

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2023**

(ORIGINALLY ISSUED IN TURKISH)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

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

	Notes	Current Period Unaudited 30 September 2023	Audited 31 December 2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	7,180,694,578	4,416,872,941
Financial investments	5	7,507,228	420,033,225
Trade receivables			
- Trade receivables from related parties	7, 23	405,588,806	1,274,066,993
- Trade receivables from third parties	7	1,835,673,900	827,840,777
Inventories	8	5,916,701,667	3,614,962,987
Prepaid expenses	13	20,773,269	15,168,023
Current income tax assets	21	-	3,069
Other current assets	12	1,040,800,710	1,008,138,837
TOTAL CURRENT ASSETS		16,407,740,158	11,577,086,852
NON - CURRENT ASSETS			
Trade receivables			
- Trade receivables from third parties	7	109,458	109,458
Other receivables			
- Other receivables from third parties		412,390	393,753
Property, plant and equipment	9	1,229,711,244	931,097,842
Right of use assets	10	99,840,843	93,425,351
Intangible assets	11	932,457,908	621,820,738
Prepaid expenses	13	127,709,816	90,815,165
Deferred tax assets	21	1,222,802,694	481,193,003
TOTAL NON - CURRENT ASSETS		3,613,044,353	2,218,855,310
TOTAL ASSETS		20,020,784,511	13,795,942,162

The financial statements prepared as at and for the period ended 30 September 2023 have been approved by the Board of Directors on 24 October 2023.

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

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

	Notes	<i>Current Period Unaudited</i> 30 September 2023	<i>Audited</i> 31 December 2022
LIABILITIES			
CURRENT LIABILITIES			
Short-term financial liabilities			
Short-term financial liabilities to other parties			
- Bank borrowings	6	2,103,492,670	2,432,320,224
- Other financial liabilities			
Short-term portion of long-term financial liabilities			
Short-term portion of long-term financial liabilities from related parties			
- Lease liabilities	6	52,924,901	24,918,517
Short-term portion of long-term financial liabilities from third parties			
- Bank borrowings	6	552,204,989	848,288,136
- Lease liabilities	6	15,805,98	7,441,898
Trade payables			
- Trade payables to related parties	7, 23	298,676,871	271,784,705
- Trade payables to third parties	7	6,030,515,587	4,653,430,244
Payables related to employee benefits	15	326,354,265	149,120,886
Other payables			
- Other payables to third parties		62,137,331	124,654,842
Government incentives and aids	12	3,121,626	3,321,575
Deferred income	13	787,295,008	566,700,564
Tax liability for the period	21	1,040,023,428	-
Short - term provision			
- Short term provision for employee benefits	14	30,910,891	13,328,665
- Other short term provisions	14	155,137,354	120,401,000
TOTAL CURRENT LIABILITIES		11,458,600,907	9,215,711,256
NON - CURRENT LIABILITIES			
Long-term financial liabilities			
Long-term financial liabilities from related parties			
- Lease liabilities	6	44,972,449	68,144,904
Long-term financial liabilities from third parties			
- Bank borrowings	6	193,318,992	507,427,245
- Lease liabilities	6	1,090,649	1,652,616
- Other Long-term liabilities	6	117,875,047	-
Long - term provisions			
- Long term provision for employee benefits	14	275,206,361	256,458,270
- Other long term provisions	14	172,264,260	108,334,042
TOTAL NON-CURRENT LIABILITIES		804,727,758	942,017,077
EQUITY			
Paid-in share capital	16	7,757,455,846	3,638,213,829
Adjustments to share capital	16	100,066,875	53,369,000
Merger reserve		-	39,014,356
Restricted profit reserves		(5,569,000)	(5,569,000)
Other accumulated comprehensive income and expense not to be reclassified to profit or loss		448,435,448	238,702,293
- Actuarial loss arising from defined benefit plans		(222,600,487)	(194,390,177)
Other accumulated comprehensive income and expense to be reclassified to profit or loss		10,524,341	58,947,006
- Gain/(Losses) on cash flow hedging		10,524,341	58,947,006
Retained earnings		1,130,723,677	477,121,790
Net profit for the year		6,295,874,992	2,971,018,561
TOTAL LIABILITIES		20,020,784,511	13,795,942,162

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

	Notes	Current Period Unaudited 1 January – 30 September 2023	Current Period Unaudited 1 July – 30 September 2023	Prior Period Unaudited 1 January – 30 September 2022	Prior Period Unaudited 1 July – 30 September 2022
Revenue	17	32,416,000,955	12,087,497,672	14,616,448,422	5,735,695,920
Cost of sales (-)	17	(23,140,517,013)	(8,132,523,514)	(11,856,013,855)	(4,609,213,200)
GROSS PROFIT		9,275,483,942	3,954,974,158	2,760,434,567	1,126,482,720
Marketing expenses (-)		(955,416,731)	(403,554,339)	(395,282,227)	(155,759,152)
General administrative expenses (-)		(538,976,807)	(191,483,094)	(241,540,030)	(93,528,938)
Research and development expenses (-)		(95,713,808)	(33,329,255)	(49,920,258)	(16,771,181)
Other income from operating activities	18	2,183,064,322	1,051,615,177	939,291,963	234,204,537
Other expenses from operating activities (-)	18	(2,609,907,088)	(1,269,375,132)	(1,143,800,135)	(286,722,699)
OPERATING PROFIT		7,258,533,830	3,108,847,515	1,869,183,880	807,905,287
Income from investment activities		5,033,483	1,780,661	972,621	(736)
OPERATING INCOME BEFORE FINANCIAL INCOME		7,263,567,313	3,110,628,176	1,870,156,501	807,904,551
Financial income	19	1,350,243,541	389,774,057	422,389,087	93,886,386
Financial expenses	20	(1,118,223,498)	(300,160,803)	(520,294,894)	(192,788,884)
PROFIT BEFORE TAXATION ON INCOME		7,495,587,356	3,200,241,430	1,772,250,694	709,002,053
Taxes on income (-)	21	(1,920,782,374)	(908,120,540)	(334,487,474)	(109,099,355)
Deferred tax income/(expense)	21	721,070,010	424,871,792	174,289,449	52,827,628
NET PROFIT FOR THE PERIOD		6,295,874,992	2,716,992,682	1,612,052,669	652,730,326
Earnings per share (TRY)	22	0,8580	0,2715	0,3021	0,1223
Other comprehensive income/(expense) Not to be reclassified to profit or loss:					
Actuarial loss arising from defined benefits plans	14	(37,613,747)	1,074,291	(30,176,847)	1,595,780
Other comprehensive expense not to be reclassified to profit or loss, tax effect					
Actuarial gain/ loss arising from defined benefit plans, tax effect	21	9,403,437	1,665,829	6,035,369	(319,156)
To be reclassified to profit or loss :					
Profit/(Losses) on cash flow hedging					
Other comprehensive expense to be reclassified to profit or loss, tax effect		(59,558,909)	(25,132,267)	(80,743,038)	(23,429,839)
Losses on cash flow hedging, tax effect	21	11,136,244	4,250,916	18,570,899	5,388,863
Other comprehensive income/(expense)		(76,632,975)	(18,141,231)	(86,313,617)	(16,764,352)
TOTAL COMPREHENSIVE INCOME		6,219,242,017	2,698,851,451	1,525,739,052	635,965,974

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2022

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

				Other accumulated income or expense items not be reclassified to profit or loss	Other accumulated income or expense items to be reclassified to profit or loss				
	Paid in share capital	Adjustment to share capital	Merger reserve	Actuarial loss arising from defined benefit plans	Losses on cash flow hedges	Restricted profit reserves	Retained earnings	Net profit for the period	Equity
1 January 2023	53,369,000	39,014,356	(5,569,000)	(194,390,177)	58,947,006	238,702,293	477,121,790	2,971,018,561	3,638,213,829
Transfers	-	-	-	-	-	209,733,155	2,761,285,406	(2,971,018,561)	-
Dividends	-	-	-	-	-	-	(2,100,000,000)	-	(2,100,000,000)
Comprehensive income	46,697,875	(39,014,356)	-	-	-	-	(7,683,519)	-	-
Net profit for the period	-	-	-	-	-	-	-	6,295,874,992	6,295,874,992
Other comprehensive income									
Actuarial loss arising from defined benefits plans	-	-	-	(28,210,310)	-	-	-	-	(28,210,310)
Losses on cash flow hedging	-	-	-	-	(48,422,665)	-	-	-	(48,422,665)
Total other comprehensive income/(expense)	-	-	-	(28,210,310)	(48,422,665)	-	-	-	(76,632,975)
Total comprehensive income	-	-	-	(28,210,310)	(48,422,665)	-	-	6,295,874,992	6,219,242,017
30 September 2023	100,066,875	-	(5,569,000)	(222,600,487)	10,524,341	448,435,448	1,130,723,677	6,295,874,992	7,757,455,846

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

	Paid in share capital	Adjustment to share capital	Merger reserve	Actuarial loss arising from defined benefit plans	Losses on cash flow hedges	Restricted profit reserves	Retained earnings	Net profit for the period	Equity
1 January 2022	53,369,000	39,014,356	(5,569,000)	(62,365,129)	110,720,788	118,969,138	474,667,368	1,322,187,577	2,050,994,098
Transfers	-	-	-	-	-	119,733,155	1,202,454,422	(1,322,187,577)	-
Dividends	-	-	-	-	-	-	(1,200,000,000)	-	(1,200,000,000)
Comprehensive income	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	1,612,052,669	1,612,052,669
Other comprehensive income									
Actuarial loss arising from defined benefits plans	-	-	-	(24,141,478)	-	-	-	-	(24,141,478)
Losses on cash flow hedging	-	-	-	-	(62,172,139)	-	-	-	(62,172,139)
Total other comprehensive Income/(expense)	-	-	-	(24,141,478)	(62,172,139)	-	-	-	(86,313,617)
Total comprehensive income	-	-	-	(24,141,478)	(62,172,139)	-	-	1,612,052,669	1,525,739,052
30 September 2022	53,369,000	39,014,356	(5,569,000)	(86,506,607)	48,548,649	238,702,293	477,121,790	1,612,052,669	2,376,733,150

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

	Notes	Current period unaudited 1 January - 30 September 2023	Prior period unaudited 1 January - 30 September 2022
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		6,023,326,718	1,041,050,185
Adjustments to reconcile profit for the period		6,295,874,992	1,612,052,669
Amortization and depreciation		1,443,137,519	667,105,596
Provision for impairment on inventories	8	260,738,771	149,395,298
Provision for employee benefits	14	(960,885)	3,302,028
Provision for doubtful receivables	7	58,348,863	25,327,008
Other provisions	14	(724,626)	(1,846,764)
Government incentives and aids		98,666,572	22,711,731
Interest income and expense	19, 20	(199,949)	(362,172)
Adjustments related to fair value losses (gains) of financial assets		(429,521,150)	203,460,720
Tax income/expense	21	139,885,500	-
(Gain)/loss from sales of property plant and equipment		1,199,712,364	160,198,025
Other adjustments to reconcile profit		(5,033,483)	(972,621)
Changes in working capital		122,225,542	105,892,343
Trade receivables from third parties		(775,297,622)	(1,038,354,955)
Trade receivables from related parties		(1,007,108,497)	(291,398,138)
Inventories		868,478,187	(339,794,095)
Other current assets		(2,300,777,795)	(976,854,752)
Other receivables		(32,658,804)	(243,082,563)
Prepaid expenses		(18,637)	562,442
Trade payables to related parties		(42,499,897)	(30,099,857)
Trade payables to third parties		26,892,166	(39,176,671)
Deferred income		1,377,085,343	720,626,743
Other liabilities		220,594,444	140,326,175
Debt for employee termination benefits		(62,517,511)	8,582,623
Net cash provided by operating activities		177,233,379	11,953,138
Employee termination benefits paid		6,963,714,889	1,240,803,310
Taxes paid		(59,632,293)	(7,542,455)
		(880,755,878)	(192,210,670)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of property, plant and equipment and intangible assets		(545,424,789)	(431,324,410)
Payments for purchases of property, plant and equipment and intangible assets		6,177,121	979,285
Proceeds from government grants		(854,045,137)	(429,479,794)
Cash inflows from the sale of shares or debt instruments of other enterprises or funds		-	26,099
Cash outflows from the sale of shares or debt instruments of other enterprises or funds		306,643,227	-
		(4,200,000)	(2,850,000)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings	6	(3,113,927,600)	619,326,705
Repayment of bank borrowings	6	2,745,000,000	3,073,963,849
Dividends paid	16	(4,167,590,852)	(1,095,143,820)
Interest paid		(2,100,000,000)	(1,200,000,000)
Interest received		(402,623,026)	(201,385,494)
Repayment of lease liabilities	6	859,499,865	58,101,160
		(48,213,587)	(16,208,990)
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)			
		2,363,974,329	1,229,052,480
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS			
		368,162,145	(11,868,073)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)			
		2,732,136,474	1,217,184,407
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD			
	4	4,366,412,147	1,559,799,196
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)			
	4	7,098,548,621	2,776,983,603

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE COMPANY

Türk Traktör ve Ziraat Makineleri A.Ş. (the “Company”) was established in 1954 in Ankara, as Minneapolis Moline Türk Traktör ve Ziraat Makineleri A.Ş. to undertake the manufacturing and trade of farm tractors, harvesters and other agricultural machinery and equipment. The name of the Company was changed as Türk Traktör Ziraat Makineleri A.Ş. in 1968 upon the purchase of 25% of the shares held by Ege Makina ve Ticaret A.Ş., a group company of the Koç Holding A.Ş. (“Koç Holding”). As of 30 September 2023, major shareholders of the Company are Koç Holding and CNHI Österreich GmbH (“CNHI Österreich”) (Note 16). The number of personnel working within the Company as of 30 September 2023 is 2,944 (Permanent: 2,577 , temporary: 367) (31 December 2022: 2,881 (Permanent 2,782, temporary: 99, average: 2,837). The average number of personnel working within the Company for the period ended 30 September 2023 is 2,883.

The Company conducts marketing and selling activities in the domestic market, through its 131 tractor sales dealers, 149 spare part dealers and 33 construction equipment dealers (31 December 2022 : 131 tractor sales dealers, 150 spare part dealers, 33 construction equipment dealers).

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

The Company is registered in Turkey in the following address:

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

As of 30 September 2023, 25% of the shares of the Company are quoted on Borsa Istanbul (“BIST”) (31 December 2022: 25%) (Note 16).

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:

Basis of presentation

The financial statements of the Company have been prepared in accordance with the Turkish Financial Reporting Standards, (“TFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line 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 of Turkey (“CMB”) on 13 June 2013 which is published on Official Gazette numbered 28676. TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced by the POA.

The financial statements are presented in accordance with “Announcement regarding with TFRS Taxonomy” which was published on 4 October 2022 by POA and the format and mandatory information recommended by CMB.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

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

2.1 Basis of presentation (Continued)

The condensed interim financial statements are prepared in accordance with the Communiqué and TAS 34 - “Interim Financial Reporting”. In accordance with the TAS 34, entities are allowed to prepare a complete or condensed set of interim financial statements. In this framework, the Company has preferred to prepare condensed financial statements in the interim periods. These interim financial statements should be read in conjunction with the financial statements prepared for the year ended 31 December 2022.

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (TRY) in accordance with regulations on accounting and reporting framework and the Uniform Chart of Accounts issued by the Ministry of Finance.

The condensed interim financial statements have been prepared under historical cost conventions except for the financial assets and liabilities carried at fair value and in functional and presentation currency, Turkish Lira, of the Company. The financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS.

POA made a statement on 20 January 2022, in order to eliminate the hesitations about whether the companies applying TFRS will apply TAS 29 Financial Reporting in High Inflation Economies in the 2021 financial reporting period. Accordingly, it has been stated that the enterprises applying TFRS do not need to make any adjustments within the scope of TAS 29 Financial Reporting in High Inflation Economies (“TAS 29”), and no new explanation has been made by the POA on the application of TAS 29. Considering that no new disclosure has been made as of the date these financial statements were prepared, while preparing the financial statements as of 30 September 2023, no inflation adjustment was made according to TAS 29.

Functional and presentation currency

Functional and presentation currency of the Company is TRY.

2.2 Changes in accounting estimates

If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. The accounting policies except the situation stated below used in the preparation of these financial statements for the period ended 30 September 2023 are consistent with those used in the preparation of financial statements for the period ended 31 December 2022.

2.3 Comparative Information and Restatement of Prior Year Financial Statements

The Company, as of September 30, 2023, has prepared the balance sheet in comparative form with the financial statements prepared as of December 31, 2022. The income statement, statement of comprehensive income, statement of cash flows, and statement of changes in equity for the period January 1 - September 30, 2023, have been prepared in comparative form with the period January 1 - September 30, 2022. If deemed necessary, comparative information is reorganized to ensure compatibility with the presentation of the current period financial statements.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

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

2.4 Changes in TFRS

The Company changes accounting policies when it is believed that the change will lead to better presentation of transactions and events in the financial statements. When the intentional change can affect the prior period results, the change is applied retrospectively as though it was already applied before. Accounting policy changes arising from the application of a new standard are applied considering the transition principles of the related standard, if any, retrospectively or forward. If no transition principle for the standard exists, the changes are applied retrospectively.

The accounting policies adopted in preparation of the financial statements as at 30 September 2023 are consistent with those of the previous financial year, except for the new and amended TFRS standards which are valid as of 1 January 2023 and Turkey Financial Reporting Interpretations Committee's ("TFRIC") interpretations summarised below.

a) *Standards, amendments, and interpretations applicable as of 30 September 2023:*

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from annual periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3,** 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **Amendments to IAS 16,** 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to IAS 37,** 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial Instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

b) *Standards, amendments, and interpretations that are issued but not effective as of 30 September 2023:*

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

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

- **Amendment to IFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- **Amendment to IAS 1 – Non current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
- **IFRS 17, ‘Insurance Contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Amendment to IAS 12 - International tax reform - pillar two model rules;** The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.
- **Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements;** effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.
- **Amendments to IAS 21 - Lack of Exchangeability;** effective from annual periods beginning on or after 1 January 2025. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
- **IFRS S1, ‘General requirements for disclosure of sustainability-related financial information’;** effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain.
- **IFRS S2, ‘Climate-related disclosures’;** effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

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

2.5 Summary of significant accounting policies

The accounting policies used in the preparation of these interim condensed financial statements for the period ended 30 September 2023 are consistent with those used in the preparation of annual financial statements for the year ended 31 December 2022 except for the following:

These interim condensed financial statements for the period 1 January- 30 September 2023 should be read in conjunction with the annual financial statements for the year 1 January - 31 December 2022.

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

2.6 Significant accounting estimates and judgments

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

Warranty expense provisions

The Company accounts for warranty provisions for the expenses incurred as a result of repair and maintenance activities for products produced and sold, authorised services' labour and material costs for products under the scope of the warranty terms based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period (Note 14). 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. Based on the sensitivity analysis performed, it is concluded that 10% increase/decrease in possible returns of products with respect to the products sold and cost estimations does not have any effect on the calculation of warranty expense provisions.

Deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available. If it is probable that future taxable profit will be available, deferred tax assets are accounted for over the deductible temporary differences and tax advantages resulted from investment incentives that enables the Company pay lower corporate tax (Note 21).

The Company assess the recoverability of deferred tax assets based on business models that contain management estimations related to taxable profit for future periods. The models include key management estimations such as sales quantities, sales prices and foreign exchange rates. Based on the sensitivity analysis performed, it is concluded that 10% increase/decrease in related estimations does not have any effect on the assessment of recoverability of deferred tax assets

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

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

Cash flow hedge transactions

The Company applies cash flow hedge accounting to hedge the currency risk arising from the production costs of tractors in Euro and the orders received with sales commitments in TRY.

The useful life of tangible and intangible assets

The Company's management has made significant assumptions in determining the useful life of tangible and intangible assets.

2.6 Significant accounting estimates and judgments (Continued)

Provision for employment termination benefits

Provisions for retirement payments, discount rate, future salary increases and employee turnover rates are determined by actuarial calculations based on certain assumptions. Due to the long term nature of these plans, such estimates are subject to significant uncertainty (Note 14).

Provision for impairment of inventories

Inventory is evaluated at each period in order to determine whether there is a need to have provision for potential impairment costs at the date of statement of financial position (Note 8).

NOTE 3 - SEGMENT REPORTING

The Company, which is incorporated and domiciled in Turkey, has primary operation of manufacturing agricultural tractors, combines, construction equipment, and other agricultural machinery and tools. The Company's operating segments, nature and economic characteristics of products, nature of production processes, classification of customers in terms of risk for their products and services and methods used to distribute their products are similar. Furthermore, the Company structure has been organized to operate in one segment rather than separate business segments. Consequently, the business activities of the Company are considered to be in one operating segment and the operating results, resources to be allocated to the segment and assessment of performance are managed in this respect. The activities of the Company are followed in detail by the authority authorized to take decisions regarding the activities of the Company.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 September 2023	31 December 2022
Banks:		
- TRY denominated time deposits	4,720,152,122	3,611,460,793
- TRY denominated demand deposits	1,209,083,948	103,887,727
- Foreign currency denominated demand deposits	38,612,521	10,745,899
- Foreign currency denominated time deposits	1,212,845,987	690,778,522
	7,180,694,578	4,416,872,941

As of 30 September 2023, the weighted average effective annual interest rates for TRY and EUR time deposits are 38.42% and 1.88% (31 December 2022: TRY: 25.11%, EUR: 1.53%, USD: 1.50%).

30 September 2023 and 2022 remaining time to maturity of time deposits is less than three months. The Company has no blocked deposits as of 30 September 2023 (31 December 2022: None).

The cash and cash equivalents included in the statement of cash flows at 30 September 2023 and 31 December 2022 are as follows:

	30 September 2023	31 December 2022
Banks	7,180,694,578	4,416,872,941
Less: Interest accruals	(82,145,957)	(50,460,794)
Cash and cash equivalents	7,098,548,621	4,366,412,147

The credit risks of the banks where the Company has deposits are evaluated by taking into account independent data, and no significant credit risk is expected. The market values of cash and cash equivalents approximate their carrying values including the accrued interest income at the balance sheet date.

NOTE 5 – FINANCIAL INVESTMENTS

	30 September 2023	31 December 2022
Paid dividend advances fund	-	306,261,048
Currency protected deposit accounts	-	110,551,603
Investment funds	7,507,228	3,220,574
	7,507,228	420,033,225

Currency protected deposit accounts expired on 26 June 2023; private fund expired on 5 January 2023. An investment fund of TRY4,200,000 was received on 5 May 2023.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 6 - FINANCIAL LIABILITIES

	30 September 2023	31 December 2022
Short-term financial liabilities		
Short-term bank borrowings	2,103,492,670	2,432,320,224
Short-term portions of long-term financial liabilities	552,204,989	848,288,136
Short-term lease liabilities	68,730,887	32,360,415
	2,724,428,546	3,312,968,775
Long-term financial liabilities		
Long-term bank borrowings	193,318,992	507,427,245
Other short-term borrowings	117,875,047	-
Long-term lease liabilities	46,063,098	69,797,520
	357,257,137	577,224,765

a) Short - term financial liabilities

Short - term bank borrowings

	Original currency		Weighted average effective interest rate p.a.(%)		TRY Equivalent	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022	30 September 2023	31 December 2022
EUR borrowings	-	20,064,882	-	4.38	-	399,991,416
TRY bonds	644,801,892	523,243,108	32.50	32.50	644,801,892	523,243,108
TRY borrowings	1,458,690,778	1,509,085,700	35.77	21.83	1,458,690,778	1,509,085,700
					2,103,492,670	2,432,320,224

Short - term portions of long term borrowings

	Original currency		Weighted average effective interest rate p.a.(%)		TRY Equivalent	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022	30 September 2023	31 December 2022
EUR borrowings	19,021,546	14,409,496	4.80	4.38	552,204,989	287,251,862
TRY borrowings		561,036,274	-	21.38	-	561,036,274
					552,204,989	848,288,136

Other Long -term financial liabilities

	Original Currency		Weighted average effective interest rate p.a.(%)		TRY Equivalent	
	30 September 2023	31 December 2022	30 September 2023	December 2022	30 September 2023	31 December 2022
EUR liabilities	4,060,386	-	9.75	-	117,875,047	-
					117,875,047	-

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

b) Long - term financial liabilities

Long - term bank borrowings

	<u>Original currency</u>		<u>Weighted average effective interest rate p.a.(%)</u>		<u>TRY Equivalent</u>	
	<u>30 September 2023</u>	<u>31 December 2022</u>	<u>30 September 2023</u>	<u>31 December 2022</u>	<u>30 September 2023</u>	<u>31 December 2022</u>
EUR borrowings	6,659,169	24,993,486	3.86	3.85	193,318,992	498,242,644
TRY borrowings	-	9,184,601	-	5.91	-	9,184,601
					193,318,992	507,427,245

Redemption schedule of the long-term bank borrowings as of 30 September 2023 and 2022 are as follows:

<u>Yıl</u>	<u>2023</u>	<u>2022</u>
2024	15,128,896	275,744,114
2025	178,190,096	231,683,131
	193,318,992	507,427,245

As of 30 September 2023; the Company has an operating loan with fixed interest rate amounting to EUR25,493,101. The EUR600,000 loan's maturity is 5 years (maturity date of 29 March 2024), with an interest and principal payment of every 6 months and with an interest rate of 3.50%, EUR16,983,249.60 loan's maturity is 3 years (maturity date of 17 February 2025), with principal and interest payment of every 6 months and with an interest rate of 3.95%, EUR2,910,469.69 loan's maturity is 3 years (maturity date of 21 February 2025), with principal and interest payment of once every month and with an interest rate of 3.25%, EUR4,999,382 loan's maturity is 1 years (maturity date of 22 December 2023), with principal and interest payment of every 6 months and with an interest rate of 7.50%. There is no guarantees or mortgages given for the financial liabilities obtained.

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

	<u>Carrying values</u>		<u>Fair value</u>	
	<u>30 September 2023</u>	<u>31 December 2022</u>	<u>30 September 2023</u>	<u>31 December 2022</u>
Bank borrowing:	2,849,016,651	3,788,035,605	2,905,996,985	3,846,254,783

As of 30 September 2023, fair values of the loans are determined by using the discounted cash flow method over annual average effective discount rates which is % 3.60 for EUR loans and % 17.62 for TRY denominated bank borrowings respectively (31 December 2022: EUR % 2.78 TRY: % 11.95).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

The movement of the borrowings for the years 2023 and 2022 are as follows:

	2023	2022
1 January	3,890,193,540	1,134,841,687
Borrowing received during the period	2,745,000,000	3,073,963,849
Repayment of lease liabilities	(48,213,587)	(16,208,990)
Effect of new lease contracts	32,259,742	6,018,458
Principal payments	(4,167,590,852)	(1,095,143,820)
Change of interest accruals	59,040,851	54,297,789
Change of exchange rates	453,120,942	174,767,308
30 September	2,963,810,636	3,332,536,281

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	30 September 2023	31 December 2022
Short-term trade receivables:		
Trade receivables	1,868,633,746	862,338,190
Notes receivables	41,798,993	21,124,239
	1,910,432,739	883,462,429
Less: Provision for doubtful receivables	(48,062,357)	(48,786,983)
Unearned financial income	(26,696,482)	(6,834,669)
Short-term trade receivables	1,835,673,900	827,840,777
Due from related parties (Note 23)	405,588,806	1,274,066,993
Total short-term trade receivables	2,241,262,706	2,101,907,770

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movements of the provisions for doubtful receivables for the 2023 and 2022 are as shown below:

	2023	2022
1 January	(48,786,983)	(50,907,510)
Cancelled during the year (Note 18)	1,041,851	6,220,155
Charge during the year (Note 18)	(317,225)	(4,373,391)
30 September	(48,062,357)	(49,060,746)
	30 September 2023	31 December 2022
Long - term trade receivables:		
Notes receivables	109,458	109,458
	109,458	109,458
	30 September 2023	31 December 2022
Trade payables:		
Trade payables	6,133,472,657	4,727,364,172
Less: Unincurred financial expense	(102,957,070)	(73,933,928)
Trade payables	6,030,515,587	4,653,430,244
Trade payables (Note 23)	298,676,871	271,784,705
Total trade payables	6,329,192,458	4,925,214,949

As of 30 September 2023, the average maturity of trade receivables and payables are not longer than one year (31 December 2022 not longer than one year) and weighted average effective annual interest rates for discount of TRY, USD and EUR are 27.09%, 5.43% and 3.85% (31 December 2022: 9.54%, 4.39% and 1.88%).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 8 – INVENTORIES

	30 September 2023	31 December 2022
Raw materials	2,111,383,204	1,522,340,014
Goods in transit (*)	1,348,814,750	672,022,661
Work in progress	568,042,653	416,895,433
Spare parts	446,562,836	354,071,158
Commercial goods	1,068,345,834	375,453,767
Finished goods	442,694,143	342,360,822
Less: Provision for impairment of inventory (-)	(69,141,753)	(68,180,868)
Inventories	5,916,701,667	3,614,962,987

The cost of inventories recognised as expense in the current period is amounting to TRY 21,426,835,812 (31 December 2022: TRY 16,671,981,903).

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

Movement of provision for impairment of inventory for the years 2023 and 2022 are as follows

	2023	2022
1 January	(68,180,868)	(29,679,765)
Cancelled due to sales of inventory during the year	(960,885)	(3,302,028)
30 September	(69,141,753)	(32,981,793)

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

	30 September 2023	30 September 2022
Raw materials	(62,281,658)	(28,972,164)
Commercial goods	(6,172,774)	(2,884,737)
Spare parts	(687,321)	(1,124,892)
30 September	(69,141,753)	(32,981,793)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2023	Additions	Disposals	30 September 2023
Cost				
Land	52,418,380	10,373,000	-	62,791,380
Land improvements	46,115,735	58,164,521	-	104,280,256
Buildings	273,133,709	11,003,459	-	284,137,168
Machinery and equipment	1,235,857,531	286,080,546	(2,067,086)	1,519,870,991
Special costs	6,664,109	-	(24,950)	6,639,159
Motor vehicles	20,251,363	20,967,444	(2,343,214)	38,875,593
Furniture and fixtures	160,614,654	39,543,885	-	200,158,539
Construction in progress	-	10,489,445	-	10,489,445
	1,795,055,481	436,622,300	(4,435,250)	2,227,242,531

Accumulated depreciation

Land improvements	8,008,527	2,184,865	-	10,193,392
Buildings	82,610,952	10,880,998	-	93,491,950
Machinery and equipment	655,367,806	103,421,147	(2,067,086)	756,721,867
Special costs	6,349,908	137,998	(20,375)	6,467,531
Motor vehicles	8,012,026	3,734,502	(1,204,151)	10,542,377
Furniture and fixtures	103,608,420	16,505,750	-	120,114,170
	863,957,639	136,865,260	(3,291,612)	997,531,287

Net book value

931,097,842 **1,229,711,244**

	1 January 2022	Additions	Disposals	30 September 2022
Cost				
Land	52,418,380	-	-	52,418,380
Land improvements	20,016,761	8,240,238	-	28,256,999
Buildings	264,255,222	6,146,280	-	270,401,502
Machinery and equipment	891,765,332	216,289,270	(2,237,768)	1,105,816,834
Special costs	6,664,109	-	-	6,664,109
Motor vehicles	17,726,224	5,495,070	(193,129)	23,028,165
Furniture and fixtures	128,991,314	24,228,885	(2,235,044)	150,985,155
Construction in progress	95,242	2,503,954	-	2,599,196
	1,381,932,584	262,903,697	(4,665,941)	1,640,170,340

Accumulated depreciation

Land improvements	7,105,108	574,361	-	7,679,469
Buildings	77,152,880	4,058,659	-	81,211,539
Machinery and equipment	564,607,841	66,306,913	(2,237,694)	628,677,060
Special costs	6,038,882	235,904	-	6,274,786
Motor vehicles	5,609,951	3,240,986	(186,539)	8,664,398
Furniture and fixtures	92,153,686	10,491,970	(2,235,044)	100,410,612
	752,668,348	84,908,793	(4,659,277)	832,917,864

Net book value

629,264,236 **807,252,476**

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Allocation of the depreciation expenses of property, plant and equipment for the years ended at 30 September 2023 and 2022 is as follows:

	30 September 2023	30 September 2022
Cost of sales	97,268,430	60,646,886
General administrative expenses	26,680,428	16,585,685
Marketing, selling and distribution expenses	6,881,052	4,311,838
Research and development expenses	6,035,350	3,364,384
	136,865,260	84,908,793

The Company have no financial costs in the current period arising from foreign exchange denominated borrowings capitalized on construction in progress as of 30 September 2023 (31 December 2022: None).

There is no mortgage on property, plant and equipment as of 30 September 2023 (31 December 2022: None).

NOTE 10 -RIGHT OF USE ASSETS

	1 January 2023	Additions	30 September 2023
Cost			
Land and buildings	32,074,403	14,777,764	46,852,167
Machinery and equipment	41,559,985	582,039	42,142,024
Motor vehicles	77,418,381	16,899,939	94,318,320
	151,052,769	32,259,742	183,312,511
Accumulated depreciation			
Land and buildings	16,903,132	8,228,801	25,131,933
Machinery and equipment	16,751,478	3,541,611	20,293,089
Motor vehicles	23,972,808	14,073,838	38,046,646
	57,627,418	25,844,250	83,471,668
Net book value	93,425,351		99,840,843
	1 January 2022	Additions	30 September 2022
Cost			
Land and buildings	15,820,355	301,665	16,122,020
Machinery and equipment	18,800,737	461,424	19,262,161
Motor vehicles	26,597,337	5,255,368	31,852,705
	61,218,429	6,018,457	67,236,886
Accumulated depreciation			
Land and buildings	11,010,273	2,072,296	13,082,569
Machinery and equipment	11,269,084	1,885,233	13,154,317
Motor vehicles	15,723,547	4,771,753	20,495,300
	38,002,904	8,729,282	46,732,186
Net book value	23,215,525		20,504,700

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 10 -RIGHT OF USE ASSETS (Continued)

Depreciation expenses are stated below for the right of use for the periods ending on 30 September 2023 and 2022:

	30 September 2023	30 September 2022
Marketing, selling and distribution expenses	15,063,672	3,474,706
Cost of sales	6,092,263	3,129,962
General administrative expenses	2,754,050	1,287,853
Research and development expenses	1,934,265	836,761
	25,844,250	8,729,282

NOTE 11 - INTANGIBLE ASSETS

	1 January 2023	Additions	Transfers	30 September 2023
<u>Cost</u>				
Rights	218,171,728	172,656,955	-	390,828,683
Development costs	580,485,179	-	69,400,445	649,885,624
Development costs in progress	181,047,473	236,009,476	(69,400,445)	347,656,504
	979,704,380	408,666,431	-	1,388,370,811
<u>Accumulated amortisation</u>				
Rights	112,505,900	33,131,718	-	145,637,618
Development costs	245,377,742	64,897,543	-	310,275,285
	357,883,642	98,029,261	-	455,912,903
Net book value	621,820,738	310,637,170		932,457,908

	1 January 2022	Additions	Transfers	30 September 2022
<u>Cost</u>				
Rights	157,506,465	29,878,998	-	187,385,463
Development costs	365,465,848	-	104,143,654	469,609,502
Development costs in progress	190,261,147	141,796,461	(104,143,654)	227,913,954
	713,233,460	171,675,459	-	884,908,919
<u>Accumulated amortisation</u>				
Rights	84,108,573	19,725,507	-	103,834,080
Development costs	190,547,893	41,131,078	-	231,678,971
	274,656,466	60,856,585	-	335,513,051
Net book value	438,576,994			549,395,868

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 11 - INTANGIBLE ASSETS (Continued)

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

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

Allocation of the amortization expenses of intangible assets for the years ended at 30 September 2023 and 2022 is as follows:

	30 September 2023	30 September 2022
Research and development expenses	57,602,147	36,929,932
Cost of sales	23,546,298	14,420,368
Construction in progress effects	8,756,406	5,099,362
General administrative expenses	6,458,676	3,512,056
Marketing, selling and distribution expenses	1,665,734	894,867
	98,029,261	60,856,585

NOTE 12 - OTHER ASSETS AND LIABILITIES

	30 September 2023	31 December 2022
a) Other current assets		
Deferred value added tax ("VAT")	837.193.562	597,540,991
Reclaimed VAT	203.607.148	410,597,846
	1.040.800.710	1,008,138,837

	30 September 2023	31 December 2022
b) Government grants and aids		
Government grants and aids	3,121,626	3,321,575
	3,121,626	3,321,575

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 13 - PREPAID EXPENSES AND DEFERRED INCOME

	30 September 2023	31 December 2022
a) Prepaid expenses		
Prepaid expenses for future months	20,773,269	15,168,023
	20,773,269	15,168,023

	30 September 2023	31 December 2022
b) Long-term prepaid expenses		
Advances given for purchases of fixed assets (*)	127,709,816	90,815,165
	127,709,816	90,815,165

(*) It consists of advances given for machinery and equipment renewal investments.

	30 September 2023	31 December 2022
c) Deferred income		
Advances received (*)	779,686,503	379,877,993
Income for future periods (**)	7,608,505	186,822,571
	787,295,008	566,700,564

(*) The balance consists of tractor order advances received.

(**) Deferred income represents the sales amount of the tractors for which the invoices were issued as of 30 September 2023 and 31 December 2022, but the delivery of the risk and responsibility to the customers has not yet reached 90 days from the invoice date.

NOTE 14 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) Short - term provisions

Short - term provision for employee benefits

	30 September 2023	31 December 2022
Provision for unused vacation	30,910,891	13,328,665
	30,910,891	13,328,665

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

a) Short - term provisions (Continued)

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

	2023	2022
1 January	13,328,665	6,501,091
Charge/(used) for the year, net	17,582,226	7,093,688
30 September	30,910,891	13,594,779

Other short - term provisions

	30 September 2023	31 December 2022
Warranty expense provisions	135,194,647	105,127,470
Provisions for legal cases	19,942,707	15,273,530
	155,137,354	120,401,000

Movements of the provision for legal cases for the years are as follows:

	2023	2022
1 January	15,273,530	13,163,403
Charge for the year / Used during the year (Note 18)	4,669,177	618,244
30 September	19,942,707	13,781,647

b) Long-term provisions

Long-term provision for employee benefits

	30 September 2023	31 December 2022
Provision for employee termination benefits	275,206,361	256,458,270
	275,206,361	256,458,270

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

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

The amount payable consists of one month's salary limited to a maximum of TRY23,489.83 for each year of service as of 30 September 2023 (31 December 2022 : TRY15,371.40).

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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES(Continued)

b) Long-term provisions (Continued)

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

	30 September 2023	31 December 2022
Discount rate (%)	0.55	0.55
Turnover rate to estimate the probability of retirement (%)	93.29	93.29

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 TRY23,489.83 (1 July 2022: TRY15,371.40) which is effective from 1 July 2023 has been taken into consideration in calculating the provision for employee termination benefits of the Company.

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

	2023	2022
1 January	256,458,270	76,294,116
Interest cost	20,388,432	12,588,529
Current year service cost	20,378,205	5,644,791
Paid in the year	(59,632,293)	(7,542,455)
Actuarial loss	37,613,747	30,176,847
30 September	275,206,361	117,161,828

Sensitivity analysis of key assumptions used for termination benefits calculations as at 30 September 2023 are as follows:

Sensitivity level	Net discount rate		Turnover related to the probability of retirement	
	0.5% decrease (%0.045)	0.5% increase (%1.045)	0.5% decrease (%92.79)	0.5% increase (%93.79)
Rate				
Change in employee benefits liability	25,351,299	(22,621,484)	(7,393,943)	7,761,647

Other long - term provisions

	30 September 2023	31 December 2022
Warranty provision	172,264,260	108,334,042
	172,264,260	108,334,042

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES(Continued)

b) Long-term provisions (Continued)

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

	2023	2022
1 January	213,461,512	102,547,391
Used during the year	(186,397,370)	100,224,441
Charge for the year	280,394,765	(78,130,954)
30 September	307,458,907	124,640,878

c) Contingent liabilities

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

As of 30 September 2023 and 31 December 2022 the Company's guarantee/ pledge/ mortgage positions are as follows:

	30 September 2023	31 December 2022
A. The total amount of collaterals on behalf of its own legal entity	640,727,060	389,471,116
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	-	-
iii. The total amount of collaterals given in favor of third parties other than the parties stated in item C on behalf of its own legal entity	-	-
	640,727,060	389,471,116

The guarantees consist of guarantees given to the relevant institutions for customs, electricity, natural gas and similar expenses and the guarantee given to the tax office for cash tax refund.

As at 30 September 2023 , the Company has given on behalf of its own legal entity, the original collateral denominated in foreign currency amounts of EUR 2,006,350 (31 December 2022: EUR 2,006,350).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

d) Contingent assets

	Original currency amount						TRY equivalent	
	30 September 2023			31 December 2022			30 September 2023	31 December 2022
	EUR	USD	TRY	EUR	USD	TRY		
Letters of guarantees received	-	270,000	1,235,010,672	-	270,000	848,286,172	853,334,713	
Direct debit	-	-	4,156,741,619	-	-	2,421,779,155	2,421,779,155	
Mortgages	-	-	7,108,228	-	-	438,684	438,684	
Cash TRY guarantees	-	-	582,199	-	-	493,270	493,270	
Guarantee bonds	-	-	4,616,197	-	-	2,445,441	2,445,441	
							3,278,491,263	

The guarantees consist of the guarantees received against the risks of dealers and suppliers.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 15 - EMPLOYEE BENEFITS

Liabilities for employee benefits

	30 September 2023	31 December 2022
Taxes payable and liabilities (*)	115,804,108	86,922,135
Accrued premiums and liabilities to personnel	210,550,157	62,198,751
	326,354,265	149,120,886

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

NOTE 16 - EQUITY

Paid-in share capital

The Company's registered share capital amounts to TRY250,000,000 (31 December 2022: TRY 250,000,000).

Based on the decision numbered 10 taken by the Board of Directors on 27 February 2023, the Company's registered capital which was TRY 53,369,000 within the registered capital ceiling of TRY 250,000,000, was increased by 87.5% as fully funded from internal sources to TRY 100,066,875 on 6 June 2023. Of the capital increase amounting to TRY 46,697,875 made from internal resources, TRY 30,921,766 is from Legal Reserves Inflation Adjustment Differences, TRY 15,079,648 is from Extraordinary Reserves Inflation Adjustment Differences, TRY 696,461 is from Other Reserves Inflation Adjustment Differences are covered according to the financial statements prepared in accordance with Tax Procedure Law, according to the financial statements prepared in accordance with TFRS, TRY 39,014,356 of the increase was covered from Capital Inflation Adjustment Differences, TRY 7,683,519 was covered from Retained Earnings.

The Company's share capital is composed of 10,006,687,500 units of shares each Kr 1 nominal value. The nominal value of share capital is TRY 100,006,875.

The composition of the Company's statutory share capital at 30 September 2023 and 31 December 2022 are as follows:

	30 September 2023		31 December 2022	
	Share (%)	Share amount (TRY)	Share (%)	Share amount (TRY)
Koç Holding	37.50	37,525,078	37.50	20,013,375
CNH Industrial Osterreich	37.50	37,525,078	37.50	20,013,375
Public quotation in BİST	25.00	25,016,719	25.00	13,342,250
	100.00	100,066,875	100.00	53,369,000
Adjustments to share capital		-		39,014,356
		100,066,875		92,383,356

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 16 - EQUITY (Continued)

Paid-in share capital (Continued)

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

As of 11 June 2004, the Company has been quoted to BIST and its shares started to be traded in the stock exchange market from that date. As of 30 September 2023, 25% of the Company shares are quoted at BIST

(31 December 2022: 25%)

Dividend distribution

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

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 accordance with the Turkish Commercial Code, unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

In dividend distribution, the Company follows a balanced and consistent policy between the benefits of the shareholders and the benefits of the Company in accordance with the Corporate Management Principles. The Board of Directors of the Company has decided; that at least 60% of the distributable net profit for the period calculated in accordance with the TCC, CMB regulations and the main agreement should be distributed to the shareholders as dividends, taking into consideration the economic conditions, long-term investment financing and business plans as well as profitability; that the dividend to be distributed may be realized in cash or by capital increase through bonus shares or partly in cash and partly through bonus shares.

The part of the of accumulated losses of the Company exceeding the total of retained earnings, general legal reserves including premiums related to shares and costs arising from the adjustment of equity items except for capital stock in accordance with inflation accounting is accounted for as discount items in the calculation of net distributable profit for the period.

The proposal for the distribution dividends from the profit amount of TRY2,100,000,000 was accepted at the 69th Ordinary General Assembly Meeting held on 2 March 2023. Dividend paid in cash to shareholders as of 10 March 2023 and distributed per share is 39.35 Kr.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 17 - REVENUE AND COST OF SALES

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Domestic sales	27,881,617,425	10,376,397,077	11,603,293,884	4,642,094,222
Export sales	8,729,364,426	3,158,720,784	4,965,464,398	1,809,401,742
Sales income (gross)	36,610,981,851	13,535,117,861	16,568,758,282	6,451,495,964
Less: Discounts and returns	(4,194,980,896)	(1,447,620,189)	(1,952,309,860)	(715,800,044)
Sales income (net)	32,416,000,955	12,087,497,672	14,616,448,422	5,735,695,920
Cost of sales	(23,140,517,013)	(8,132,523,514)	(11,856,013,855)	(4,609,213,200)
Gross profit	9,275,483,942	3,954,974,158	2,760,434,567	1,126,482,720

Sales quantities:

	1 January - 30 September 2023			1 January - 30 September 2022		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Tractor	25,289	13,902	39,191	19,202	12,535	31,737
Combine	337	-	337	392	-	392
	25,626	13,902	39,528	19,594	12,535	32,129

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 18 - OTHER INCOME/EXPENSE FROM OPERATING ACTIVITIES

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Foreign exchange gain from trade receivables and payables	1,550,419,743	847,174,282	536,125,003	96,578,906
Interest income from sales	566,998,316	193,794,324	363,408,145	126,138,231
Termination of provision for doubtful receivables (Note 5)	1,041,850	845,832	6,220,155	1,265,610
Reversal of provision for litigation expenses (Note 12)	5,262,933	2,575,963	1,876,397	95,088
Other income	59,341,480	7,224,776	31,662,263	10,126,702
Other operating income	2,183,064,322	1,051,615,177	939,291,963	234,204,537
Foreign exchange gain from trade receivables and payables	(1,553,069,073)	(898,523,907)	(560,568,090)	(84,302,304)
Interest income from sales	(1,010,728,300)	(365,135,658)	(574,856,461)	(200,144,096)
Reversal of provision for litigation expenses (Note 12)	(9,932,110)	(4,376,363)	(2,494,641)	(939,777)
Termination of provision for doubtful receivables (Note 5)	(317,225)	-	(4,373,391)	(1,102,450)
Other expenses	(35,860,380)	(1,339,204)	(1,507,552)	(234,072)
Other operating expenses	(2,609,907,088)	(1,269,375,132)	(1,143,800,135)	(286,722,699)

NOTE 19 - FINANCIAL INCOME

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Foreign exchange gain	459,058,514	61,607,068	370,166,524	75,466,185
Interest income	891,185,027	328,166,989	52,222,563	18,420,201
Financial income	1,350,243,541	389,774,057	422,389,087	93,886,386

NOTE 20 - FINANCIAL EXPENSE

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Foreign exchange losses	(646,627,774)	(172,140,022)	(246,149,676)	(63,718,786)
Interest expenses of bank borrowings	(461,663,877)	(126,126,736)	(255,683,283)	(116,442,852)
Other	(9,931,847)	(1,894,045)	(18,461,935)	(12,627,246)
Financial expenses	(1,118,223,498)	(300,160,803)	(520,294,894)	(192,788,884)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 21 - TAX ASSETS AND LIABILITIES

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

As of 30 September 2023, the corporate tax rate is 25% in Turkey (December 31, 2022: 23%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

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

10% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

The aforementioned law has been enacted as of April 1, 2008. Accordingly, income tax-payers can deduct 100% of the expenditures made as of then, which are related to research and development related to new technology and information developments. Research and development incentives shall be calculated over the total expenditures made in 2023 and 2022.

In accordance with the Law No 7440 on the “Restructuring of Certain Receivables and Amendments to Certain Laws” published in the Official Gazette on 12 March 2023, an additional tax of 10% is to be calculated over the exemptions and deductions subject to corporate income deduction in accordance with the regulations in the laws, by being shown in the corporate tax return for the year 2022 and without being associated with the period’s income; and an additional tax of 5% is to be calculated over the exempted earnings. As of 30 September 2023, related tax amounts were calculated and accrued in the financial statements of the Company. The impacts of the additional tax on the current income tax expense is TRY 139,942,428. The first installment of the payments related to the tax of TRY 69,971,214 was realized on May 2023 and the second installment will be paid in August 2023.

Tax advantages obtained under the investment incentive system:

Earnings of the Company that are derived from investments linked to an investment incentive certificate are subject to corporate tax at discounted rates for a certain period, which starts when the investment starts to partly or fully operate, and ends when the maximum investment contribution amount is reached. Within this scope, the Company has accounted for TRY 92,441,561 (31 December 2022: TRY 55,381,013) of tax advantages as deferred tax assets which are expected to be recovered in the foreseeable future in the financial statements as of 30 September 2023. TRY 37,060,548 of deferred tax income is recognized in the profit or loss statement for the period between 1 January – 30 September 2023 from accounting of such deferred tax assets.

Deferred tax assets are recognized for deductible temporary differences, carry forward tax losses and indefinite-life investment incentives which allows payment of corporate tax at discounted rates, as long as it is probable that sufficient taxable income will be generated in the future. In this context, the Company recognizes deferred tax assets from investment incentives based on long-term plans, including taxable profit projections derived from business models, which are re-evaluated at each balance sheet date to assess recoverability of such deferred tax assets. The Company expects to recover such deferred tax assets within 2 years from the balance sheet date. In the sensitivity analysis performed as of 30 September 2023, when the inputs of the key macroeconomic and sectoral assumptions that form the business plans are increased/decreased by 10%, there is no change in the projected 2 years recovery periods of deferred tax assets related to investment incentives.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 21 - TAX ASSETS AND LIABILITIES (Continued)

As of 30 September 2023 and 31 December 2022, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	30 September 2023	31 December 2022
Corporate tax expense	1,920,782,374	288,595,540
Less: Prepaid taxes	(880,758,946)	(288,598,609)
Tax liability	1,040,023,428	(3,069)

The breakdown of total tax expense for the years ended 30 September 2023 and 30 September 2022 are as follows:

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Corporate tax expense	1,920,782,374	908,120,540	334,487,474	109,099,355
Deferred tax income/(expense)	(721,070,010)	(424,871,792)	(174,289,449)	(52,827,628)
Total tax expense	1,199,712,364	483,248,748	160,198,025	56,271,727

Deferred taxes

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements prepared in accordance with the Turkish Financial Reporting Standards and their statutory financial statements, using the currently enacted tax rates. These temporary differences result in the recognition of revenue and expenses in different reporting periods for Turkish Financial Reporting Standards and tax purposes.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 21 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) at 30 September 2023 and 31 December 2022 are as follows:

	Temporary differences		Deferred tax assets/ (liabilities)	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022
Property, plant and equipment and intangible assets, restatement and useful life differences	(1,555,885,473)	(1,287,591,976)	388,971,368	257,518,395
Employee termination benefits	(275,206,361)	(256,458,270)	68,801,590	51,291,654
Warranty provision	(307,458,907)	(213,461,512)	76,864,727	42,692,302
Provision for lawsuits	(19,942,707)	(15,273,530)	4,985,677	3,054,706
Unearned finance income/ expenses on trade receivables, payables and due provision for doubtful receivables from related parties	(538,889,161)	(92,797,808)	134,722,290	18,559,562
Provision for impairment of inventory	(69,141,753)	(68,180,868)	17,285,438	13,636,174
Sales premium accrued	(1,466,975,162)	(32,547,420)	366,743,790	6,509,484
Other expense provisions	(194,622,806)	(34,340,239)	48,655,702	6,868,048
Investment incentive tax assets	308,138,535	-	92,441,561	55,381,013
Deferred income	(7,608,505)	(186,822,571)	1,902,126	37,364,514
Other	(85,713,692)	58,414,257	21,428,425	(11,682,849)
Deferred tax assets			1,222,802,694	481,193,003

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

	2023	2022
1 January	481,193,003	33,622,002
Reflected to profit for the year	721,070,010	174,289,449
Reflected to other comprehensive income/(expense)	20,539,681	24,606,268
30 September	1,222,802,694	232,517,719

NOTE 22 - EARNINGS PER SHARE

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

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

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 22 - EARNINGS PER SHARE (Continued)

	1 January - 30 September 2023	1 January - 30 September 2022
Net profit for the year	6,295,874,992	1,612,052,669
Weighted average number of the ordinary shares	7,338,237,500	5,336,900,000
Earnings per share (TRY)	0.8580	0.3021

There is no difference for any period between basic and relative earnings per share.

NOTE 23 - RELATED PARTY EXPLANATIONS

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

Summary of the intercompany balances as of 30 September 2023 and 31 December 2022 significant intercompany transactions were as follows:

i) Balances with related parties as of 30 September 2023 and 31 December 2022:

a) Due from related parties

	30 September 2023	31 December 2022
Due from group companies		
CNHI International SA ("CNHI International") (*)	237,469,439	1,142,159,369
CNH Industrial Argentina SA	78,286,424	64,981,335
CNHI Italia SPA ("CNHI Italia")	42,011,390	25,858,502
CNH Industrial (India) Pvt. Ltd.	33,802,350	35,946,440
CNH Industrial Brasil Ltda	6,377,258	2,548,514
CNH America LLC	2,858,634	-
Other	4,783,311	2,572,833
	405,588,806	1,274,066,993

(*) Due from related parties is arising from export sales of the Company realized via CNHI. These receivables are collected on a regular basis in specified maturities within the business deals.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 23 - RELATED PARTY EXPLANATIONS (Continued)

i) Balances with related parties as of 30 September 2023 and 31 December 2022 (Continued):

b) Due to related parties

	30 September 2023	31 December 2022
Koç Holding	-	19,773,781
Due to shareholders	-	19,773,781
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. (“Opet Fuchs”)	134,074,227	39,181,009
Zer Merkezi Hizmetler ve Ticaret A.Ş. (“Zer”)	131,852,379	139,537,130
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (“Koç Sistem”)	16,375,033	35,482,633
Otokoç Otomotiv San. ve Tic. A.Ş. (“Otokoç”)	7,860,748	3,772,218
Opet Petrolcülük A.Ş. (“Opet”)	4,362,572	2,329,113
Ram Sigorta Aracılık Hizmetleri A.Ş. (“Ram Sigorta”)	3,858,452	419,777
Setur Servis Turistik A.Ş. (“Setur”)	2,655,461	3,543,647
Divan Turizm İşletmeleri (“Divan”)	1,072,766	3,780,769
Koç Digital Çözümler A.Ş.	1,013,880	6,674,967
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Paz. A.Ş. (“Akpa”)	752,077	1,473,352
Ingage Dijital Pazarlama Hizmetleri	415,481	396,273
Fpt Industrial Powertrain Technolog	370,203	14,221,454
CNH America LLC	3,516	176,569
CNH Argentina S.A	-	1,635,548
Diğer	679,980	1,182,335
Due to group companies	305,346,775	253,806,794
Less: Unearned financial expenses	(6,669,904)	(1,795,870)
	298,676,871	271,784,705

c) Lease liabilities to related parties

	30 September 2023	31 December 2022
Otokoç	72,190,740	57,054,225
Zer	24,012,024	28,450,518
Other	1,694,586	7,558,678
	97,897,350	93,063,421

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 23 - RELATED PARTY EXPLANATIONS (Continued)

ii) Significant sales and purchases transactions with related parties for the periods between 1 January - 30 September 2023 and 2022:

a) Product sales to related parties

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Product sales to group companies				
CNHI International (*)	8,491,498,570	3,118,240,802	4,727,276,075	1,728,720,145
CNH Italia SPA	72,042,540	20,645,611	70,864,920	21,110,248
CNH Industrial Argentina SA	63,440,107	2,978,935	129,314,766	33,406,046
CNH Industrial (India) Pvt. Ltd.	62,745,489	18,902,790	26,470,880	19,107,915
CNH Industrial Brasil Ltda	28,341,308	4,313,537	5,208,565	728,196
Yapı Kredi Finansal Kiralama A.O.	23,712,603	23,584	22,182,304	4,016,886
Diğer	16,129,973	729,573	9,820,168	2,267,604
	8,757,910,590	3,165,834,832	4,991,137,678	1,809,357,040

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

b) Service sales to related companies

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Service sales to group companies				
CNHI Italy (1)	35,747,874	14,708,325	14,080,363	7,491,430
CNHI International (2)	3,811,034	1,789,225	2,092,039	700,353
CNH Industrial (India) PRI	2,152,740	2,152,740	930,562	-
	41,711,648	18,650,290	17,102,964	8,191,783

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

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 23 - RELATED PARTY EXPLANATIONS (Continued)

ii) **Significant sales and purchases transactions with related parties for the periods between 1 January - 30 September 2023 and 2022 (Continued):**

c) **Product purchases from related parties**

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Product purchases from group companies				
CNHI International (1)	6,142,583,110	3,320,633,987	2,480,322,212	686,275,515
Opet Fuchs (2)	300,688,051	123,175,291	181,837,573	84,718,738
CNH Italia S.p.A (3)	65,012,488	31,205,788	19,635,504	7,580,609
Koç Sistem (4)	53,262,903	32,045,307	28,029,619	12,946,515
Zer (5)	44,862,243	17,527,191	45,257,748	18,325,094
Opet	23,817,163	13,896,116	15,032,848	4,178,695
Akpa	14,949,682	5,730,737	16,352,360	4,792,576
CNHI India	2,248,613	143,923	498,470	134,322
Diğer	11,147,125	2,096,183	3,435,046	413,281
	6,658,571,378	3,546,454,523	2,790,401,380	819,365,345

- (1) The Company purchases tractors, agricultural machines and equipments and spare parts.
(2) The Company makes various oil purchases for use in production and fuel purchases for use.
(3) The Company purchases tractor parts from CNH Italia SPA.
(4) The Company purchases hardware and software from Koç Sistem.
(5) The Company purchases direct and indirect materials and services from Zer.

d) **Service purchases from related parties**

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Service purchases from shareholders				
Koç Holding (1)	18,066,144	5,620,067	27,327,186	10,861,352
	18,066,144	5,620,067	27,327,186	10,861,352

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 23 - RELATED PARTY EXPLANATIONS (Continued)

ii) Significant sales and purchases transactions with related parties for the periods between 1 January - 30 September 2023 and 2022 (Continued):

d) Service purchases from related parties (Continued)

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Service purchase from group companies				
Zer (2)	639,908,689	319,003,103	347,758,397	140,050,050
Eltek (3)	79,839,064	25,613,803	71,064,776	30,754,062
Setur (4)	23,837,583	13,848,235	8,092,282	2,385,686
Otokoç (5)	23,489,700	9,199,545	11,043,774	4,578,991
Ram Sigorta (6)	23,121,385	826,426	8,928,349	589,672
Koç Sistem (7)	15,587,898	2,483,115	5,305,273	799,966
CNHI International (8)	13,413,604	202,331	17,687,413	789,295
Token Finansal Teknolojiler A.Ş. (9)	5,318,902	2,893,476	-	-
Ingage Dijital Pazarlama Hizmetleri (7)	3,239,517	2,114,505	-	-
CNHI Industrial Italia SpA (wmf) (10)	904,465	-	2,941,687	-
Diğer	23,058,371	13,449,848	6,620,581	4,076,059
	851,719,178	389,634,387	479,442,532	184,023,781
	869,785,322	395,254,454	506,769,718	194,885,133

- (1) The amount contains finance, legal consultancy, planning, tax consultancy, senior management service costs invoiced by Koç Holding regarding their related services according to the concealed gain distribution described in Regulation No:11 Intra-Group Services of Transfer Pricing General Communiqué No:1
- (2) Services purchased from Zer are related with security, cleaning, transportation and other services.
- (3) Service purchased from Eltek is related with electricity expenses.
- (4) Services purchased from Setur are generally arising from plane tickets, accommodation and associated with various organizations within the sales and marketing activities.
- (5) Service purchased from Otokoç is related with motor vehicles leasing services.
- (6) Insurance service purchased from Ram Sigorta Aracılık Hizmetleri A.Ş. includes premium amounts paid and accrued for the year ended on 30 September 2023.
- (7) Services received from Koç Sistem mainly includes support services related to repair and maintenance of computers and licences.
- (8) Services purchased from CNHI International is related with engineering services, strategy development, consulting and brokerage.
- (9) Services received from Token Financial Technologies Inc. is related to the company's digital meal card.
- (10) Services received from CNH Italia SPA are related to engineering service, strategy development, brokerage and consultancy.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 23 - RELATED PARTY EXPLANATIONS (Continued)

- iii) **Financial income and expenses arising from transactions with related parties for the periods between 1 January – 30 September 2023 and 2022:**

Financial income and expense from group companies

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Interest income				
Yapı Kredi	11,767,902	1,337,228	7,521,457	-
	11,767,902	1,337,228	7,521,457	-

- iv) **Dividends paid to related parties:**

	1 January - 30 September 2023	1 January - 30 September 2022
Koç Holding	787,500,000	450,000,000
CNHI Osterreich	787,500,000	450,000,000
	1,575,000,000	900,000,000

- v) **Other transactions with related parties for the periods between 1 January – 30 September 2023 and 2022:**

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

As of 30 September 2023, the Company paid TRY 45,628,044 benefits to the key management personnel (30 September 2022: TRY 20,360,036). All amount consists of short-term benefits.

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM INANCIAL 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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM INANCIAL 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.

Cash flow hedge accounting

Cash flow hedge accounting is imported tractor orders and the exchange rate effect of the amount kept in the bank based on these orders. Türk Traktör imports and sells tractors in Euro. With the application put into use in 2021, the TRY price list for imported tractors was introduced. In this case, hedging started to be applied as of 1 January 2021 in order to eliminate the exchange rate risk at the time of payment on the date of sale of the Euro amount put in the cash register at the date of order. The total amount of foreign exchange losses recognized after tax in equity is TRY10,524,343 (31 December 2022: TRY58,947,006).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM INANCIAL INSTRUMENTS (Continued)

The amounts of foreign currency assets, liabilities and TRY equivalents of the Company as of 30 September 2023 and 31 December 2022 are as follows:

	30 September 2023					
	TRY Equivalentı	USD	EUR	GBP	CHF	YEN
1. Trade receivables	517,122,600	1,485,931	16,411,798			
2. Monetary financial assets (including banks accounts) (Note 3)	1,251,458,508	168,981	42,919,346	1,505	12,368	2,406,898
3. Other						
4. Current assets (1+2+3)	1,768,581,108	1,654,912	59,331,144	1,505	12,368	2,406,898
5. Trade receivables	-	-	-	-	-	-
6. Other	-	-	-	-	-	-
7. Current assets (5+6)	-	-	-	-	-	-
8. Total assets (4+7)	1,768,581,108	1,654,912	59,331,144	1,505	12,368	2,406,898
9. Trade payables	541,682,862	4,560,171	2,910,319	97,667	-	1,795,644,379
10. Financial liabilities	565,456,708	-	19,478,022	-	-	-
11. Other monetary liabilities	10,034,990	-	345,670	-	-	-
12 Current liabilities (9+10+11)	1,117,174,560	4,560,171	22,734,011	97,667	-	1,795,644,379
13. Financial liabilities	341,961,836	-	11,779,399	-	-	-
14. Non-current liabilities (13)	341,961,836	-	11,779,399	-	-	-
15. Total liabilities (12+14)	1,459,136,396	4,560,171	34,513,410	97,667	-	1,795,644,379
16. Cash flow hedge accounting amounts	-	-	-	-	-	-
17. Fair value of hedged funds of foreign currency (16+18)	309,444,712	(2,905,259)	24,817,733	(96,162)	12,368	(1,793,237,481)
18. Net monetary foreign currency asset/ (liability) position (8-15)	309,444,712	(2,905,259)	24,817,733	(96,162)	12,368	(1,793,237,481)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023**

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

**NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM INANCIAL INSTRUMENTS
(Continued)**

	31 December 2022					
	TRY Equivalentı	USD	EUR	GBP	CHF	YEN
1. Trade receivables	1,326,837,883	2,103,196	64,585,811	-	-	-
2. Monetary financial assets (including banks accounts) (Note 3)	701,524,421	3,300,202	31,807,103	185,954	5,920	10,214,290
3. Other	-	-	-	-	-	-
4. Current assets (1+2+3)	2,028,362,304	5,403,398	96,392,914	185,954	5,920	10,214,290
5. Trade receivables	-	-	-	-	-	-
6. Other	-	-	-	-	-	-
7. Current assets (5+6)	-	-	-	-	-	-
8. Total assets (4+7)	2,028,362,303	5,403,398	96,392,914	185,954	5,920	10,214,290
9. Trade payables	521,212,820	4,247,117	21,364,042	(23,511)	30,032	112,037,227
10. Financial liabilities	693,347,138	-	34,780,568	-	-	-
11. Other monetary liabilities	6,890,908	-	345,671	-	-	-
12. Current liabilities (9+10+11)	1,221,450,866	4,247,117	56,490,281	(23,511)	30,032	112,037,227
13. Financial liabilities	511,407,930	-	25,653,900	-	-	-
14. Non-current liabilities (13)	511,407,930	-	25,653,900	-	-	-
15. Total liabilities (12+14)	1,732,858,796	4,247,117	82,144,181	(23,511)	30,032	112,037,227
16. Cash flow hedge accounting amounts	(634,071,411)	-	(31,807,103)	-	-	-
17. Fair value of hedged funds of foreign currency (16+18)	(338,567,904)	1,156,281	(17,558,370)	209,465	(24,112)	(101,822,937)
18. Net monetary foreign currency asset/ (liability) position (8-15)	295,503,507	1,156,281	14,248,733	209,465	(24,112)	(101,822,937)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM INANCIAL INSTRUMENTS (Continued)

The import and export amounts of the Company for the years ended 30 September 2023 and 2022 are as follows:

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Total export amount	8,729,364,426	3,158,720,784	4,965,464,398	1,809,401,742
Total import amount	10,269,900,279	5,057,833,459	5,067,634,926	1,587,215,864

The Company is exposed to foreign exchange risk primarily with respect to EUR and USD. The effect of the Company's EUR and USD foreign currency position as of 30 September 2023 and 31 December 2022 under the assumption of the appreciation and depreciation of TRY against other currencies by 10% with all other variables held constant, is as follows:

	30 September 2023			
	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Had TRY appreciate/ (depreciate) by 10% against USD				
Profit/(loss) from USD net asset position	(7,953,641)	7,953,641	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	(7,953,641)	7,953,641	-	-
Had TRY appreciate/ (depreciate) by 10% against EUR				
Profit/ (loss) from EUR net liability position	72,047,121	(72,047,121)	-	-
Hedged amount against EUR risk (-)	-	-	-	-
Net Effect of EUR	72,047,121	(72,047,121)	-	-
Had TRY appreciate/ (depreciate) by 10% against other				
Profit/ (loss) from other net liability position	(33,149,009)	33,149,009	-	-
Hedged amount against other (-)	-	-	-	-
Net effect of other	(33,149,009)	33,149,009	-	-
Total net effect	30,944,471	(30,944,471)	-	-

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM INANCIAL INSTRUMENTS (Continued)

	31 December 2022			
	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Had TRY appreciate/ (depreciate) by 10% against USD				
Profit/(loss) from USD net asset position	2,162,049	(2,162,049)	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	2,162,049	(2,162,049)	-	-
Had TRY appreciate/ (depreciate) by 10% against EUR				
Profit/ (loss) from EUR net liability position	28,404,709	(28,404,709)	(63,407,142)	63,407,142
Hedged amount against EUR risk (-) (-)	-	-	-	-
Net Effect of EUR	28,404,709	(28,404,709)	(63,407,142)	63,407,142
Had TRY appreciate/ (depreciate) by 10% against other				
Profit/ (loss) from other net liability position	(1,118,050)	1,118,050	-	-
Hedged amount against other (-)	-	-	-	-
Net effect of other	(1,118,050)	1,118,050	-	-
Total net effect	29,448,708	(29,448,708)	(63,407,142)	63,407,142

Price risk

The company does not have any financial assets that will expose it 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

	30 September 2023	31 December 2022
Time deposits (Note 4)	5,932,998,109	4,302,239,315
Financial liabilities (Note 6)	2,966,891,698	3,788,035,605
Lease liabilities (Note 6)	114,793,985	102,157,935

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM INANCIAL 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 (Note 7).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM INANCIAL INSTRUMENTS (Continued)

The Company's maximum exposure to credit risk as of 30 September 2023 and 31 December 2022 is as follows:

	30 September 2023					
	Trade Receivables		Other Receivables		Bank deposits	Derivative Instruments
	Related party	Third party	Related party	Third party		
Net book value of financial assets which are undue and not impaired	405,588,806	1,832,942,158	-	412,390	7,180,694,578	-
Net book value of due dated but not impaired assets	-	2,841,200	-	-	-	-
Net book value of impaired assets	-	-	-	-	-	-
- Due dated (gross book value)	-	-	-	-	-	-
- Provision (-)	-	-	-	-	-	-
- Undue (gross book value)	-	48,062,357	-	-	-	-
- Provision (-)	-	(48,062,357)	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Net book value of due dated but not impaired assets	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	405,588,806	1,835,783,358	-	412,390	7,180,694,578	-

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

As of 30 September 2023, the guarantee amount of the maximum exposure to credit risk is TRY5,340,827,464. Furthermore, all assets which are due but not impaired are guaranteed.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM INANCIAL INSTRUMENTS (Continued)

	31 December 2022					
	Trade Receivables		Other Receivables		Bank deposits	Derivative Instruments
	Related party	Third party	Related party	Third party		
Net book value of financial assets which are undue and not impaired	1,274,066,993	826,917,877	-	393,753	4,416,872,941	-
Net book value of due dated but not impaired assets	-	1,032,358	-	-	-	-
Net book value of impaired assets	-	-	-	-	-	-
- Due dated (gross book value)	-	48,786,983	-	-	-	-
- Provision (-)	-	(48,786,983)	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Provision (-)	-	-	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Net book value of due dated but not impaired assets	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	1,274,066,993	827,950,235	-	393,753	4,416,872,941	-

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

As of 31 December 2022, the guarantee amount of the maximum exposure to credit risk is TRY3,036,812,026. Furthermore, all assets which are due but not impaired are guaranteed.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM INANCIAL INSTRUMENTS (Continued)

c) Liquidity risk

Liquidity risk is managed by maintaining cash and marketable securities, the availability of funding through an adequate amount of committed credit lines and the ability to close out market positions.

Funding risk of the current and future liabilities is managed by providing sustainability of the access to sufficient high quality creditors and the sustainability of the sufficient cash flows obtained from operating activities. The Company management, in order to ensure continuous liquidity, closely follows up the timely collection of receivables, allocates high intensity focus to prevent any financial burden sourcing from late collections and determines cash and non-cash credit limits to be activated in case of need by the Company.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital on the basis of the net financial debt/shareholder's equity ratio. Net financial debt calculated as total financial liabilities (including short and long - term bank borrowings) less cash and cash equivalents. This ratio is calculated as net financial debt divided by total shareholders' equity.

	30 September 2023	31 December 2022
Total Financial liabilities	3,081,685,683	3,890,193,540
Less: Cash and cash equivalents (Note 3)	(7,180,694,578)	(4,416,872,941)
Financial Investments	(7,507,228)	(420,033,225)
Net financial debt	(4,106,516,123)	(946,712,626)
Total shareholders' equity	7,757,455,846	3,638,213,829
Total liabilities	3,650,939,723	2,691,501,203
Net financial debt/ total liabilities (%)	%(112.48)	%(35.17)

Fair value of financial assets

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

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

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM INANCIAL INSTRUMENTS (Continued)

Financial assets

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

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

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

Financial liabilities

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

Fair value hierarchy table

The Company classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates.

Level 3: Valuation techniques does not contain observable market inputs

Fair value hierarchy table as of 30 September 2023 is as follows:

Financial assets carried at fair value in statement of financial position

	Level 1	Level 2	Level 3
Financial investments (Note 5)	-	7,507,228	-

NOTE 25 - SUBSEQUENT EVENT

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