Stock Exchange Market Bulletin.

3.3. Annual Report

Board of Directors prepares the Annual Report in a detailed manner in order to inform public about activities of the company in a complete and accurate way.

Headlines of the company's activity report are as follows:

- Vision and Mission
- Evaluation of the Board Chairman
- Message of the General Manager
- Results of Activities in 2013
- Report of the Board of Directors
- Corporate Governance and Capital Structure
- Products and Equipment
- General Overview of 2013 and Social Responsibility Activities and Human Resources
- Corporate Social Responsibility
- Legal Notices
- Risk Assessment – Internal Control and Audit
- Agricultural Sector and Tractor Market
- Resumes of the Board of Directors and Senior Directors
- Members of the Board of Directors, Board of Inspection and Audit Committee in the related period
- Statement of Corporate Governance and Compliance Report
- Agenda of the General Assembly Meeting
- Amendment of the Articles of Association and Agenda Items for the Meeting of Privileged Shareholders
- Dividend Distribution Policy – Dividend Distribution Table
- Auditor's Report – Report of the Committee responsible for the audit
- Financial Statements and Independent Audit Report
- Information about Duties Carried Out by Board Members and Directors out of the Company and Statements about Independence of Board Members
- Number of Meetings by the Board of Directors in the related year and Status of Participation by Board Members in these meetings
- Information about Significant Administrative Sanctions and Penalties on the Company and Board Members due to Practices, which are contrary to the provisions of the legislation, if any
- Information about Amendments of the Legislation, which could significantly affect activities of the company
- Information about Considerable Suits Filed Against the Company and Possible Consequences Thereof

CHAPTER IV - STAKEHOLDERS

4.1. Information of the Stakeholders

Stakeholders are defined as employees, suppliers, clients and third parties that are directly related to the company. All these stakeholders are informed about issues, which are related to them and arrangements concerning necessary organizations, information meetings and necessary information activities are made by our company. Employees of the company are informed about any and all developments through intranet, over which corporate communication is established. Corporate governance practices of the company ensure that

rights of the stakeholders, which are regulated by the related legislation or which have not been regulated, yet, are kept secure.

Additionally, the Unusual Event Management Procedure prepared by the Internal Audit Department established in Company is submitted to information of all employees by publishing on intranet. According to this procedure, the unusual event is defined as "Fraud, Material Losses, Volation of Legislation and Company Procedures to a Significant Extent, Intellectual and Industrial Right Infringements, Misuse of Computer Sources, Insider Trading, Security or Safety Problems and all other cases which may endanger the Company or the employees and which may damage the reputation of the Company." The unusual event notifications may arrive at the Internal Audit Department in the ways below:

1- Verbal and written statements of employees
2- Complaints and notices written on the Company Website
3- Complaints and notices written on Koç Holding's Website
4- Written complaints and notices arriving at Company senior management and employees
thereof

4.2. Participation of Stakeholders in Management

Practices, through which stakeholders can participate in development activities for administrative issues, present opinions and make evaluations about these issues in an active manner, are carried out within the company. There are meetings and training programs, which aim to increase quality and efficiency, and through which employees, suppliers and clients make requests, and studies such as "Survey for Evaluation and Improvement of Business Life" and these activities are performed in line with the policies of the company. Besides, customer satisfaction surveys are organized, feedbacks about customer satisfaction are followed within the system and criteria of objectives are redefined. There are call centers, which work on 7/24 basis in order to respond to needs and questions of customers in the best way possible. Besides, stakeholders are encouraged to participate in management through the system aimed at receiving recommendations and opinions in customer relations over SMS.

4.3. Human Resources Policy

Our Human Resources mission is to establish and continuously improve Human Resources Systems that will make employees happy in line with the objectives of the Company. Our vision is to maintain Human Resources practices that will meet needs and expectations of employees in TürkTraktör through an approach of continuous improvement and to make TürkTraktör a preferred company.

Criteria for recruitment of personnel specified by Directorate of Human Resources are written and recruitment process is carried out in line with these criteria. "Working Environment Procedures" have been created in order to ensure that employees work in a fair, comfortable and safe environment, to eliminate losses of working days and labor, to increase efficiency and to ensure manufacturing and operational safety; "Improvement Planning Procedures" have been created in order to improve knowledge, skills, manners and talents of employees, to plan, organize and record in-house, external, on-the-job and foreign language training activities so as to increase business efficiency and "Occupational Health and Safety Procedures" have been created in order to ensure that employees comply with health and safety conditions stipulated in Labor Law and the related regulations on Occupational Health and Safety. Implementation of procedures is supported with documents and orders published in parallel with these procedures.

Personnel of the Directorate of Human Resources perform activities in order to establish relations with employees. Carrying out communication activities within the Company is defined as one of the current responsibilities of the related personnel and terms of reference, division of labor, criteria of performance and reward are shared with all employees. Besides, representatives of trade unions take an active part in activities aimed at strengthening communication. Food Committee, Representative of Health and Safety, representatives of Leave Board and Disciplinary Board, who are assigned through election or appointment, represent employees and strengthen communication in these processes. If employees are participating in these activities, then motivation and efficiency are increased. No complaint was made by employees about discrimination within the year.

Team spirit and sharing are adopted as our most important values in all our activities. It is believed that it is only possible to work together and to create a nice working environment through mutual love, respect, positive approach, honesty, hard work and cooperation.

4.4. Rules of Ethics and Social Responsibility

"TürkTraktör Ethical Conduct Board" was formed in order to perform activities in relation to Rules of Ethical Conduct and Principles of Implementation stipulated in Personnel Regulation. Corporate activities are performed within "Rules of Ethical Conduct and Principles of Implementation", which are determined in order to protect and develop reputation of the company name and its corporate structure and the related rules have been

published in web site of the company and on intranet, through which corporate communication is established.

Our activities are organized in line with the principle of corporate social responsibility and criteria of impact on society by considering the region, in which our factory is located, and other social activities aimed at general public. In this context, information about the related activities carried out within the period is available in the Annual Report. In this period, there is no unfavorable notification in relation to environmental damage and there are records about our activities, in particular, environmental impact assessment reports.

CHAPTER V – BOARD OF DIRECTORS

5.1. Structure and Composition of the Board of Directors

Board of Directors performs its activities in a transparent, accountable, fair and responsible manner. The Board of Directors receives opinions from its committees for management of measures to be taken against risks and threats that could affect stakeholders of the company. Risk Assessment Committee was established within the company and the related activities are carried out in coordination with Corporate Governance Committee and the Unit of Internal Audit within the company.

The Board of Directors may distribute duties of management and representation among its members or assign all or some of these duties to delegates, who are board members, or managers, who do not have to be shareholders. The Board of Directors determines human resources and financial resources that will be required by the Company and shapes management according to these needs. The Board of Directors inspects management performance and workflow. The Board of Directors takes strategic decisions, keeps risk, growth and profit balance of the company at the most appropriate level, protects long-term interests of the company through a smart and cautious risk management approach and manages and represents the company. Authorities of the Board of Directors are defined in Article 11 of the Articles of Association. In this sense, the Board of Directors ensures that corporate activities comply with the legislation, the Articles of Association, internal regulations and the related policies.

Following the General Assembly meetings, during which the Board of Directors is elected, Chairman and deputy Chairman of the Board are assigned in order to take decision about assignment of duties. In the event that there are vacancies in Board members during the period, provisions of Article 363 of Turkish Commercial Code shall apply.

Chairman of the board and general manager are different people and their duties are carried out by different people. It is ensured that board members allocate sufficient time for activities of the company and there is no limitation on these people about other assignments or duties outside the company. No such limitation is needed as there is significant contribution from independent members to the Board of Directors due to their business experience and sectoral experience. Before the General Assembly, shareholders are informed about resumes of the members and their duties performed outside the company.

There is a clear separation between authorities of the General Manager of the company and Chairman of the Board as specified in the Articles of Association for the Company. The Investor Relations Supervisory affiliated under Assistant General Management of Financial Affairs is responsible for preparing agendas for decisions of the Board of Directors, writing these decisions, following these decisions and submitting these decisions to information of the members and maintaining effective communication within shareholders. The Investor Relations Supervisory works in close cooperation with the Corporate Governance Committee.

The Board of Directors constituted of 10 members. It will be obligatory to elect five of Board Members out of nominees assigned by A group shareholders and to elect the remaining members out of nominees assigned by B group shareholders. One candidate from nominees assigned by A group shareholders and one candidate from nominees assigned by B group shareholders need to have characteristics of independence stipulated in regulations of the Capital Markets Board.

Terms of independent Board members are limited to 3 years and it will be possible for them to be elected through re-nomination. Most of the Administrative Council members have to be non-executive members in line with the definition made by the Capital Markets Board. None of our Board members including the Chairman may have any direct execution duty within our company except for General Manager and Assistant General Manager responsible for Financial Affairs.

Our current Board Members are Mr. Osman Turgay Durak, Mr. Franco Fusignani, Mr. Kudret Önen, Mr. Marco Votta, Mr. Memet İlkan Kamber, Mr. Temel Kamil Atay, Mr. Alessio Berretta, Mr. Ali Aydın Pandır, Mr. Haşim Savaş Arıkan and Mr. Andreas Christian Schröter. Curriculum vitae of Board members and General Manager are included both in Annual Reports and in the internet site of Investor Relations.

NAME – SURNAME OF BOARD MEMBER	EXECUTIVE / NON-EXECUTIVE	STATUS OF INDEPENDENCE	DATE OF APPOINTMENT	TERM	DUTIES IN THE BOARD OF DIRECTORS AND ITS COMMITTEES	DUTIES OUTSIDE THE COMPANY
Osman Turgay Durak		Not independent member	18.03.2013	1 Year	Chairman of the Board	Koç Holding INC. - Director
Franco Fusignani		Not independent member	18.03.2013	1 Year	Vice Chairman of the Board and Member of Executive Committee	IVECO S.p.A - Director
Kudret Önen		Not independent member	18.03.2013	1 Year	Board Member, Member of Executive Committee and Corporate Governance Committee	Koç Holding INC. - Director
Marco Votta	Executive Member	Not independent member	18.03.2013	1 Year	Board Member	
Memet İlkan Kamber	Executive Member	Not independent member	18.03.2013	1 Year	Board Member	
Temel Kamil Atay		Not independent member	18.03.2013	1 Year	Board Member and Member of Risk Assessment Committee	Koç Holding INC. - Director
Alessio Berretta		Not independent member	18.03.2013	1 Year	Board Member, Member of Corporate Governance and Risk Assessment Committee	CNH Industrial NV - Director
Ali Aydın Pandır		Not independent member	18.03.2013	1 Year	Board Member	Erdemir – Chairman of Board of Directors/ Tofaş-Board Member/ Türk Prysmian Kablo ve Sistemleri A.Ş. – Board Member
Haşim Savaş Arıkan		Independent Member	18.03.2013	1 Year	Board Member, Member of Audit Committee and Corporate Governance Committee	Deren Packaging Ind. - Consultant
Andreas Christian Schröter		Independent Member	18.03.2013	1 Year	Board Member, Member of Audit Committee and Risk Assessment Committee	Portigon AG - Director

The following regulations have been made in line with Article 4.3.4 of the Principles of Corporate Governance, which was brought into force through the Communiqué with Serial II.17.1 on Identification and Implementation of the Principles of Corporate Governance: on condition that the application is deemed appropriate by the Capital Markets Board, provisions in relation to number of Independent Board Members in the Board of Directors shall not apply for business partnerships composed of two real or legal persons that equally share management oversight of the partnership in such a way that positive vote of each party is required for important decisions related to the partnership and that these parties share capital of the company, that at least 51% of the capital is direct or indirect capital and that these parties are independent from each other and number of independent board members in these companies is two. A group privileged shares of our company with a rate of 37.50% belong to Koç Group while B group privileged shares of our company with a rate of 37.50% belong to CNHI Group. In this context, the related application has been made to the Capital Markets Board and the General Assembly has approved that number of independent board members will be two depending on the process.

It is ensured, through the principles for election of the people to be considered as independent board members, that these members need to fulfill criteria stipulated in Article 4.3.7 of the Principles and a person, who worked as Board Member for more than six months within the last ten years, could not be appointed as an independent board member. There is no female board member among our Board members. However, activities will be carried out in order to comply with the related article within new principles.

Nomination Committee could not be established in spite of the structure of the Board of Directors as specified in Article 4.5.1. However, Corporate Governance Committee is fulfilling duties of this committee. This committee evaluates nomination proposals for independent members by considering whether the related candidates meet criteria of independence and submits the evaluation report to the approval of the Board of Directors.

Independent Board Member candidate submits to the Corporate Governance Committee a written declaration stating that s/he is independent in line with the Articles of Association and the above-stated criteria during nomination for the related post. The company informs public about the final list of independent member candidates together with the call for the general assembly meeting. General assembly decision for appointment of independent board member is announced in the internet site of the company together with dissenting votes and justifications thereof. In the event that independent board member candidates, against whom shareholders that represent one per cent of the capital give dissenting votes, are elected as independent board members, the Capital Markets Board makes an evaluation and decides whether independent members fulfill criteria of independence upon an application to be made by these shareholders within 30 days following the date of general assembly meeting.

In the event that a situation for elimination of independence occurs, the board of directors is immediately notified of this change by the related independent member for informing public. In this case, in principle, the independent board member, who loses his/her independence, resigns. In order to ensure minimum number of independent board members, Corporate Governance Committee makes an evaluation for election of independent members for vacancies for a term that will continue until the next general assembly meeting and notifies the board of directors of the result of the evaluation in writing.

As for different duties carried out by board members outside the company, there is no limitation except for arrangements and rules finalized in the General Assembly each year. Provisions of Turkish Commercial Code shall apply for duties assigned in other affiliated group companies and for other issues.

Duties of Nomination Committee are carried out by Corporate Governance Committee in our company.

Number of independent member candidates proposed for Auditing Committee in 2013 was 2 and declarations of nomination and curriculum vitae for these people were evaluated during meeting of the Corporate Governance Committee on 22.02.2013 and meeting of the Board of Directors on 22.02.2013 and it was decided that these candidates would be independent members. All independent board members submitted their declarations of independence to the Auditing Committee and there is no situation for elimination of independence as of 2013 period.

Approval is sought from the General Assembly in order for Chairman and members of the Board to carry out activities in the field of activity for the company by themselves or on behalf of other people and to become partners in companies that work in this field in line with Articles 395 and 396 of Turkish Commercial Code.

5.2. Activities of the Board of Directors

The Board of Directors manages and represents the company by pursuing long-term interests of the company. The Board of Directors assembles in a frequent manner so as to fulfill its duties effectively. Chairman of the board determines the agenda of the board meetings by talking to other board members and executive chairman/managing director. Members do their best in order to participate in every meeting and to present their opinions.

Decisions of the Board of Directors are arranged and prepared in line with the emerging requirements. A total of 25 meetings were organized in 2013. The related decisions are published in the internet site following the meetings and shareholders are informed about these decisions.

Information and documents related to the issues included in the agenda of the board meeting are submitted to information of the board members in order to ensure equal flow of information. Issues included in the agenda of the board meetings are clearly and comprehensively discussed. Chairman of the board does his/her best to ensure that non-executive members actively participate in board meetings. Board members ensure that reasonable and detailed justifications for their dissenting votes against related issues are recorded in the decision texts in meetings.

Board members make a proposal for amendment of the agenda to the chairman of the board prior to the meeting. Opinions of board members, who cannot participate in meetings, but submit their opinions in writing, are submitted to information of other members.

Each shareholder or deputy thereof, who is present in ordinary and extraordinary general assembly meetings, has one voting right for each share.

If there is a different vote in decisions of the meetings, an annotation is added to the decision. Questions and explanations are included in the text of the decision. There is no weighted vote or right of veto.

Texts of amendments to be added in relation to Article 15 of the Articles of Association on provisions about the Board of Directors in order to comply with the Communiqué with Serial II.17.1 on Identification and Implementation of Principles of Corporate Governance were approved in General Assembly, which was organized on 02.04.2012. Any and all actions of the company in relation to affiliated parties and actions for providing assurance, collateral and mortgage in favor of third parties can only be performed through a decision of the Board of Directors to be taken according to the procedures determined by the Capital Markets Board. In the event that a decision cannot be taken by the Board of Directors in this way, these actions will only be performed through a decision of the general assembly taken according to the procedures determined by the Capital Markets Board. In the event that majority of independent members do not approve these actions, public is informed about this situation with sufficient details for the related actions in line with the public disclosure arrangements and these actions are submitted to the approval of the General Assembly. During these general assembly meetings, decision is taken in a voting procedure, in which parties of the action and the affiliated parties cannot vote, and it is ensured that other shareholders participate in these decisions in the general assembly. A quorum of meeting is not sought in the general assembly meetings to be organized for the cases stipulated in this article. Decision is taken by simple majority of participants with a voting right. Decisions of the board and general assembly, which are not taken in accordance with the principles specified in this sub-article, are not deemed valid.

As for the quorum of decision approved by the General Assembly in line with the same article, a total of 6 non-independent board members need to be present including at least 2 members representing A Group shares and at least 2 members representing B Group shares in accordance with arrangements of the Capital Markets Board.

All actions in relation to affiliated parties and principles of actions were collectively submitted to the Board of Directors in 2013. It was decided that transactions, whose amount exceeds 5 million TL in a single process, and common and continuous transactions, whose amount will reach 10 million TL in an accounting period, would be subject to an approval by the Board of Directors and that other transactions of the affiliated parties, which are below these limits, would be performed through decisions to be taken by the management of the company in the event that there is a change in conditions of the transactions upon approval of all independent board members or in the event that these transactions are performed following decisions of the Board of Directors. Following this decision, there has been no transaction exceeding the above-stated limits or no transaction, whose conditions have changed. In 2013, no transaction of affiliated parties or significant transactions were performed for submission to the general assembly because they were not approved by independent members.

Additionally, since 2011, the Directors & Officers (D&O) insurance is done to cover the responsibilities of board members regarding their duties. The annual charge of insurance is 41.270 Euro. Depending the condition and exclusion in the insurance, the protection scope ensured by D&O

insurance can be summarize generally as follows:

1. Within the insurance period, it provides a personal protection to board members and managers across the compensation demands came from investors, employees and authority in line with the conditions of insurance.
2. In line with the insurance conditions, it provides a protection to companies in case of compensating the amount by the company while board members and managers supposed to pay within the context of 1. subject.
3. It covers defense costs.

5.3. Number, Structure and Independence of Committees Formed in the Structure of Board of Directors

In accordance with Article 17 of the Articles of Association for the Company, there is an Executive Committee of the Board of Directors composed of 2 people (1 member of A group and 1 member of B group). This committee performs necessary activities in between the Board meetings. Members of the committee are Mr. Franco Fusignani and Mr. Kudret Önen.

Besides, in line with the related communiqué, the Committee Responsible for auditing was formed in order to follow financial issues, to analyze periodical financial statements and footnotes and to submit its proposal to the Board of Directors based on the Independent External Audit Report. Board Member Mr. Haşim Savaş Arıkan was appointed as the Chairman of the Committee and Mr. Andreas Christian Schröter as the member of the committee.

Corporate Governance Committee was formed within the Company through a decision of the Board of Directors in order to increase compliance with the Principles of Corporate Governance and Board Member Mr. Haşim Savaş Arıkan was appointed as the Chairman of the Committee while Mr. Kudret Önen and Mr. Alessio Berretta were appointed as the members of the committee.

Risk Assessment Committee was formed within the Company through a decision of the Board of Directors in line with Paragraph 1, Article 378 of Turkish Commercial Code and Board Member Mr. Andreas Schröter was appointed as the Chairman of the Committee while Mr. Kamil Atay and Mr. Alessio Berretta were appointed as the members of the committee.

There is no committee other than the above-stated Executive Committee, Audit Committee, Risk Assessment Committee and Corporate Governance Committee. In line with the composition of the Board of Directors, no separate Nomination Committee and Remuneration Committee was formed. Corporate Governance Committee fulfills duties of these committees. In the first General Assembly, members of the committee were elected in line with the Communiqué with Serial Number II.17.1 on the Principles of Corporate Governance and all of the members of Committee Responsible for Inspection and chairman of the Corporate Governance Committee were elected among independent board members.

Duties and activities of the committees were determined and published in the internet site of the company. Committee may invite the related directors to the meetings in line with their working principles if deemed necessary. Committees may request consultancy services or receive views of independent experts whenever they need.

All committee reports are recorded and published in the internet site of the company.

Executive chairman/managing director are not involved in any committee.

Board of Directors is periodically informed about the activities performed in these committees according to the division of labor. If needed, experts, who are not board members, may be assigned in the committees. Committees act in line with their responsibilities and make recommendations to the Board of Directors. Final decision is taken by the Board of Directors.

5.4. Risk Assessment and Internal Control Mechanism

Risk Assessment Committee was formed in order to make recommendations and proposals to the Board of Directors about identification, assessment, calculation of impacts and possibilities of strategic, financial, operational and all other risks that could affect the Company, management of these risks in line with the corporate risk-taking profile of the company, reporting of these risks, considering these risks in decision mechanisms and creation and integration of effective internal control systems. Audit Committee continuously oversees functionality and effectiveness of the system and informs the Board of Directors bout problems and suggestions for solution of these problems in relation to the risk management and internal control mechanism.

A risk management system is envisaged and an internal control organization is made depending on the financial and administrative activities of the company and the Committee Responsible for Audit follows functionality and effectiveness of the internal audit in line with the related legislation and regulations of the Capital Markets Board. The Board of Directors is responsible for sound functioning of the internal control system and the related

Board Member and Company CEO ensure necessary coordination on behalf of the Board of Directors.

The company shall draft A "Risk Management Committee Report" at least 6 times a year in order to present Risk Management Committee review to carry out its activity and services effective, reliable and uninterruptedly, and ensure the integrity, consistency, reliability, timely and safety of information obtained from accounting and financial report system. The reports approved by the committee shall be distributed to the BoD and Independent Auditor. Internal Audit function: In order to carry out the

- The Board of Directors and Upper Management of the Company make independent examinations that will enable a security for the company's operations and they provide the service of giving a detailed report on their examinations.
- It fulfills the need of protecting the company's assets and records.
- It enables the security of financial and operational information and reporting.
- It meets the need of increasing the company's practices' effectiveness and benefits.
- It provides support for meeting the policies set by the Company's Top Management.
- It helps the company gain a transparent operation with consciousness of the Company's high ethical values and responsibilities.

5.5. Strategic Objectives of the Company

Mission, vision and values of our Company were created and published and these components are revised and renewed depending on emerging developments. Our mission, vision and values, which are prepared by senior management of our company and approved by the Board of Directors, are available in our internet site. Activities of the related units for creation and implementation of strategic objectives of the Company are followed by the senior management and submitted to the Board of Directors. In 2010, as in previous years, strategic decisions of our Company were implemented in line with the priorities. The Board of Directors makes a comparison on objectives of the Senior Management for the new year and makes decisions by reviewing annual activities depending on the strategic objectives.

During Board Meetings, which are periodically organized in line with the Articles of Association for the Company, objectives of the company and completed activities including performance in the previous periods are followed. Current status of the company is reviewed and new objectives and strategies are developed as a result of current conditions, if deemed necessary. The Board of Directors oversees compliance of the activities of the company with the legislation, the Articles of Association, internal regulations and the related policies.

5.6. Financial Rights

No interest is provided to the Chairman and Members of the Board of Directors except for the wages determined in the General Assembly. There is no practice based on performance or rewarding for the Board of Directors. Principles of wages for the Board members and senior directors are provided in writing, these principles are submitted to the information of the partners as a separate item in the General Assembly Meeting and shareholders are allowed to express their views about this issue. "Wages Policy of Board Members and Senior Directors" of our Company including any and all rights, interests and wages provided to board members and senior director and criteria used for determination of these rights, interests and wages and principles of wages is as follows:

REMUNERATION POLICY FOR TOP MANAGEMENT AND BOARD MEMBERS'

This policy document identifies the remuneration system and practices concerning our board members' and top management whose have administrative responsibility as per the CMB regulations.

Fixed compensation for all board members' is determined in general assembly meetings every year.

Payment for executive board members shall be done within the context of below given policy that has been determined for top managers.

Performance based compensation is not applied for the independent board members remuneration.

Payment to board members' shall be done by considering their task period from inception to expiry date in pro rata basis. The expenses (transportation, telephone, insurance, etc.), of which covered by the board members due to their contribution to company, can be met by the company.

The top management compensation is comprised of two components; fixed and performance based.

Top management's fixed compensation is determined in parallel with international standards and legal obligations by considering macroeconomic data in the market, remuneration policies prevalent in the market, corporate growth and long term targets and the position of the managers'.

Top management bonuses are calculated according to bonus based, company performance and personal performance. The information concerning the mentioned criteria is summarized below.

- **Bonus Based:** The base of bonus updated at the beginning of every year and can be variable according to the size of managers' position. While updating the base of the bonuses, the top management bonus policies prevalent in the market shall be considered.
- **Company Performance:** The company performance is obtained by evaluating period end values of the financial and operational (market share, export, foreign market activities, efficiency, etc.). targets given at the beginning of every year. The sustainability of the success, covering improvements compared to previous years is the overemphasized principles considering determining the company targets.
- **Personal Performance:** Targets concerning employee, customer, process, technology and long term strategy are considered together with the company targets to determine the personal performance. While evaluating the personal performance, in line with company performance, it is paying regard to long term sustainable improvement principle excluding the financial areas,

In case the top managers leave the company, post-employment benefits may be paid by taking into consideration of their working period as top manager, their contribution to the company, last target bonus before the leaving date, salaries and the bonuses paid within the last year.

Total amount of remuneration of which paid to top management and board members' within the year, and determined as per the above given principles, shall be presented to the information and/or approval of shareholders in the following general assembly in line with the legislation.

Total amount of payments made in line with the Remuneration Policy of Board Members and Senior Directors is annually evaluated by Corporate Governance Committee and the Board of Directors. Public is collectively informed about the payments made to the Board Members and senior directors in footnotes of financial statements in parallel with the general practices. No transaction, which will result in conflict of interest, such as lending, extension and giving a security in favor of our board members or directors is carried out by the Company.

In line with the composition of the Board of Directors, no Remuneration Committee was formed. However, Corporate Governance Committee will determine criteria to be used for wages by considering recommendations of board members and senior directors about principles of remuneration and fulfill all duties of the related committee.

Besides, within the related period, no lending, extension activity was performed in favor of any Board Member and Senior Director, no interest was provided through a third party and no security such as collateral was provided in favor of board members and directors.

Stock options or performance-based payment plans of the company are not used for wages of independent board members. In addition, wages of independent board members have to be at a level that will preserve their independence.

Public will be informed about remuneration to be given and all interests to be provided to board members and senior director.

BOARD OF DIRECTORS MEMBERS' DECLARATION FOR INDEPENDENCY

I hereby declare that I am a candidate for independent board membership at the Board of Directors of Türk Traktör ve Ziraat Makineleri A.Ş. ("Company") under Articles of Association of the Company and the criteria stated in II-17.1 numbered Corporate Governance Communique of Capital Markets Board. In that regard I also confirm that;

a) In the last five years, I, my spouse or my up to the second degree blood or affinity relatives is not or has not been, employed by, has had important shareholding in or involved in any business dealings with the Company, its subsidiaries, affiliates, related parties or entities in which any of the shareholders having, equal to or more than 5 % interest in the Company, have had interest or managerial position,
b) I am not or have not been employed by or sit on the board of an entity which has served as auditor (including tax audit, legal audit, internal audit), rating and consultant to the Company or had contractual relationship with the Company for conducting its managerial or operational activities in whole or in part in the last five years, and I am not or have not been employed by, sit on the board of or had interest in any of the material suppliers or service providers of the Company in the last five years,
c) I have skills, knowledge and expertise relevant to the Company's business and extensive experience to fulfill my duties as an independent board member,
d) I am not working full time, at the time of my nomination in a Turkish governmental or public institution,
e) I am deemed as resident in Turkey under the Revenue Tax Law numbered 193 dated 31/12/1960 and 19/12/1960,
f) I promise to exercise objectivity and independence in making business decisions in case of conflict of interest between the shareholders of the company, to make effective contributions to the improvement of the business of the company, to protect the rights of the stakeholders of the Company.
g) I can allocate enough time to duly follow up the company activities and fulfill the necessities of my tasks,
h) I have not sit on the board of the company for more than 6 years within last 10 years,
i) I have not worked as the independent board member at more than three companies that management control is under the control of the shareholders who has the management control of the Company and more than five companies traded at the stock exchange,
j) I have not been registered and declared in the name of the legal person selected as the board member.

Regards

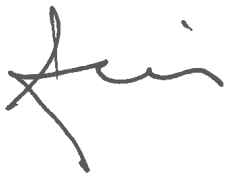
Haşim Savaş Arıkan

BOARD OF DIRECTORS MEMBERS' DECLARATION FOR INDEPENDENCY

I hereby declare that I am a candidate for independent board membership at the Board of Directors of Türk Traktör ve Ziraat Makineleri A.Ş. ("Company") under Articles of Association of the Company and the criteria stated in II-17.1 numbered Corporate Governance Communique of Capital Markets Board. In that regard I also confirm that;

a) In the last five years, I, my spouse or my up to the second degree blood or affinity relatives is not or has not been, employed by, has had important shareholding in or involved in any business dealings with the Company, its subsidiaries, affiliates, related parties or entities in which any of the shareholders having, equal to or more than 5 % interest in the Company, have had interest or managerial position,
b) I am not or have not been employed by or sit on the board of an entity which has served as auditor (including tax audit, legal audit, internal audit), rating and consultant to the Company or had contractual relationship with the Company for conducting its managerial or operational activities in whole or in part in the last five years, and I am not or have not been employed by, sit on the board of or had interest in any of the material suppliers or service providers of the Company in the last five years,
c) I have skills, knowledge and expertise relevant to the Company's business and extensive experience to fulfill my duties as an independent board member,
d) I am not working full time, at the time of my nomination in a Turkish governmental or public institution,
e) I am deemed as resident in Turkey under the Revenue Tax Law numbered 193 dated 31/12/1960 and 19/12/1960
f) I promise to exercise objectivity and independence in making business decisions in case of conflict of interest between the shareholders of the company, to make effective contributions to the improvement of the business of the company, to protect the rights of the stakeholders of the Company.
g) I can allocate enough time to duly follow up the company activities and fulfill the necessities of my tasks,
h)I have not sit on the board of the company for more than 6 years within last 10 years,
i)I have not worked as the independent board member at more than three companies that management control is under the control of the shareholders who has the management control of the Company and more than five companies traded at the stock exchange,
j)I have not been registered and declared in the name of the legal person selected as the board member.

Regards



Andreas Christian Schröter

AUDITING COMMITTEE REPORT

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

We convene to review and give our opinion on the financial statements of Türk Traktör ve Ziraat Makineleri A.Ş. for the period of 1 January- 31 December 2013 and also to examine the independent audit report of Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Ernst & Young Global Limited). The unconsolidated financial statements of Türk Traktör ve Ziraat Makineleri A.Ş. are prepared by the company management in accordance with the CMB Financial Reporting Communique numbered as II.14.1. According to the related Communiqué, entities shall prepare their financial statements in accordance with Turkish Accounting Principles/ Turkish Financial Reporting Standards ("TAP/TFRS) and in line with the recommended formats of the CMB.

During this review, necessary evaluation has been conducted regarding the fair presentation and accuracy of the financial statements referred to above and the compliance of the company with the accounting policies applied. When deemed necessary, relevant opinions were requested from independent auditor and the company management.

Based on information provided to us, after our reviews and evaluations, we have concluded that the unconsolidated financial statements referred to above are fairly and accurately presented and we have also concluded that the accounting policies are applied consistently by the company management. Therefore, we would like to present the aforementioned financial statements to the approval of the Board of Directors.

Yours faithfully,

13 February 2014

AUDITING COMMITTEE

HAŞİM SAVAŞ ARIKAN
Chairman

ANDREAS CHRISTIAN SCHROTER
Member

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS AT DECEMBER 31, 2013 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT (ORIGINALLY ISSUED IN TURKISH)

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Güney Bağımsız Denetim ve
SMMM AŞ
Büyükdere Cad.
Beytem Plaza No:20
K:9-10, 34381 - Şişli
İstanbul - Turkey

Tel: +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com

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

INDEPENDENT AUDITOR'S REPORT

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

Introduction

We have audited the accompanying statements of financial position of Türk Traktör ve Ziraat Makineleri A.Ş. (the "Company") as at December 31, 2013 and the related statements of profit or loss and other comprehensive income, statements of changes in shareholders'equity and statements of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

The Company management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error and/ or fraud.

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments; the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly the financial position of Türk Traktör ve Ziraat Makineleri A.Ş. as at December 31, 2013 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards (see Note 2).

Reports on independent auditor's responsibilities arising from other regulatory requirements

In accordance with Article 402 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Company in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. On the other hand, the Company formed the mentioned committee on July 9, 2012 and it is comprised of a president and two members. The committee has met ten times since its formation to the reporting date for the purposes of early identification of risks that jeopardize the existence of the Company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has submitted the relevant reports to the Board of Directors.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Ferzan Ülgen, SMMM
Partner

February 13, 2014
Istanbul, Turkey

(CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH [NOTE 2.6])

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

STATEMENTS OF FINANCIAL POSITION FOR YEAR ENDED AT DECEMBER 31, 2013

(AMOUNTS EXPRESSED IN TURKISH LIRA [TL], UNLESS OTHERWISE INDICATED)

			Restated
		Current period Audited	Prior period Audited
	Notes	**2013**	2012
ASSETS			
CURRENT ASSETS		**1.085.713.601**	1.104.322.893
Cash and cash equivalents	3	**209.322.936**	378.971.315
Trade receivables:			
- Trade receivables, other parties	5	**282.114.924**	245.730.198
- Due from related parties	22	**80.797.729**	84.904.276
Inventories	6	**413.398.558**	292.621.523
Prepaid expenses		**416.768**	693.459
Other current assets	9	**99.662.686**	101.402.122
NON-CURRENT ASSETS		**408.899.590**	215.418.228
Trade receivables:			
- Trade receivables, other parties	5	**250.659**	1.643.344
Other receivables:			
- Other receivables, other parties		**355.102**	338.238
Property, plant and equipment	7	**274.193.297**	156.993.145
Intangible assets	8	**77.296.206**	34.892.008
Prepaid expenses	10	**20.260.797**	-
Deferred tax assets	20	**36.543.529**	21.551.493
TOTAL ASSETS		**1.494.613.191**	1.319.741.121

The financial statements prepared as at and for the period ended December 31, 2013 have been approved by the Board of Directors on February 13, 2014 and was signed by the General Manager Marco Votta and Vice President of Financial Affairs Memet İlkan Kamber on behalf of the Board of Directors.

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

STATEMENTS OF FINANCIAL POSITION FOR YEAR ENDED AT DECEMBER 31, 2013

(AMOUNTS EXPRESSED IN TURKISH LIRA [TL], UNLESS OTHERWISE INDICATED)

			Restated
		Current period Audited	Prior period Audited
	Notes	2013	2012
LIABILITIES			
CURRENT LIABILITIES		**385.811.950**	437.504.381
Short-term financial liabilities	4	**14.702.994**	95.217.929
Short term portion of long term financial liabilities	4	**-**	65.720.216
Trade payables:			
- Trade payables, other parties	5	**276.743.088**	203.283.783
- Due to related parties	22	**29.346.571**	17.006.021
Employee benefit obligations	12	**10.958.597**	11.977.012
Other payables:			
- Other payables, other parties		**7.669.767**	4.884.785
Government incentives and aids		**3.242.469**	1.689.770
Deferred income	9	**11.299.957**	14.605.988
Short-term provision for taxation on income	20	**8.524.578**	4.493.915
Provisions:			
- Short-term provision for employee benefits	11	**979.368**	715.856
- Other short-term provisions	11	**22.344.561**	17.909.106
NON-CURRENT LIABILITIES		**365.483.519**	218.446.643
Long-term financial liabilities	4	**333.887.601**	194.829.967
Long-term provisions:			
- Long-term provision for employee benefits	11	**15.435.367**	9.004.102
- Long-term other provisions	11	**16.160.551**	14.612.574
SHAREHOLDERS' EQUITY		**743.317.722**	663.790.097
Parent's equity			
Paid-in share capital	13	**53.369.000**	53.369.000
Adjustments to share capital	13	**39.014.356**	39.014.356
Merger reserve		**(5.569.000)**	(5.569.000)
Restricted profit reserves		**114.169.112**	94.435.957
Actuarial gain/loss arising from employee benefits		**(250.526)**	127.788
Retained earnings		**262.678.841**	214.273.792
Net profit for the period		**279.905.939**	268.138.204
TOTAL LIABILITIES		**1.494.613.191**	1.319.741.121
Provisions, contingent assets and contingent	11		

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH [NOTE 2.5])

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED AT DECEMBER 31, 2013

(AMOUNTS EXPRESSED IN TURKISH LIRA [TL], UNLESS OTHERWISE INDICATED)

			Restated
		Current period Audited	Prior period Audited
	Notes	**January 1 - December 31, 2013**	January 1 - December 31, 2012
Sales	14	**2.175.319.881**	1.974.013.740
Cost of sales (-)	14	**(1.703.453.346)**	(1.551.590.931)
GROSS PROFIT		**471.866.535**	422.422.809
Marketing, selling and distribution expenses (-)	15	**(97.248.052)**	(88.192.482)
General administrative expenses (-)	15	**(40.764.494)**	(33.275.175)
Research and development expenses (-)	15	**(9.225.895)**	(6.751.610)
Other operating income	17	**401.066.375**	180.970.447
Other operating expenses (-)	17	**(376.474.610)**	(170.223.654)
OPERATING PROFIT		**349.219.859**	304.950.335
Investment income		**343.990**	6.692.936
Investment expenses (-)		**(145.224)**	(23.207)
Financial income	18	**53.956.127**	82.218.759
Financial expenses (-)	19	**(83.120.181)**	(75.762.122)
PROFIT BEFORE TAXATION ON INCOME		**320.254.571**	318.076.701
Taxes on income (-)	20	**(55.246.090)**	(57.266.903)
Deferred tax income	20	**14.897.458**	7.328.406
NET PROFIT FOR THE YEAR		**279.905.939**	268.138.204
Attributable to:			
Non-controlling interest		**-**	-
Equity holders of the parent		**279.905.939**	268.138.204
Other comprehensive income/ (expense)			
Actuarial (loss)/ gain arising from employee benefits		**(472.892)**	74.264
Deferred tax effect		**94.578**	(14.853)
Other comprehensive income/expense after tax		**(378.314)**	59.411
TOTAL COMPREHENSIVE INCOME		**279.527.625**	268.197.615
Earnings per share (TL)	21	**0,0524**	0,0502

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH [NOTE 2.5])

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED AT DECEMBER 31, 2013

(AMOUNTS EXPRESSED IN TURKISH LIRA [TL], UNLESS OTHERWISE INDICATED)

	Paid-in share capital	Adjustment to share capital	Merger reserve	Restricted profit reserves	Actuarial gain/ (loss) arising from employee benefits	Retained earnings	Net profit for the period	Total shareholders' equity
As of January 1, 2013 -previously reported	53.369.000	39.014.356	(5.569.000)	94.435.957	-	214.342.169	268.197.615	663.790.097
Change in accounting policies (2.2)	-	-	-	-	127.788	(68.377)	(59.411)	-
As of January 1, 2013 - as restated	53.369.000	39.014.356	(5.569.000)	94.435.957	127.788	214.273.792	268.138.204	663.790.097
Transfers	-	-	-	19.733.155	-	248.405.049	(268.138.204)	-
Dividends paid	-	-	-	-	-	(200.000.000)	-	(200.000.000)
Net profit for the period	-	-	-	-	-	-	279.905.939	279.905.939
Other comprehensive income/ (expense)	-	-	-	-	(378.314)	-	-	(378.314)
December 31,2013	53.369.000	39.014.356	(5.569.000)	114.169.112	(250.526)	262.678.841	279.905.939	743.317.722

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH [NOTE 2.5])

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED AT DECEMBER 31, 2013

(AMOUNTS EXPRESSED IN TURKISH LIRA [TL], UNLESS OTHERWISE INDICATED)

	Share capital	Adjustment to share capital	Merger reserve	Restricted profit reserves	Actuarial gain/ (loss) arising from employee benefits	Retained earnings	Net profit for the period	Total shareholders' equity
As of January 1, 2012 - previously reported	53.369.000	39.014.356	(5.569.000)	74.702.802	-	156.653.755	277.421.569	595.592.482
Change in accounting policies (2.2)	-	-	-	-	68.377	-	(68.377)	-
As of January 1, 2012 -as restated	53.369.000	39.014.356	(5.569.000)	74.702.802	68.377	156.653.755	277.353.192	595.592.482
Transfers	-	-	-	19.733.155	-	257.620.037	(277.353.192)	-
Dividends paid	-	-	-	-	-	(200.000.000)	-	(200.000.000)
Net profit for the period	-	-	-	-	-	-	268.138.204	268.138.204
Other comprehensive Income/ (expense)	-	-	-	-	59.411	-	-	59.411
December 31, 2012	53.369.000	39.014.356	(5.569.000)	94.435.957	127.788	214.273.792	268.138.204	663.790.097

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH [NOTE 2.4])

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED AT DECEMBER 31, 2013

(AMOUNTS EXPRESSED IN TURKISH LIRA [TL], UNLESS OTHERWISE INDICATED)

			Restated
		Current Period	Prior Period
		Audited	Audited
	Notes	**2013**	2012
A.Cash flows from operating activities:		**(26.439.655)**	**83.019.084**
Net profit for the period		**279.905.939**	**268.138.204**
Adjustments to reconcile net income to net cash provided by operating activities		**36.229.873**	**85.727.716**
Amortization and depreciation		24.626.643	18.871.572
Provision for impairment on inventories	6	5.748.166	4.107.405
Provision for employee termination benefits		8.461.689	3.243.035
Provision for doubtful receivables	17	5.169.012	3.765.764
Expense accruals		5.983.439	3.824.406
Interest income and expense	18, 19	1.623.477	4.376.496
Tax expense		40.348.632	49.938.497
Gain/ loss from sales of property plant and equipment		(198.766)	(6.669.729)
Foreign exchange change effect		(55.532.419)	4.270.270
Changes in working capital:		**(87.569.240)**	**(4.504.298)**
(Increase)/ decrease in trade receivables		(44.901.578)	2.422.059
Decrease in due from related parties		16.791.744	59.773.309
(Increase)/ decrease in inventories		(116.466.685)	11.782.803
Decrease in other current assets		1.739.440	33.774.557
Increase in other receivables		(16.864)	(19.630)
(Increase)/ decrease in prepaid expenses		(19.984.106)	1.133.321
Increase/ (decrease) in due to related parties		11.881.392	(2.152.303)
Increase / (decrease) in trade payables		67.166.685	(114.209.533)
(Decrease)/ increase in deferred income		(3.306.031)	2.400.970
Increase in other liabilities		2.784.982	1.406.874
Increase in short term provision for employee termination benefits		263.512	156.413
(Decrease)/ increase in debt for employee termination benefits		(1.018.415)	692.879
Employee termination benefits paid	11	(2.503.316)	(1.666.017)
Net cash provided by operating activities		**228.566.572**	**349.361.622**
Dividends paid		(200.000.000)	(200.000.000)
Interest paid		(12.622.878)	(14.509.663)
Interest received		8.832.078	11.086.011
Tax paid		(51.215.427)	(62.918.886)
B. Cash flows from investing activities:		**(172.973.814)**	**(67.389.528)**
Proceeds from sales of property, plant and equipment and intangible assets		1.247.282	6.742.610
Payments for purchases of property, plant and equipment and intangible assets		(175.773.794)	(74.446.464)
Proceeds from government grants		1.552.698	314.326
C. Cash flows from financing activities		**6.856.433**	**112.210.170**
Proceeds from borrowings		478.510.949	916.604.973
Repayment of borrowings		(471.654.516)	(804.394.803)
Net (decrease)/ increase in cash and cash equivalents before currency translation differences (A+B+C)		**(192.557.036)**	**127.839.726**
D. Currency translation differences (net)		25.335.514	3.850.539
Net (decrease)/ increase in cash and cash equivalents		**(167.221.522)**	131.690.265
E. Cash and cash equivalents at the beginning of the period.	3	**376.218.818**	244.528.553
Cash and cash equivalents at the end of the period (A+B+C+D+E)	**3**	**208.997.296**	376.218.818

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

NOTE 1-ORGANIZATION AND NATURE OF OPERATIONS

Türk Traktör ve Ziraat Makineleri A.Ş. (the "Company") was established in 1954 in Ankara, as Minneapolis Moline Türk Traktör ve Ziraat Makineleri A.Ş. to undertake the manufacturing and trade of farm tractors, harvesters and other agricultural machinery and equipment. The name of the Company was changed as Türk Traktör Ziraat Makineleri A.Ş. in 1968 upon the purchase of 25% of the shares held by Ege Makina ve Ticaret A.Ş., a group company of the Koç Holding A.Ş. ("Koç Holding"). As of December 31, 2013, major shareholders of the Company are Koç Holding and CNH Osterreich GmbH ("CNH Osterreich") (Note 13). The number of personnel working within the Company as of December 31, 2013 is 2.572 (2012: 2.378).

The Company and New Holland Trakmak Traktör ve Ziraat Makinaları A.Ş. ("Trakmak"), was merged in relation to the merger agreement registered on March 31, 2008, through transfer of all the assets and liabilities of Trakmak into the Company as a whole.

The method adopted in the business combination of the Company and Trakmak, was merger over adjusted equities in accordance with the International Financial Reporting Standards. Merger ratio based on the equity method was determined by an independent expert firm as 88,067% and by dividing the previous share capital of the Company amounting to TL 47.000.000 by the merger ratio, reaching share capital amounting to TL 53.369.000 after the merger.

CNH Global NV ("CNH Global"), centred in Netherland, one of the Company shareholders has transferred its fully paid 2.001.337.500 Group B shares with a nominal of TL 20.013.375 to its 100% owned subsidiary CNH Osterreich, centred in Austria on February 16, 2011.

The Company conducts marketing and selling activities in the domestic market, through its 129 sales dealers and 95 spare part dealers (2012: 126 sales dealers, 96 spare part dealers).

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

The Company is registered in Turkey in the following address:

Güvercin Yolu No: 111-112
06560-Gazi Ankara

As of December 31, 2013, the free float of the Company whose shares are traded in the Borsa Istanbul ("BIST") is 24,93% (2012: 24,93%) (Note 13).

NOTE 2-BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

The main accounting policies used for preparing the Company's financial statements are stated below:

Principles governing the preparation of financial statements

The financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the Communiqué) announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Accounting Standards") on June 13, 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Accounting Standards, companies should apply Turkish Accounting Standards/ Turkish Financial Reporting Standards ("TAS/ TFRS") and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority ("POA").

According to decision which was made by CMB on March 17, 2005, from the date of January 1, 2005 there is no need for inflation accounting application for the listed companies performing in Turkey. The Company has prepared the financial statements according to this decision.

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

Functional and representative currency of the Company is TL.

The financial statements for the year ended at December 31, 2013 are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with the Accounting Standards of the POA.

2.2 Comparatives and restatement of prior periods' financial statements

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

(i) Within the scope of the amendments to TAS 19 – Employee benefits, actuarial income/ losses related to employee termination benefits are recognized under equity. This practice is effective for the periods starting as of January 1, 2013 and has been implemented retrospectively. In its statement of income, the Company has classified the actuarial loss amounting to TL 59.411 and TL 68.377 (total actuarial gain amounting to TL 127.788) (with deferred tax impact netted off) under actuarial gain/ (loss) arising from employee benefits, which was recognized under "net profit for the period" and "retained earnings" account in the period ended December 31, 2012. The Company has classified the actuarial loss amounting to TL 74.264 which was shown under net profit fot the period in the cash flows statement dated December 31, 2012 under provision for employee termination benefits.

Pursuant to the decree taken in the CMB's meeting dated June 7, 2013 and numbered 20/670, for capital market board institutions within the scope of the Communiqué on Principles Regarding Financial Reporting in the Capital Market, financial statement templates and a user guide have been published, effective as of the interim periods ended after March 31, 2013. Various classifications were made in the Company's statement of financial position pursuant to these formats which have taken effect. The classifications made in the statement of financial position of the Company as of December 31, 2012 are as follows:

- Prepaid expenses amounting to TL 693.459 shown in other current assets were classified as a separate account in the statement of financial position.
- The short term part of the long term borrowings, amounting to TL 65.720.216, shown in the account group of short terms borrowings was classified as a separate account in the statement of financial position.
- Tax payable and other deductions amounting to TL 5.222.270 shown under the account group of other liabilities were classified under liabilities for employee termination benefits.
- Provisions for paid leave in the account group of employee benefits amounting to TL 715.856 were classified as a separate account in the statement of financial position as short term provisions for employee benefits.
- The name of the account group for liabilities related to employee benefits was changed into payables within the scope of employee benefits.
- Government grants in the account of other short term liabilities amounting to TL 1.689.770 were classified as a separate account in the statement of financial position.
- Advances taken amounting to TL 14.087.436 and deferred income amounting to TL 518.552, which were shown in the account group of other liabilities, were classified as a separate account in the statement of financial position under deferred income.
- Other short term provisions amounting to TL 406.442 shown in the account group of other liabilities were classified under other short term provisions.
- The name of provisions amounting to TL 17.502.664 was changed into other short term provisions.
- Profit from currency differences amounting to TL 140.795.557 and from delay interest from sales on account amounting to TL 33.777.403 regarding trade receivables and payables under the finance income account were classified under other operating income.
- Income from the sale of fixed assets amounting to TL 6.692.936 shown in the account group of other operating income was classified under income from investment activities.
- Losses due to currency differences amounting to TL 141.495.530 and finance expense related to forward purchases amounting to TL 21.937.666 related to trade receivables and payables shown in the account of finance expense were classified under other operating income.
- Expense from the sale of fixed assets amounting to TL 23.207 shown in the account group of other operating expense was classified under expense from investment activities.

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

2.3 Changes in TFRS:

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2013 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2013. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2013 are as follows:

TFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)

The amendment requires the disclosure of the rights of the entity relating to the offsetting of the financial instruments and some information about the related regulations (eg, collateral agreements).

New disclosures would provide users of financial statements with information that is useful in;

i) evaluating the effect or potential effect of netting arrangements on an entity's financial position and,
ii) analyzing and comparing financial statements prepared in accordance with TFRSs and other generally accepted accounting standards.

New disclosures have to be provided for all the financial instruments in the balance sheet that have been offset according to TAS 32. Such disclosures are applicable to financial instruments in the balance sheet that have not been offset according to TAS 32 but are available for offsetting according to main applicable offsetting regulations or other financial instruments that are subject to a similar agreement. The amendment affects disclosures only and did not have any impact on the financial statements of the Company.

TAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments to TAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and did not have an impact on the financial position or performance of the Company.

TAS 19 Employee Benefits (Amended)

Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, for determined benefit plans recognizing actuarial gain/(loss) under other comprehensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Company used to recognize the actuarial gain and loss in profit and loss statement before this amendment. The retrospective effects of the amendment to recognise actuarial gain and loss in the comprehensive income statement are disclosed in Note 2.2

TAS 27 Separate Financial Statements (Amended)

As a consequential amendment to TFRS 10 and TFRS 12, the TASB also amended TAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This amendment did not have an impact on the financial position or performance of the Company.

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

TAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to TFRS 11 and TFRS 12, the TASB also amended TAS 28, which has been renamed TAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to TFRS 11. This amendment did not have an impact on the financial position or performance of the Company.

TFRS 10 Consolidated Financial Statements

TFRS10, TAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard did not have an impact on the financial position or performance of the Company.

TFRS 11 Joint Arrangements

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard did not have an impact on the financial position or performance of the Company.

TFRS 12 Disclosure of Interests in Other Entities

TFRS 12 includes all of the requirements that are related to disclosures of an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The standard affects presentation only and did not have an impact on the disclosures given by the Company.

TFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under TFRS but does not change when an entity is required to use fair value. It is a single source of guidance under TFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. The new disclosures are only required for periods beginning after TFRS 13 is adopted. This standard did not have an impact on the financial statements of the Company.

TFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Entities are required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

Transition Guidance (Amendments to TFRS 10, TFRS 11 and TFRS 12)

The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which TFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between TFRS 10 and TAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons TFRS 11 and TFRS 12 has also been amended to provide transition relief. These amendments did not have an impact on the financial statements of the Company.

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

Improvements to TFRSs

Annual Improvements to TFRSs – 2009 – 2011 Cycle, which contains amendments to its standards, is effective for annual periods beginning on or after January 1, 2013. This project did not have an impact on the financial position or performance of the Company.

TAS 1 Financial Statement Presentation:

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

TAS 16 Property, Plant and Equipment:

Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory

TAS 32 Financial Instruments: Presentation:

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with TAS 12 Income Taxes. The amendment removes existing income tax requirements from TAS 32 and requires entities to apply the requirements in TAS 12 to any income tax arising from distributions to equity holders.

TAS 34 Financial Reporting:

Clarifies the requirements in TAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

TAS 32 Financial Instruments: Presentation-Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

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

TFRIC Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

Amendments to TAS 36-(Recoverable Amount Disclosures for Non-Financial assets)

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied TFRS 13. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

Amendments to TAS 39-Novation of Derivatives and Continuation of Hedge Accounting

Amendments to TAS 39 Financial Instruments: Recognition and Measurement, provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

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

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS. This amendment will not have any impact on the financial position or performance of the Company.

IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39-IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging relationships. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

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

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective 1 July 2014. Earlier application is permitted.

Annual Improvements to IFRSs – 2010–2012 Cycle

IFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Resolutions promulgated by the Public Oversight Authority

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. "The financial statement examples and user guide" became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after December 31, 2012.

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

2013-1 Financial Statement Examples and User Guide

The POA promulgated "financial statement examples and user guide" on May 20, 2012 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. The Company has made the related classifications stated in Note 2.2 in order to comply with the requirements of this regulation.

2013-2 Accounting of Combinations under Common Control

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. This resolution did not have any impact on the financial statements of the Company.

2013-3 Accounting of Redeemed Share Certificates

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. This resolution did not have any impact on the financial statements of the Company.

2013-4 Accounting of Cross Shareholding Investments

If a subsidiary of an entity holds shares of the entity then this is defined as cross shareholding investment. Accounting of this cross investment is assessed based on the type of the investment and different recognition principles adopted accordingly. With this resolution, this topic has been assessed under three main headings below and the recognition principles for each one of them has been determined.

i) the subsidiary holding the equity based financial instruments of the parent,
ii) the associates or joint ventures holding the equity based financial instruments of the parent,
iii) the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 38 and TFRS 9 by the parent.

This resolution did not have any impact on the financial statements of the Company.

2.4 Summary of significant accounting policies

The principal accounting policies, consistently applied with prior years, adopted in the preparation of these financial statements are set out below:

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less (Note 3). Deposits with Turkish lira is recognised with cost, foreign currency deposits are translated into Turkish lira by using of the buying exchange rate of the Central Bank of the Republic of Turkey. Time deposits include interest accrued as of balance sheet date.

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

Recognition of income

Sales is recorded on the basis of accrual over the fair value of the amount received or receivable when product is delivered or services are rendered, the transfers of the risks and benefits related to the product have been made, the amount of income can be determined reliably and it is probable that economic benefits related to the transaction will flow to the Company. Net sales are calculated by deducting the estimated or realized returns and discounts over the sales of products. Sales taxes such as VAT are not included in revenue (Note 14).

Other revenues such as interest income is recognised on an accrual basis using the effective interest rate method, rent income under operating lease agreements is recognised on an accrual basis and dividend income is recognised when the right to receive dividend is established.

Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price, less the costs of completion and selling expenses (Note 6). Cost elements included in inventories comprise total purchase costs and other costs incurred in bringing the inventories to their present location and condition. The unit cost of inventories is determined on the weighted average basis.

Prepaid expenses

Prepaid expenses are the amounts generally made to suppliers and which will be transferred to expense and cost accounts in the following period or periods.

Property, plant and equipment

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

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

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

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

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

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

Intangible fixed assets

Intangible fixed assets comprise of rights and computer software. Those acquired before January 1, 2005 are carried at cost in the purchasing power of TL as at December 31, 2004; less accumulated depreciation and impairment losses. Those acquired after January 1, 2005 are carried at cost less accumulated depreciation and impairment losses and are depreciated using the straight-line method over their useful lives of four and five years following the acquisition date. Where impairment indicator exists, the carrying amount of any intangible asset is assessed and written down to its recoverable amount (Note 8).

Impairment of assets

Property, plant and equipment and other non-current assets including intangible assets, except deferred tax assets, are reviewed for impairment losses at each balance sheet date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset or any cash generating unit of that asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. Impairment losses are accounted for in the statement of income.

Impairment loss on assets can be reversed to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

Related parties

For the purpose of these financial statements, Company's shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties (Note 22).

Segment reporting

As the Company operates only in production and trade of agricultural machinery and equipment, in Turkey, segment reporting of the financial information is not disclosed.

Financial assets

Financial assets are classified in accordance with the intention at acquisition. Company management determines appropriate classification of its investments at the time of purchase and re-evaluates these classifications in each financial year-end.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Receivables are included in trade and other receivables in the balance sheet. Receivables are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, receivables are stated at amortised cost using the effective yield method. Maturity differences related to trade receivables are presented in other income/expense from main operations (Note 5, Note 17).

Provision for impairment of receivables

A risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

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

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income.

Trade payables

In subsequent periods, payables are stated at amortised cost using the effective yield method. Maturity differences related to trade payables are presented in other income/expense from main operations (Note 5, Note 17).

Borrowings

Borrowings consist of bank loans taken from different banks. Loans are recorded at the value after the transaction costs are deducted from the amount of the loan. Bank loans are presented over the discounted cost value by using the effective interest rate in the subsequent periods. The difference between the amount remaining after the transaction costs are deducted and the discounted cost value is reflected in the financial statements as financing costs during the period of the loan (Note 19). When there are assets which take a significant amount of time to be available for use or sale, the borrowing costs directly attributable to their purchase, manufacture or production are included in the cost of the asset until the asset is available for use or sale. Borrowing costs include other costs borne according to the interest and the borrowing (Note 4, Note 19).

Recognition and derecognition of financial assets and liabilities

The Company reflects financial asset or liability reflects the balance sheet when the Company becomes a part of financial instrument agreement. The company derecognises a part of all financial instruments, only if the Company loses controls rights over the related financial asset. The company derecognise a financial instrument if only when obligation is removed, cancelled or expired.

All financial instruments are reflected to the financial statements at the commitment date of sales or purchase. Related sales and purchases are generally transactions required delivery of financial assets, regulated by the regulation and forms in the market within the time allowed.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recogni sed amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Foreign currency transactions and balances

Transactions in foreign currencies during the period have been translated into TL at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the statement of income. Non-monetary assets and liabilities, which are recognised at fair value, have been translated into TL at the exchange rates prevailing at the dates of fair value determined. Currency differences arising from trade receivables and payables related to main operations are shown in from operating income/ expenses (Note 17).

Earnings per share

Earnings per share disclosed in the statements of income are determined by dividing net income for the period by the weighted average number of shares that have been outstanding during the period (Note 21).

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

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

Subsequent events

Events after the balance sheet date are those events, even if those events occur after the public announcement of profit or of other selected financial information, that occur between the balance sheet date and the date when the financial statements are authorised for issue. The Company adjusts the amounts recognized in its financial statements to reflect adjusting events after the balance sheet date. The events that occur subsequent to the balance sheet date and not require a correction to be made are disclosed in accompanying notes, where the decisions of the users of financial statements are affected.

Provisions, contingent assets and contingent liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities. The Company does not recognize contingent assets and liabilities. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed, where an inflow of economic benefits is probable (Not 11).

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are not recognised for future operating losses.

In cases where the time value of money is material, provisions are determined as the present value of expenses required to be made to honor the liability. The rate used to discount provisions to their present values is determined taking into account the interest rate in the related markets and the risk associated with the liability. This discount rate does not consider risks associated with future cash flow estimates and should be pre-tax.

Leases

The Company-as the lessee

Financial Leases

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other liabilities and reduced as they are paid. The interest element of the finance cost is charged to the statement of income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset (Note 7).

Operating Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

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

Research and development expenses

Research expenditure is recognized as an expense as incurred (Note 15). Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years (Note 8).

Development assets are tested for impairment annually, in accordance with IAS 36.

Government grants and aids

All government grants, including non-monetary government grants followed up at fair values, are taken into account in the financial statements when there is reasonable assurance that the Company will comply with the conditions attaching to it and that the grant will be received or when the grant is actually received by the Company. Government grants shall be recognized in profit or loss on a systematic and pro rata basis over periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate.

There are investment incentive certificates to which the Company has been entitled by the official authorities in connection with certain capital expenditures. The Company has two incentives Ankara Modernization and Adapazarı Investment as of December 31, 2013.

The rights of the Company due to these incentives are as follows:

a) 100% exemption from customs duty on machinery and equipment to be imported,
b) Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
c) Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
d) Inward processing permission certificates,
e) Cash refund from Tübitak-Teydeb for research and development expenses,
f) Discounted corporate tax incentive,
g) Exemption of taxes and funds,
h) Incentive of environmental costs support by law 9715,
i) Patent incentives,
j) Corporate tax exemption based on investment contribution rates.

Taxes on income

Taxes on income included in statement of income comprise current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years (Note 20).

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

Deferred income tax is provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes with the enacted tax rates as of the balance sheet date (Note 20).

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Tax bases of assets and liabilities reflect the amounts affecting the future tax bases under the current tax legislation. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will reverse. Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. To the extent that deferred income tax assets will not be utilised, the related amounts have been deducted accordingly.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly, if current tax assets can be offset against current tax liabilities (Note 20).

Payables within the scope of employee benefits

These are the amounts payable within the scope of employee benefits such as remunerations, wages and social security contributions. These amounts are reflected in personnel expenses in the period in which they are accrued.

Provisions related to employee benefits

Defined benefit plan:

In accordance with the laws in effect, the Company is obliged to pay employment termination benefits to employees whose employment is terminated for reasons other than retirement, resignation or behavior mentioned in the Labour Law. The provision for employment termination benefits has been calculated reflected in the financial statements according to the net current value of the amount of liabilities expected to arise in the future due to the retirement of all employees. Actuarial loss or gain is recognized under other comprehensive income. According to employment contract, if employment contract end any reason, provision of unused vacation has been paid to employees or right holders. Provision is calculated based on the employee wage when the contract expired.

Statement of cash flow

The statement of cash flows reports cash flows during the year classified by operating, investing and financing activities.

Cash flows from operating activities are derived from the principal revenue producing activities of the Company.

Cash flows related to investing activities represent cash flows generated from and used in the investing activities (fixed assets and financial investments) of the Company.

Cash flows related to financing activities represent cash flows generated from Company's financing activities and re-payment of such generated cash-in flows.

Cash and cash equivalents include cash in hand, bank deposits and other short-term highly liquid investments with maturities of three months or less.

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

Share capital and dividends

Ordinary shares are classified as capital. Dividends distributed over ordinary shares are recorded by deducting from retained earnings within the year in which they are declared.

2.5 Significant accounting estimates and decisions

Preparation of the financial statements requires the usage of the estimates and judgements affecting the amounts of the assets and liabilities as of the balance sheet date and the income and expenses recorded through the year and explanations of contingent assets and liabilities. Estimations and assumptions can differ from actual results in spite of these estimations and assumptions are based on Company management's best knowledge.

Warranties

Warranty expenses are recorded as a result of repair and maintenance expenses for products produced and sold, authorised services' labour and material costs for products under the scope of the warranty terms without any charge to the customers, initial maintenance costs and estimated costs based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period (Note 11). The company estimates ratio based on statistical information for possible future warranty services and returns of products, and calculates provision amount with respect to the products sold during the period. The company gives guarantee services for each tractor sold during two years. The company reflects estimated cost incurred in one year to short term.

Deferred tax assets

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

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

The Company has recorded its deferred tax asset as of December 31, 2013 since it is highly probable that sufficient profit will be made which will cause a tax liability which may be offsetted in the subsequent periods.

2.6 Convenience translation into English of financial statements originally issued in Turkish

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, classification of some balance sheet, income statement items and also for certain disclosures requirement of the POA.

NOTE 3-CASH AND CASH EQUIVALENTS

	2013	2012
Banks		
-TL denominated demand deposits	8.200.808	14.752.676
-TL denominated time deposits	132.231.418	127.834.240
-Foreign currency denominated demand deposits	1.787.232	1.280.290
-Foreign currency denominated time deposits	67.103.478	235.104.109
	209.322.936	378.971.315

As of December 31, 2013, the weighted average effective annual interest rates for TL and Euro ("EUR") time deposits are 8,70% and 2,42% (2012: TL: 7,78%, EUR: 3,29%). As of December 31, 2013 and 2012, remaining time to maturity of time deposits is less than three months.

The cash and cash equivalents included in the statement of cash flows at December 31, 2013 and 2012 is as follows:

	2013	2012
Banks	209.322.936	378.971.315
Less: Interest accruals	(35.894)	(85.933)
Less: Restricted bank deposits (*)	(289.746)	(2.666.564)
Cash and cash equivalents	208.997.296	376.218.818

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

NOTE 4-FINANCIAL LIABILITIES

a) Short-term financial liabilities

Short-term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	2013	2012	2013	2012	2013	2012
EUR bank borrowings	5.006.979	40.487.130	3,35	4,14	14.702.994	95.213.584
		-		-		-
					14.702.994	95.213.584

NOTE 4-FINANCIAL LIABILITIES (Continued)

Short-term financial lease obligations

	Original currency amount		TL equivalent	
	2013	2012	2013	2012
TL financial lease obligations	-	4.345	-	4.345
			-	4.345
Total short-term financial liabilities			14.702.994	95.217.929

Current portion of long term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	2013	2012	2013	2012	2013	2012
EUR bank borrowings	-	27.945.833	-	5,00	-	65.720.216
						65.720.216

b) Long-term financial liabilities

Long-term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TL equivalent	
	2013	2012	2013	2012	2013	2012
EUR bank borrowings	80.092.571	82.846.438	2,64	4,64	235.191.834	194.829.967
	100.459.111	-	10,83	-	100.459.111	
					335.650.945	194.829.967
Prepaid commission for debt (*)					(1.763.344)	-
Total long-term financial liabilities					333.887.601	194.829.967

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

NOTE 4-FINANCIAL LIABILITIES (Continued)

Redemption schedule of the long-term bank borrowings as of December 31, 2013 is as follows:

Year	2013
2015	178.338.445
2016	62.925.000
2017	62.925.000
2018	31.462.500
	335.650.945

As of December 31, 2013 the Company does have a long-term investment loan amounting to EUR 75.000.000 (2012: None). Loan's maturity period is 5 years with an interest payment of every 6 months and with an interest rate of 2.20% + Euribor. There are no principle payments for the following 2 years. 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 Financial Reporting Standards by the Public Oversight Authority:

Obligation rate is;

• Net financial liability (*) / Earnings before interest, taxes, depreciation and amortization: 3,75.

(*) Net financial liability is calculated by deducting the total of financial liabilities from cash and cash equivalents.

The Company met these conditions as of December 31, 2013.

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

	Carrying value		Fair value	
	2013	2012	**2013**	2012
Bank borrowings	**350.353.939**	355.763.767	**340.317.920**	353.840.083

As of December 31, 2013, fair values of the loans are determined by using the discounted cash flow method over annual average effective discount rates which is 3,63% for EUR loans and 12,10% for TL denominated bank borrowings respectively (2012: EUR 4,84%).

NOTE 5-TRADE RECEIVABLES AND PAYABLES

	2013	2012
Short-term trade receivables:		
Customer current accounts	304.819.369	217.564.034
Notes receivables	16.455.393	54.013.425
Protested notes	5.163.779	13.275.882
	326.438.541	284.853.341
Less: Provision for doubtful receivables	(42.169.877)	(37.784.114)
Unearned financial income	(2.153.740)	(1.339.029)
Short-term trade receivables	282.114.924	245.730.198
Due from related parties (Note 22)	80.797.729	84.904.276
Total short-term trade receivables	362.912.653	330.634.474

Movements of the provisions for short term doubtful receivables for the periods ended December 31, 2013 and 2012 are as shown below:

	2013	2012
January 1	(37.784.114)	(33.039.870)
Transfer from long term	(388.187)	(5.943.263)
Collections during the year (Note 17)	1.171.436	4.782.025
Charge during the year (Note 17)	(5.169.012)	(3.583.006)
December 31	(42.169.877)	(37.784.114)

	2013	2012
Long-term trade receivables:		
Notes receivables	391.920	2.182.293
Less: Provision for doubtful receivables	(139.484)	(527.671)
Unearned financial income	(1.777)	(11.278)
	250.659	1.643.344

NOTE 5-TRADE RECEIVABLES AND PAYABLES (Continued)

Movements of the provisions for long term doubtful receivables for the periods ended December 31, 2013 and 2012 are as shown below:

	2013	2012
January 1	(527.671)	(6.288.176)
Transfer to short term	388.187	5.943.263
Charge during the year (Note 17)	-	(182.758)
December 31	(139.484)	(527.671)

	2013	2012
Trade payables:		
Supplier current accounts	278.698.990	204.184.018
Less: Unincurred financial expense	(1.955.902)	(900.235)
Trade payables	276.743.088	203.283.783
Due to related parties (Note 22)	29.346.571	17.006.021
Total trade payables	306.089.659	220.289.804

NOTE 6-INVENTORIES

	2013	2012
Raw materials	151.293.846	126.258.219
Work in progress	4.345.695	4.425.778
Finished goods	45.944.910	42.213.817
Commercial goods	93.471.041	53.789.605
Spare parts	22.048.260	18.688.498
Goods in transit (*)	107.812.377	53.015.011
	424.916.129	298.390.928
Provision for impairment of inventory (-)	(11.517.571)	(5.769.405)
	413.398.558	292.621.523

The cost of inventories recognised as expense in the current year, amounted to TL 1.524.046.351 (2012: TL 1.376.799.536).

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

NOTE 6-INVENTORIES (Continued)

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

	2013	2012
January 1	(5.769.405)	(1.662.000)
Released of inventory sold during the year	2.212.745	799.351
Charge during the period for impairment of inventory	(7.960.911)	(4.906.756)
December 31	(11.517.571)	(5.769.405)

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

	2013	2012
Raw materials	(7.595.685)	(967.007)
Finished goods	-	(1.635.028)
Merchandises	(2.544.396)	(2.093.081)
Spare parts	(1.377.490)	(1.074.289)
	(11.517.571)	(5.769.405)

NOTE 7-PROPERTY, PLANT AND EQUIPMENT

	January 1, 2013	Additions	Disposals	Transfers	December 31, 2013
Cost					
Land	30.171.026	4.786.838	-	-	34.957.864
Land improvements	5.448.242	425.123	-	94.336	5.967.701
Buildings	52.951.936	345.446	-	-	53.297.382
Machinery and equipment	379.404.095	12.630.855	(5.781.050)	23.158.890	409.412.790
Special costs	2.705.188	6.950	-	-	2.712.138
Motor vehicles	1.906.576	9.000	-	-	1.915.576
Furniture and fixtures	31.440.063	4.105.427	(639.532)	1.675.603	36.581.561
Construction in progress	18.201.769	115.232.218	(14.535)	(25.238.959)	108.180.493
	522.228.895	137.541.857	(6.435.117)	(310.130) (*)	653.025.505
Accumulated depreciation					
Land improvements	3.344.573	240.422	-	-	3.584.995
Buildings	36.651.959	1.543.632	-	-	38.195.591
Machinery and equipment	300.372.133	13.694.671	(4.761.009)	-	309.305.795
Special costs	2.641.633	11.945	-	-	2.653.578
Motor vehicles	1.204.620	212.270	-	-	1.416.890
Furniture and fixtures	21.020.832	3.280.119	(625.592)	-	23.675.359
	365.235.750	18.983.059	(5.386.601)		378.832.208
Net book value	156.993.145				274.193.297

(*) Transferred to intangible assets.

NOTE 7-PROPERTY, PLANT AND EQUIPMENT (Continued)

	January 1, 2012	Additions	Disposals	Transfers	December 31, 2012
Cost					
Land	22.240.313	7.937.800	(7.087)	-	30.171.026
Land improvements	5.329.126	68.244	-	50.872	5.448.242
Buildings	51.177.099	1.246.328	-	528.509	52.951.936
Machinery and equipment	351.600.074	17.329.318	(10.600.311)	21.075.014	379.404.095
Special costs	2.705.188	-	-	-	2.705.188
Motor vehicles	1.791.445	244.748	(129.617)	-	1.906.576
Furniture and fixtures	27.882.315	2.546.545	(675.288)	1.686.491	31.440.063
Construction in progress	9.655.625	31.937.030	-	(23.390.886)	18.201.769
	472.381.185	61.310.013	(11.412.303)	(50.000) (*)	522.228.895
Accumulated depreciation					
Land improvements	3.197.561	147.012	-	-	3.344.573
Buildings	35.102.741	1.549.218	-	-	36.651.959
Machinery and equipment	301.110.058	9.826.670	(10.564.595)	-	300.372.133
Special costs	2.620.160	21.473	-	-	2.641.633
Motor vehicles	1.105.003	209.701	(110.084)	-	1.204.620
Furniture and fixtures	19.274.377	2.411.198	(664.743)	-	21.020.832
	362.409.900	14.165.272	(11.339.422)	-	365.235.750
Net book value	109.971.285				156.993.145

(*) Transferred to intangible assets.

For the period ended at December 31, 2013, of the total depreciation expense amounting to TL 18.983.059 (2012: TL 14.165.272), TL 13.792.439 (2012: TL 10.456.643) is allocated to production costs, TL 2.883.977 (2012: TL 2.213.001) is allocated to general administrative expenses, TL 1.530.037 (2012: TL 896.188) is allocated to research and development expenses and TL 776.606 (2012: TL 599.440) is allocated to marketing, selling and distribution expenses. The depreciation expense amounting to TL 1.283.912 (2012: TL 845.981) is capitalized during the period as it is related to the development costs.

The Company has capitalized total TL 9.505.715 financial costs arose from foreign exchange denominated borrowings on construction in progress as of December 31, 2013 (2012: None).

There is no mortgage on property, plant and equipment as of December 31, 2013 (2012: None).

NOTE 8-INTANGIBLE ASSETS

	January 1, 2013	Additions	Disposals	Transfers	December 31, 2013
Cost					
Rights	7.955.531	2.675.218	-	310.130	10.940.879
Development costs	27.966.944	269.138	-	9.396.812	37.632.894
Development costs in progress	13.195.578	46.077.208	-	(9.396.812)	49.875.974
	49.118.053	49.021.564	-	310.130	98.449.747
Accumulated amortisation					
Rights	5.205.768	1.230.731	-	-	6.436.499
Development costs	9.020.277	5.696.765	-	-	14.717.042
	14.226.045	6.927.496	-	-	21.153.541
Net book value	34.892.008				77.296.206

	January 1,2012	Additions	Disposals	Transfers	December 31, 2012
Cost					
Rights	6.093.469	1.814.432	(2.370)	50.000	7.955.531
Development costs	10.088.545	-	-	17.878.399	27.966.944
Development costs in progress	18.905.977	12.168.000		(17.878.399)	13.195.578
	35.087.991	13.982.432	(2.370)	50.000	49.118.053
Accumulated amortisation					
Rights	4.389.345	818.793	(2.370)	-	5.205.768
Development costs	4.286.789	4.733.488	-	-	9.020.277
	8.676.134	5.552.281	(2.370)	-	14.226.045
Net book value	26.411.857				34.892.008

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

The amortisation is not calculated for the development costs in progress as the development process has not yet been completed.

For the period ended at December 31, 2013, of the total amortisation expenses amounting to TL 6.927.496 (2012: TL 5.552.281), TL 894.207 (2012: TL 604.424) is allocated to production costs, TL 186.977 (2012: TL 127.918) is allocated to general administrative expenses, TL 5.795.962 (2012: TL 4.785.290) is allocated to research and development expenses and TL 50.350 (2012: TL 34.649) is allocated to marketing, selling and distribution expenses.

NOTE 9-OTHER ASSETS AND LIABILITIES

	2013	2012
a) Other current assets:		
Deferred value added tax ("VAT")	59.756.795	47.582.310
Reclaimed VAT	39.648.268	53.535.603
Other	257.623	284.209
	99.662.686	101.402.122
b) Deferred income:		
Advances taken	5.699.609	14.087.436
Deferred income (*)	5.600.348	518.552
Other short-term liabilities	11.299.957	14.605.988

(*) Deferred income represents the sales amount of the tractors for which the invoices are issued but are not yet shipped to customers as of December 31, 2013 and 2012.

NOTE 10 - PREPAID EXPENSES

Long-term prepaid expenses

	2013	2012
Advances given for tangible assets	20.260.797	-
Prepaid expenses	20.260.797	-

NOTE 11 -PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) Short term provisions

Short term provision for employee benefits

	2013	2012
Provision for unused vacation	979.368	715.856
	979.368	715.856

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

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

	2013	2012
January 1	715.856	559.443
Charge/ (used) for the year, net	263.512	156.413
December 31	979.368	715.856

Other short term provisions

	2013	2012
Warranty provision	16.908.966	16.133.521
Provision for legal cases (*)	4.097.031	1.369.143
Other provisions (**)		
	1.338.564	406.442
	22.344.561	17.909.106

(*) The balance represents provision for legak cases which were opened against the Company.
(**) The balance consists of other provision as of December 31, 2013.

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

	2013	2012
January 1	30.746.095	28.089.818
Used during the year	(37.117.210)	(29.952.045)
Charge for the year (Note 15)	39.440.632	32.608.322
December 31	33.069.517	30.746.095

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

	2013	2012
January 1	1.369.143	550.057
Charge for the year (Note 17)	2.727.888	819.086
December 31	4.097.031	1.369.143

b) Long term provisions

Long term provision for employee benefits

	2013	2012
Provision for employee termination benefits	15.435.367	9.004.102
	15.435.367	9.004.102

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

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

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

The amount payable consists of one month's salary limited to a maximum of TL 3.254,44 for each year of service as of December 31, 2013 (2012: TL 3.033,98).

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:

	2013	2012
Inflation rate (%)	4,50	5,10
Discount rate (%)	9,50	9,16
Turnover rate to estimate the probability of retirement (%)	98,52	94,19

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL 3.438,22 which is effective from January 1, 2014 has been taken into consideration in calculating the provision for employee termination benefits of the Company.

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

	2013	2012
January 1	9.004.102	7.501.348
Interest cost	430.396	347.313
Current year service cost	8.031.293	2.895.722
Paid in the year	(2.503.316)	(1.666.017)
Actuarial loss/ (gain)	472.892	(74.264)
December 31	15.435.367	9.004.102

Other long term provisions

	2013	2012
Warranty provision	16.160.551	14.612.574
	16.160.551	14.612.574

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

c) Contingent liabilities

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

	2013	2012
A. The total amount of collaterals given on behalf of its own legal entity	9.327.007	23.014.969
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	-	-
	9.327.007	23.014.969

As at December 31, 2013, the Company has given in its own legal entity on behalf of the original collateral denominated in foreign currency amounts of EUR 2.676.108 and TL 1.468.616 (2012: EUR 9.002.848 and USD 26.444).

d) Contingent assets

	Foreign currency amount						TL equivalent	
	2013			2012				
	EUR	USD	TL	EUR	USD	TL	December 31, 2013	December 31, 2012
Letters of guarantees received	1.569.142	303.000	326.287.850	-	470.000	274.206.800	331.542.328	275.044.623
Direct debit	-	-	244.616.204	-	-	179.586.528	244.616.204	179.586.528
Mortgages	-	-	5.452.214	-	-	6.178.980	5.452.214	6.178.980
Security bonds	-	-	2.722.000	-	-	1.872.000	2.722.000	1.872.000
Cash TL guarantees	-	-	-	-	-	31.462	-	31.462
Cash foreign currency guarantees	-	8.457	-	-	8.363	-	18.051	14.907
							584.350.797	462.728.500

NOTE 12-PROVISION FOR EMPLOYEE BENEFITS

Liabilities for employee benefits

	2013	2012
Taxes payable and liabilities (*)	6.272.971	5.222.270
Accrued liabilities and premiums paid to the personnel	4.685.626	6.754.742
	10.958.597	11.977.012

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

NOTE 13- SHAREHOLDERS' EQUITY

Paid-in Share Capital

The Company's registered share capital amounts to TL 250.000.000 (2012: TL 250.000.000).

The Company's share capital is composed of 5.336.900.000 units of shares each Kr 1 nominal value. The nominal value of share capital is TL 53.369.000.

The composition of the Company's statutory share capital at December 31, 2013 and December 31, 2012 are as follows:

	2013		2012	
	Participation	Share Amount	Participation	Share Amount
	(%)	(TL)	(%)	(TL)
Koç Holding	37,50	20.013.375	37,50	20.013.375
CNH Osterreich	37,50	20.013.375	37,50	20.013.375
Public quotation	24,93	13.306.859	24,93	13.306.859
Other	0,07	35.391	0,07	35.391
	100,00	53.369.000	100,00	53.369.000
Adjustments to share capital		39.014.356		39.014.356
		92.383.356		92.383.356

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

As of 28 November 2005, the shares of the Company are dematerialized and in accordance with the Communiqué No: IV-28 regarding "Principles and Procedures for the Recording of Dematerialized Capital Market Instruments", shares paid to the bearer were made shares paid to the name. 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. One of the each A and B Group shares has to have independence qualities which are defined in CMB regulations.

CNHI Industrial, centered in Netherland, one of the "Company" shareholders has transferred its fully paid 2.001.337.500 Group B shares with a nominal of TL 20.013.375 to its 100% owned subsidiary CNH Osterreich, centered in Austria on February 16, 2011.

As of June, 11 2004, the Company has been quoted to BIST and its shares started to be traded in the stock exchange market from that date. As of 31 December 2013, 24,93% (31 December 2012: 24,93%) of the Company shares are quoted at BIST.

NOTE 13- SHAREHOLDERS' EQUITY (Continued)

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

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

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2009, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences (such as inflation adjustment differences) shall be disclosed as follows:

- If the difference is due to the inflation adjustment of "share capital" and not yet been transferred to capital should be classified under "Adjustments to Share Capital";

- If the difference is due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings".

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

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 January 23, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

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.

A provision in the main agreement is required for dividend to be distributable to holders of privileged shares, holders of usufruct right certificate, to the members of the board of directors, to the employees of the company and to non-shareholders. If, despite the fact that a provision is present in the main agreement regarding dividend distribution to these persons, a rate has not been determined, the dividend to be distributed to these persons may not exceed one fourth of the dividend distributed to shareholders under any circumstance except for those arising from privilege.

NOTE 13- SHAREHOLDERS' EQUITY (Continued)

In the statutory financial statements of the Company, in addition to the statutory profit amounting to TL 260.762.369 and retained earnings amounting to TL 291.599.544 for the period ended December 31, 2013; there are inflation adjustment difference and other capital reserves that can be subject to a possible tax liability amounting to TL 47.110.422 and TL 12.287.565 if dividend distribution is made.

The decision of dividend payment amounting to TL 200.000.000, taken in the Company's General Assembly dated March 18, 2013 and payment has made to shareholders in cash in March 25, 2013 (Note 22). Dividend payment distribution has been 3,74 Kr per share (2012: 3,74 Kr).

NOTE 14-SALES AND COST OF SALES

	January 1-December 31, 2013	January 1-December 31, 2012
Domestic sales	1.658.881.576	1.517.459.910
Export sales	698.327.376	618.873.881
	2.357.208.952	2.136.333.791
Less: Discounts and returns	(181.889.071)	(162.320.051)
Sales income (net)	2.175.319.881	1.974.013.740
Cost of sales	(1.703.453.346)	(1.551.590.931)
Gross profit	471.866.535	422.422.809

NOTE 15 – RESARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	January 1-December 31, 2013	January 1-December 31, 2012
Marketing, selling and distribution expenses:		
Warranty expenses (Note 11)	39.440.632	32.608.322
Transportation and insurance expenses	16.784.868	14.476.069
Personnel expenses	16.663.472	14.679.069
Advertisement and promotion expenses	4.637.863	6.590.633
Fair expenses	4.553.398	4.996.446
Entertainment and travel expenses	2.166.848	2.044.065
Outsourcing expenses	1.908.774	1.849.759
Remuneration of key management personnel (Note 22.v) (*)	1.795.451	1.566.508
Vehicle expenses	1.337.308	1.225.103
Rent expenses	1.253.785	1.052.867
Service expenses	957.761	823.518
Material expenses	961.589	548.922
Depreciation and amortisation expenses (Note 7, 8) (***)	826.956	634.089
Provision for employment termination benefits (Note 1) (**)	291.698	465.505
Donations and aids	-	36.968
Other	3.667.649	4.594.639
	97.248.052	88.192.482

	January 1-December 31, 2013	January 1-December 31, 2012
General administrative expenses:		
Personnel expenses	11.264.909	9.193.053
Service expenses paid to shareholders	5.233.921	4.550.004
Donations and aids	4.156.770	3.671.680
Remuneration of key management personnel (Note 22) (*)	4.123.771	3.481.659
Depreciation and amortisation expenses (Note 7, 8) (***)	3.070.954	2.340.919
Service expenses	2.882.347	1.899.050
Entertainment and travel expenses	2.366.305	1.415.092
Outsourcing expenses	1.627.081	1.602.673
Taxes and other legal expenses	843.081	947.539
Lawsuit and consultancy expenses	691.418	703.923
Subscription fees	662.487	581.083
Insurance expenses	484.130	431.835
Material expenses	418.381	488.325
Provision for employment termination benefits (Note 11) (**)	318.346	128.039
Travel expenses	280.718	220.074
Energy expenses	159.857	195.655
Other	2.180.018	1.424.572
	40.764.494	33.275.175

NOTE 15 – RESARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES (Continued)

	January 1-December 31, 2013	January 1-December 31, 2012
Research and development expenses:		
Depreciation and amortisation expenses (Note 7, 8) (***)	6.042.087	4.835.497
Personnel expenses	1.560.007	671.754
Project expenses	641.300	490.759
Outsourcing expenses	310.965	138.449
Material expenses	81.142	59.586
Remuneration of key management personnel (Note 22.v) (*)	79.393	112.602
Provision for employment termination benefits (Note 11) (**)	75.765	143.301
Vehicle expenses	54.900	45.771
Entertainment and travel expenses	48.390	69.609
Other	331.946	184.282
	9.225.895	6.751.610

(*) The amount of remuneration of key management personnel allocated to production costs is TL 2.433.006 (2012: TL 2.121.363), and capitalized amount is TL 943.057 (2012: TL 774.623).
(**) The amount of provision for employment termination benefits allocated to production costs is TL 8.248.772 (2012: TL 2.431.926).
(***) The amount of depreciation and amortization expenses allocated to production costs TL 14.686.649 (2012: TL 11.061.067).

NOTE 16 – EXPENSES BY NATURE

	January 1-December 31, 2013	January 1-December 31, 2012
Raw materials	1.210.479.855	1.131.524.074
Cost of merchandise sold	298.825.619	232.698.064
Personnel expenses	124.445.417	113.275.773
Material expenses	42.866.439	47.785.125
Warranty expenses	39.440.632	32.608.322
Depreciation and amortisation expenses	24.626.643	18.871.572
Transportation and insurance expenses	22.520.265	19.919.067
Energy expenses	10.936.242	11.151.458
Provision for employment termination benefits	8.461.689	3.243.035
Remuneration of key management personnel	8.431.621	7.282.132
Donations and aids	4.156.770	3.708.648
Changes in finished goods and work in process	(3.651.010)	3.830.308
Other	59.151.605	53.912.620
	1.850.691.787	1.679.810.198

NOTE 17 – OTHER OPERATING INCOME/ EXPENSES

	January 1-December 31, 2013	January 1-December 31, 2012
Foreign exchange gain from trade receivable/ payables	381.095.623	140.795.557
Financial income from credit sales	16.042.893	33.777.403
Termination of provision for doubtful receivables (Note 5)	1.171.436	4.782.025
Incentive income	400.000	482.556
Other income	2.356.423	1.132.906
Other operating income	**401.066.375**	180.970.447

	January 1-December 31, 2013	January 1-December 31, 2012
Foreign exchange losses on trade receivables and payables	(355.912.173	(141.495.530)
Financial expense on credit purchases	(9.754.867)	(21.937.666)
Provision for doubtful receivables (Note 5)	(5.169.012)	(3.765.764)
Provision for legal cases (Note 11)	(2.727.888)	(819.086)
Other expense	(2.910.670)	(2.205.608)
Other operating expenses	**(376.474.610)**	(170.223.654)

NOTE 18-FINANCIAL INCOME

	January 1-December 31, 2013	January 1-December 31, 2012
Foreign exchange gain(*)	45.174.088	71.388.382
Interest income	8.782.039	10.830.377
Financial income	**53.956.127**	82.218.759

NOTE 19 – FINANCIAL EXPENSE

	1 January-31 December 2013	1 January-31 December 2012
Foreign exchange loss (*)	(69.398.458)	(58.468.128)
Interest expenses of bank borrowings	(10.405.516)	(15.206.873)
Other	(3.316.207)	(2.087.121)
Financial expenses	**(83.120.181)**	(75.762.122)

(*) Consists of income/ expense from exchange rate differences other than trade receivables and payables.

NOTE 20-TAX ASSETS AND LIABILITIES

	2013	2012
Corporate taxes payable	55.246.090	57.266.903
Less: Prepaid taxes	(46.721.512)	(52.772.988)
Total tax payable-net	8.524.578	4.493.915

	January 1-December 31, 2013	January 1-December 31, 2012
Current period corporate tax expense	(55.246.090)	(57.266.903)
Deferred tax income	14.897.458	7.328.406
Tax expense	(40.348.632)	(49.938.497)

Corporation tax is payable, at a rate of 20% as of 2013 (2012: 20%) on the total income of the companies registered in Turkey after adjusting for certain disallowable expenses, exempt income and investment and other allowances (e.g. R&D allowance).

Deferred taxes

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements prepared in accordance with the CMB Financial Reporting Standards and their statutory financial statements, using the currently enacted tax rates. These temporary differences result in the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes. The currently enacted tax rate for deferred tax assets and liabilities is 20% (2012: 20%).

NOTE 20-TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/ (liabilities) at December 31, 2013 and 2012 are as follows:

	Temporary differences		Deferred tax assets/ (liabilities)	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Property, plant and equipment and intangible assets, restatement and useful life differences	20.270.382	23.930.275	(4.054.076)	(4.786.055)
Unearned finance income on due from related parties	(26.287)	(20.228)	5.257	4.046
Provision for employee termination benefits	(15.435.367)	(9.004.102)	3.087.073	1.800.820
Capitalized unincurred financial expense on inventory	(3.289.951)	(1.286.087)	657.990	257.217
Warranty provision	(33.069.517)	(30.746.095)	6.613.903	6.149.219
Provision for lawsuits	(4.097.031)	(1.369.143)	819.406	273.828
Unearned finance income on trade receivables and payables	(282.633)	(502.422)	56.527	100.484
Provision for doubtful receivables	(7.489.117)	(22.223.495)	1.497.823	4.444.699
Provision for impairment of inventory	(11.517.572)	(5.769.405)	2.303.514	1.153.881
Sales premium accured	(13.560.049)	(15.369.609)	2.712.010	3.073.922
Other expense provisions	(925.022)	(3.321.045)	185.004	664.209
Investment incentive tax assets	-	-	22.553.029	8.126.471
Deferred income	(368.483)	(1.384.010)	73.697	276.802
Other	(161.855)	(59.749)	32.372	11.950
Deferred tax assets			36.543.529	21.551.493

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

	2013	2012
January 1	21.551.493	14.237.940
Reflected in profit for the year	14.897.458	7.328.406
Reflected to other comprehensive income/ (expense)	94.578	(14.853)
December 31	36.543.529	21.551.493

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

	December 31, 2013	December 31, 2012
Profit before tax	320.254.571	318.076.701
Tax calculated at enacted tax rate	64.050.914	63.615.340
Investment incentives	(19.351.996)	(10.349.382)
Research and development deductions	(4.429.419)	(2.259.560)
Disallowable expenses	735.902	492.792
Other	(656.769)	(1.560.693)
Total tax charge	40.348.632	49.938.497

NOTE 21-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 is calculated by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue. Nominal value of one share of company is 1 Kuruş.

	January 1-December 31, 2013	January 1-December 31, 2012
Total comprehensive income	279.905.939	268.138.204
Weighted average number of the ordinary shares	5.336.900.000	5.336.900.000
Earnings per share (1 Kr nominal value per share as TL)	0,0524	0,0502

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

NOTE 22-RELATED PARTY EXPLANATIONS

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

Summary of the intercompany balances as of December 31, 2013 and 2012 and significant intercompany transactions were as follows:

i) Balances with related parties as of December 31, 2013 and 2012:

	December 31, 2013	December 31, 2012
a) Bank deposits and borrowings		
Deposits with related parties:		
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi")	28.481.316	40.566.894
	28.481.316	40.566.894

NOTE 22-RELATED PARTY EXPLANATIONS (Continued)

	December 31, 2013	December 31, 2012
b) Due from related parties		
Due from group companies		
CNHI International SA ("CNHI International") (*)	60.196.245	76.344.087
CNHI Argentina SA ("CNHI Argentina")	10.309.551	-
CNHI Italy SPA ("CNHI Italy")	8.686.937	2.459.954
CNHI Latin America Ltda	1.003.496	2.660.330
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	3.328.611
Other	627.787	131.522
	80.824.016	84.924.504
Less: Unearned financial income	(26.287)	(20.228)
	80.797.729	84.904.276

(*) 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.

	2013	2012
c) Due to related parties		
Trade payable to shareholders		
Koç Holding	1.939.893	1.398.132
Due to shareholders	1.939.893	1.398.132
Ark İnşaat Sanayi ve Ticaret A.Ş.	7.565.470	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer")	6.397.486	5.422.826
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. ("Opet Fuchs")	4.374.305	2.640.236
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ("Koç Sistem")	3.609.295	2.230.677
New Holland Fiat India Pvt. Ltd. ("New Holland India")	2.512.605	2.026.510
Otokar Otomotiv ve Savunma Sanayi A.Ş. ("Otokar")	760.127	523.164
Koçtaş Yapı Marketleri A.Ş. ("Koçtaş")	605.461	859.048
Otokoç Otomotiv San. ve Tic. A.Ş ("Otokoç")	279.575	107.700
Opet Petrolcülük A.Ş. ("Opet")	60.882	46.113
Setur Servis Turistik A.Ş. ("Setur")	-	229.571
CNHI Services srl	-	1.240.837
Other	1.409.163	332.758
Due to group companies	27.574.369	15.659.440
Less: Unearned financial expenses	(167.691)	(51.551)
	29.346.571	17.006.021

NOTE 22-RELATED PARTY EXPLANATIONS (Continued)

ii) Significant sales and purchases transactions with related parties for the periods between January 1 – December 31, 2013 and 2012:

a) Product sales to related parties

	January 1-December 31, 2013	January I-December 31, 2012
Product sales to group companies		
CNHI International (*)	671.762.570	580.274.575
CNHI Latin America Ltda.	6.875.242	33.473.802
CNHI Italy	7.095.227	4.504.287
Zer	118.228	4.002.596
Other	12.552.289	442.809
	698.403.556	622.698.069

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

b) Other income and expenses from related parties

	January I-December 31, 2013	January I-December 31, 2012
Other income from group companies		
CNHI International	618.262	208.755
Other	-	53.361
	618.262	262.116
Other expenses from group companies		
CNHI Italy	-	(128.214)
Other	(7.371)	(916)
	(7.371)	(129.130)

NOTE 22-RELATED PARTY EXPLANATIONS (Continued)

c) Product purchases from related parties

	January I- December 31, 2013	January I- December 31, 2012
Product purchases from group companies		
CNHI International (*)	**321.977.243**	121.465.532
Opet Fuchs (**)	**29.377.064**	27.633.328
New Holland India	**25.303.899**	-
Zer	**10.268.269**	9.800.933
Koç Sistem	**2.504.429**	2.493.082
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	2.406.372	2.232.404
Opet (**)	**872.629**	842.995
Diğer	**3.916.198**	4.033.514
	396.626.103	168.501.788

(*) The company purchases tractors, agricultural machinery, engine and spare parts.
(**) The company makes various oil purchases for use in production and fuel purchases for use in company vehicles.

NOTE 22-RELATED PARTY EXPLANATIONS (Continued)

d) Service purchases from related parties

	January I-December 31, 2013	January I-December 31, 2012
Service purchases from shareholders		
Koç Holding (***)	2.896.856	2.400.058
	2.896.856	2.400.058
Service purchase from group companies		
Ark İnşaat San. ve Tic. A.Ş. (*)	80.377.694	6.689.867
Zer (**)	51.148.132	25.293.376
CNHI International (****)	35.513.794	-
Otokar (*****)	7.743.126	6.829.799
Vehbi Koç Vakfı	4.000.000	3.300.000
Setur (******)	3.692.927	3.383.973
Koç Sistem	1.513.981	483.828
Otokoç	1.270.485	1.097.511
Ram Sigorta Aracılık Hizmetleri A.Ş. (*******)	1.214.453	701.729
Aygaz Doğalgaz Toptan Satış A.Ş.	171.282	197.503
CNHI Services srl	-	2.269.280
Diğer	2.680.014	1.362.886
	189.325.888	51.609.752
	192.222.744	54.009.810

(*) Services purchased from Ark İnşaat San. ve Tic. A.Ş. is related to services taken for construction of assembly factory in Sakarya.
(**) Services purchased from Zer are related with security, cleaning, transportation and other services
(***) Services purchased from Koç Holding is related with human resources, strategy development, consulting and brokerage.
(****) Services purchased from CNHI International is related with engineering services for Tier 4, strategy development, consulting and brokerage.
(*****) Service purchased from Otokar is related with assembly and assembly support services.
(******) Services purchased from Setur are generally arising from plane tickets, accommodation and associated with various organizations within the sales and marketing activities.
(*******) Insurance service purchased from Ram Sigorta Aaracılık Hizmetleri A.Ş. is related interim period include premium amounts paid and accrued ended on 31 December 2013.

NOTE 22-RELATED PARTY EXPLANATIONS (Continued)

iii) Financial income and expenses arising from transactions with related parties for the periods between January 1 – December 31, 2013 and 2012:

Financial income and expense from group companies

	January 1-December 31, 2013	January 1-December 31, 2012
Interest income		
Yapı Kredi	398.629	1.002.052

	January 1-December 31, 2013	January 1-December 31, 2012
Interest expense		
Yapı Kredi	(372.770)	-
Yapı Kredi Yatırım Menkul Değerler A.Ş.	(2.790)	(1.451)
Yapı Kredi Finansal Kiralama A.O.	(23)	(454)
	(375.583)	(1.905)

iv) Dividends paid to related parties:

	January 1-December 31, 2013	January 1-December 31, 2012
Koç Holding	75.000.000	75.000.000
CNH Osterreich	75.000.000	75.000.000
Public quotation	49.867.371	49.867.371
Other	132.629	132.629
	200.000.000	200.000.000

v) Other transactions with related parties for the periods between January 1 – December 31, 2013 and 2012:

	January 1-December 31, 2013	January 1-December 31, 2012
Remuneration of key management personnel (*)	9.374.678	8.056.755

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

NOTE 23-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.

NOTE 23-FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market Risk

Foreign currency risk

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

The amounts of foreign currency assets, liabilities and TL equivalents of the Company as of December 31, 2013 and 2012 are as follows:

				2013			
	TL Equivalent	USD	EUR	GBP	DKK	CHF	YEN
1. Trade receivables	101.677.059	650.023	34.152.806	-	-	-	-
2. Monetary financial assets (including banks accounts) (Note 3)	68.890.710	24.853	23.436.469	4.033	-	969	-
3.Other	95.276.963	10.655.199	24.572.228	85.695	-	-	3.871.040
4. Current assets (1+2+3)	265.844.732	11.330.075	82.161.503	89.728	-	969	3.871.040
5. Trade receivables	250.659	76.489	29.766	-	-	-	-
6. Other	20.262.971	1.019	6.899.641	-	-	-	-
7. Non-current assets (5+6)	20.513.630	77.508	6.929.407	-	-	-	-
8. Total assets (4+7)	286.358.362	11.407.583	89.090.910	89.728	-	969	3.871.040
9. Trade payables	54.035.952	10.019.740	10.906.669	57.509	-	-	20.831.892
10. Financial liabilities (Note 4)	14.702.994	-	5.006.979	-	-	-	-
11. Other monetary liabilities	11.324.615	3.793	3.853.744	-	-	-	-
12. Current liabilities (9+10+11)	80.063.561	10.023.533	19.767.392	57.509	-	-	20.831.892
13. Financial liabilities (Note 4)	235.191.834	-	80.092.571	-	-	-	-
14. Non-current liabilities (13)	235.191.834	-	80.092.571	-	-	-	-
15. Total liabilities (12+14)	315.255.395	10.023.533	99.859.963	57.509	-	-	20.831.892
16. Net foreign currency asset/ (liability) position (8-15)	(28.897.033)	1.384.050	(10.769.053)	32.219	-	969	(16.960.852)
17. Net monetary foreign currency asset/ (liability) position (8-15)	(28.897.033)	1.384.050	(10.769.053)	32.219	-	969	(16.960.852)

NOTE 23-FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	2012						
	TL Equivalent	USD	EUR	GBP	DKK	CHF	YEN
1. Trade receivables	128.358.286	-	54.581.063	-	-	-	-
2. Monetary financial assets (including banks accounts) (Note 3)	236.384.399	101.213	100.437.621	1.451	-	338	-
3.Other	44.039.841	524.117	18.289.972	32.403	-	-	-
4. Current assets (1+2+3)	408.782.526	625.330	173.308.656	33.854	-	338	-
5. Trade receivables	399.530	154.000	53.157	-	-	-	-
6. Other	1.816	1.019	-	-	-	-	-
7. Non-current assets (5+6)	401.346	155.019	53.157	-	-	-	-
8. Total assets (4+7)	409.183.872	780.349	173.361.813	33.854	-	338	-
9. Trade payables	44.489.201	459.436	18.422.105	50.909	-	-	9.721.001
10. Financial liabilities (Note 4)	160.933.800	-	68.432.963	-	-	-	-
11. Other monetary liabilities	14.108.319	7.036	5.993.867	-	-	-	-
12. Current liabilities (9+10+11)	219.531.320	466.472	92.848.935	50.909	-	-	9.721.001
13. Financial liabilities (Note 4)	194.829.967	-	82.846.438	-	-	-	-
14. Non-current liabilities (13)	194.829.967	-	82.846.438	-	-	-	-
15. Total liabilities (12+14)	414.361.287	466.472	175.695.373	50.909	-	-	9.721.001
16. Net foreign currency asset/ (liability) position (8-15)	(5.177.415)	313.877	(2.333.560)	(17.055)	-	338	(9.721.001)
17. Net monetary foreign currency asset/ (liability) position (8-15)	(5.177.415)	313.877	(2.333.560)	(17.055)	-	338	(9.721.001)

The import and export amounts of the Company for the periods ended December 31, 2013 and 2012 are as follows:

	January 1- December 31, 2013	January 1- December 31, 2012
Total export amount	**698.327.376**	618.873.881
Total import amount	**571.016.789**	431.000.548

NOTE 23-FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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 December 31, 2013 and 2012 under the assumption of the appreciation and depreciation of TL against other currencies by 10% with all other variables held constant, is as follows:

	2013			
	Profit/ Loss		Shareholders' equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Had TL appreciate/ (depreciate) by 10% against USD				
Profit/(loss) from USD net asset position	295.398	(295.398)	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	295.398	(295.398)	-	-
Had TL appreciate/ (depreciate) by 10% against EUR				
Profit/ (loss) from EUR net liability position	(3.162.332)	3.162.332	-	-
Hedged amount against EUR risk (-)	-	-	-	-
Net Effect of EUR	(3.162.332)	3.162.332	-	-
Had TL appreciate/ (depreciate) by 10% against other				
Profit/(loss) from other net liability position	(22.769)	22.769	-	-
Hedged amount against other (-)	-	-	-	-
Net effect of other	(22.769)	22.769	-	-
Total net effect	(2.889.703)	2.889.703	-	-

NOTE 23-FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	2012			
	Profit/ Loss		Shareholders' equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Had TL appreciate/ (depreciate) by 10% against USD				
Profit/ (loss) from USD net asset position	55.952	(55.952)	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net Effect of USD	55.952	(55.952)	-	-
Had TL appreciate/ (depreciate) by 10% against EUR				
Profit/ (loss) from EUR net liability position	(548.783)	548.783	-	-
Hedged amount against EUR risk (-)	-	-	-	-
Net Effect of EUR	(548.783)	548.783	-	-
Had TL appreciate/ (depreciate) by 10% against other				
Profit/ (loss) from other net liability position	(24.910)	24.910	-	-
Hedged amount against other (-)	-	-	-	-
Net Effect of Other	(24.910)	24.910	-	-
Total net effect	(517.741)	517.741	-	-

Price Risk

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

Interest rate risk

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

Financial instruments with fixed interest rate

	2013	2012
Time deposits	**199.334.896**	362.938.349
Financial liabilities	**129.864.519**	355.768.112

Financial instruments with floating interest rate

	2013	2012
Financial liabilities	**218.726.076**	-

For financial instruments with variable interest rates, if the interest on December 31, 2013 in all currencies was higher/lower by 100 base points with all other variables held constant, the profit for the period before tax as a result of high/low interest rate income/expense consisting of loans with variable interest rates would be higher/lower by TL 12,297 (2012: None).

NOTE 23-FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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).

The Company's maximum exposure to credit risk as of December 31, 2013 and 2012 is as follows:

	2013					
	Trade Receivables		Other Receivables			
	Related party	Third party	Related party	Third party	Bank deposits	Derivative instruments
Net book value of financial assets which are undue and not impaired	80.797.729	273.967.582	-	355.102	209.322.936	-
Net book value of restructured financial assets, otherwise that- will be considered as due dated or impaired	-	-	-	-	-	-
Net book value of due dated but not impaired assets	-	2.580.519	-	-	-	-
Net book value of impaired assets	-	5.817.482	-	-	-	-
-Due dated (gross book value)	-	47.268.302	-	-	-	-
-Provision (-)	-	(41.450.820)	-	-	-	-
-Undue (gross book value)	-	858.541	-	-	-	-
-Provision (-)	-	(858.541)	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	80.797.729	282.365.583		355.102	209.322.936	-

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

NOTE 23-FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

As of December 31, 2013, the guarantee amount of the maximum exposure to credit risk is TL 566.630.979. Besides, all assets which are due but not impaired and are impaired are guaranteed.

	2012					
	Trade Receivables		Other Receivables			
	Related party	Third party	Related party	Third party	Bank deposits	Derivative instruments
Net book value of financial assets which are undue and not impaired	84.882.947	227.108.724	-	338.238	378.971.315	-
Net book value of restructured financial assets, otherwise that-						
will be considered as due dated or impaired	-	-	-	-	-	-
Net book value of due dated but not impaired assets	21.329	7.241.109	-	-	-	-
Net book value of impaired assets	-	13.023.709	-	-	-	-
-Due dated (gross book value)	-	33.345.154	-	-	-	-
-Provision (-)	-	(20.321.445)	-	-	-	-
-Undue (gross book value)	-	17.990.340	-	-	-	-
-Provision (-)	-	(17.990.340)	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	84.904.276	247.373.542	-	338.238	378.971.315	-

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

As of December 31, 2012, the guarantee amount of the maximum exposure to credit risk is TL 224.668.841. Besides, all assets which are due but not impaired and are impaired are guaranteed.

NOTE 23-FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

As of December 31, 2013 and 2012, assets that are overdue but not impaired are as follows:

	2013				
	Receivables				
	Trade Receivables	Other Receivables	Bank Deposits	Derivative Instruments	Other
1-30 days past from maturity	15.725	-	-	-	-
1-3 months past from maturity	29.248	-	-	-	-
3-12 months past from maturity	1.157.733	-	-	-	-
1-5 years past from maturity	1.377.299	-	-	-	-
Over 5 years from maturity	514	-	-	-	-
Total overdue	2.580.519	-	-	-	-

	2012				
	Receivables				
	Trade Receivables	Other Receivables	Bank Deposits	Derivative Instruments	Other
1-30 days past from maturity	2.718.002	-	-	-	-
1-3 months past from maturity	2.067.886	-	-	-	-
3-12 months past from maturity	2.407.990	-	-	-	-
1-5 years past from maturity	68.560	-	-	-	-
Over 5 years from maturity	-	-	-	-	-
Total overdue	7.262.438	-	-	-	-

Consist of guarantees, guarantee letters received from customers, colletarel securities and mortgages.

c) Liquidity Risk

Liquidity risk is managed by mainintaining 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.

NOTE 23-FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

As of December 31, 2013 and 2012, the undiscounted cash flows and liabilities according to their remaining maturities are presented in the following tables:

	2013					
	Book value	Less than 3 months	Between 3-12 months	Between 1-5 years	On Demand	Total cash outflows according to contract
Financial liabilities	348.590.595	46.875	26.336.313	357.790.571	-	384.173.759
Trade payables	276.743.088	278.698.990	-	-	-	278.698.990
Trade payables to related parties	29.346.571	29.514.262	-	-	-	29.514.262
Other payables	7.669.767	7.669.767	-	-	-	7.669.767
Non-derivative financial instruments	**662.350.021**	**315.929.894**	**26.336.313**	**357.790.571**	**-**	**700.056.778**
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**

	2012					
	Book value	Less than 3 months	Between 3-12 months	Between 1-5 years	On Demand	Total cash outflows according to contract
Financial liabilities	355.768.112	26.300.521	147.000.685	201.209.468	-	374.510.674
Trade payables	203.283.783	204.184.019	-	-	-	204.184.019
Trade payables to related parties	17.006.021	17.057.572	-	-	-	17.057.572
Other payables	4.884.785	4.884.785	-	-	-	4.884.785
Non-derivative financial instruments	580.942.701	252.426.897	147.000.685	201.209.468	-	600.637.050
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-

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.

NOTE 23-FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Since the Company has net financial asset position, related ratio is not calculated in 2012.

	December 31, 2013	December 31, 2013
Cash and cash equivalents	209.322.936	378.971.315
Less: Financial liabilities	(348.590.595)	(355.768.112)
Net financial (debt)/ asset	(139.267.659)	23.203.203
Total shareholders' equity	743.317.723	663.790.097
Net financial debt/ shareholders' equity	%(19)	-

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:

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 24-SUBSEQUENT EVENT

None.

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Türk Traktör ve Ziraat Makineleri A.Ş.
Güvercin Yolu No: 111-112 Gazi, Ankara - TURKEY
Phone: +90.312 233 33 33
Fax: +90.312 233 33 73
www.turktraktor.com.tr