

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 2024
TOGETHER WITH INDEPENDENT AUDITOR'S
REVIEW REPORT
(ORIGINALLY ISSUED IN TURKISH)**

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

FINANCIAL STATEMENTS AS OF 30 September 2024

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TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2024

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

	Notes	Reviewed 30 September 2024	Audited 31 December 2023
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	4,941,372,805	16,753,182,070
Financial investments	5	26,317,793	15,298,037
Trade receivables:			
- Trade receivables from related parties	7, 23	293,314,929	123,772,150
- Trade receivables from third parties	7	4,272,502,105	3,158,128,601
Inventories	8	10,675,547,227	11,814,272,069
Prepaid expenses	13	63,608,695	23,668,532
Other current assets	12	1,970,823,803	2,086,189,126
TOTAL CURRENT ASSETS		22,243,487,357	33,974,510,585
NON - CURRENT ASSETS			
Trade receivables			
- Trade receivables from third parties	7	109,458	148,710
Other receivables:			
- Other receivables from third parties		427,529	560,277
Financial investments	5	11,734,714	11,494,108
Property, plant and equipment	9	7,313,683,089	6,197,764,609
Right of use assets	10	266,705,436	311,280,267
Intangible assets	11	3,331,241,665	3,184,967,136
Prepaid expenses	13	722,214,500	403,783,150
Deferred tax assets	21	-	10,786,198
TOTAL NON - CURRENT ASSETS		11,646,116,391	10,120,784,456
TOTAL ASSETS		33,889,603,748	44,095,295,041

The financial statements prepared as at and for the period ended 30 September 2024 have been approved by the Board of Directors on 24 October 2024.

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2024

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

	Notes	Reviewed 30 September 2024	Audited 31 December 2023
LIABILITIES			
CURRENT LIABILITIES			
Short-term financial liabilities			
Short-term financial liabilities to other parties			
- Bank borrowings	6	4,346,480,488	5,997,040,304
Short-term portion of long-term financial liabilities			
Short-term portion of long-term financial liabilities to related parties			
- Lease liabilities	6	46,796,102	60,081,986
Short-term portion of long-term financial liabilities to third parties			
- Bank borrowings	6	878,241,111	696,201,835
- Lease liabilities	6	1,934,870	2,484,199
Trade payables			
- Trade payables to related parties	7, 23	356,445,354	1,858,678,174
- Trade payables to third parties	7	6,241,141,738	10,069,930,311
Payables related to employee benefits	15	460,451,513	747,670,813
Other payables			
- Other payables to third parties		247,211,170	275,570,272
		889,581	4,512,703
Government incentives and aids	12	82,457,604	616,418,222
Deferred income	13	106,828,849	678,308,666
Tax liability for the period	21		
Short - term provision			
- Short term provision for employee benefits	14	66,982,360	51,572,111
- Other short term provisions	14	287,556,610	319,247,788
TOTAL CURRENT LIABILITIES		13,123,417,350	21,377,727,384
NON - CURRENT LIABILITIES			
Long-term financial liabilities			
Long-term financial liabilities from related parties			
- Lease liabilities	6	19,711,028	84,359,822
Long-term financial liabilities from third parties			
- Bank borrowings	6	1,594,545,915	1,022,005,105
- Lease liabilities	6	2,187,624	2,751,011
Long - term provisions			
- Long term provision for employee benefits	14	343,252,658	347,497,627
- Other long term provisions	14	266,182,528	341,202,011
Deferred tax liability	21	23,717,905	-
TOTAL NON-CURRENT LIABILITIES		2,249,597,658	1,797,815,576
EQUITY		18,516,588,740	20,919,762,081
Paid-in share capital	16	100,066,875	100,066,875
Adjustments to share capital	16	1,926,758,956	1,926,758,956
Restricted profit reserves		3,037,364,300	2,182,123,911
Other accumulated comprehensive income and expense not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plans		(374,852,223)	(326,384,450)
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
- Gain/(Losses) on cash flow hedging		207,797,483	228,524,698
Retained earnings		8,514,763,247	4,116,654,957
Net profit for the year		5,104,690,102	12,692,017,134
TOTAL LIABILITIES		33,889,603,748	44,095,295,041

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 30 SEPTEMBER 2024 AND 2023

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

	Notes	Reviewed 1 January - 30 September 2024	1 July- 30 September 2024	Reviewed 1 January - 30 September 2023	1 July- 30 September 2023
Revenue	17	49,571,028,569	12,899,968,741	59,264,714,550	19,145,506,766
Cost of sales (-)	17	(38,440,549,167)	(10,306,970,676)	(44,275,992,880)	(13,629,143,085)
GROSS PROFIT		11,130,479,402	2,592,998,065	14,988,721,670	5,516,363,681
Marketing expenses		(2,085,734,323)	(543,320,578)	(1,781,787,564)	(664,108,588)
General administrative expenses		(1,094,489,434)	(319,636,743)	(1,055,074,280)	(327,112,128)
Research and development expenses		(424,310,392)	(158,444,317)	(499,389,855)	(198,921,069)
Other income from operating activities	18	2,155,540,133	761,900,108	3,972,480,829	689,312,543
Other expenses from operating activities	18	(2,664,998,769)	(959,047,744)	(4,751,152,009)	(1,474,278,606)
OPERATING PROFIT		7,016,486,617	1,374,448,791	10,873,798,791	3,541,255,833
Income from investment activities		8,302,839	3,379,548	9,845,561	934,271
OPERATING INCOME BEFORE FINANCIAL INCOME		7,024,789,456	1,377,828,339	10,883,644,352	3,542,190,104
Financial income	19	2,426,086,105	463,080,097	2,130,895,558	837,309,107
Financial expenses	20	(2,435,225,365)	(822,183,745)	(1,706,782,924)	(263,638,708)
Net monetary gain/ (loss)		(155,379,909)	163,452,732	(99,139,284)	(26,388,100)
PROFIT BEFORE TAXATION ON INCOME		6,860,270,287	1,182,177,423	11,208,617,702	4,089,472,403
Taxes on income (-)	21	(1,698,011,087)	91,016,038	(3,423,240,349)	(1,416,754,948)
Deferred tax income/(expense)	21	(57,569,098)	(346,646,645)	317,846,849	(143,447,979)
NET PROFIT FOR THE PERIOD		5,104,690,102	926,546,816	8,103,224,202	2,529,269,476
Earnings per share (TRY)	22	0,5102	0,0927	1,1042	0,1722
Other comprehensive income/(expense) not to be reclassified to profit or loss:					
Actuarial loss arising from defined benefits plans	14	(64,623,698)	(3,866,284)	(74,346,823)	(2,860,801)
Other comprehensive expense not to be reclassified to profit or loss, tax effect					
Actuarial gain/ loss arising from defined benefit plans, tax effect	21	16,155,925	966,570	18,586,706	4,289,501
To be reclassified to profit or loss :					
Profit/(Losses) on cash flow hedging		(27,636,286)	(23,822,208)	(116,952,723)	(51,657,963)
Other comprehensive expense to be reclassified to profit or loss, tax effect					
Losses on cash flow hedging, tax effect	21	6,909,071	5,955,551	29,238,181	16,179,229
Other comprehensive income/(expense)		(69,194,988)	(20,766,371)	(143,474,659)	(34,050,034)
TOTAL COMPREHENSIVE INCOME		5,035,495,114	905,780,445	7,959,749,543	2,495,219,442

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 30 September 2024

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, 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	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 2024	100,066,875	1,926,758,956	(326,384,450)	228,524,698	2,182,123,911	4,116,654,957	12,692,017,134	20,919,762,081	
Transfers	-	-	-	-	855,240,389	11,836,776,745	(12,692,017,134)	-	-
Dividends	-	-	-	-	-	(7,438,668,455)	-	(7,438,668,455)	-
Capital increase	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	5,104,690,102	5,104,690,102	
Other comprehensive income									
Actuarial loss arising from defined benefits plans	-	-	(48,467,773)	-	-	-	-	(48,467,773)	
Losses on cash flow hedging	-	-	-	(20,727,215)	-	-	-	(20,727,215)	
Total other comprehensive income/ (expense)	-	-	(48,467,773)	(20,727,215)	-	-	-	(69,194,988)	
Total comprehensive income	-	-	(48,467,773)	(20,727,215)	-	-	5,104,690,102	5,035,495,114	
30 September 2024	100,066,875	1,926,758,956	(374,852,223)	207,797,483	3,037,364,300	8,514,763,247	5,104,690,102	18,516,588,740	

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2023

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, 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	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	1,945,911,415	(303,855,142)	264,197,157	1,712,613,071	3,020,478,930	5,855,344,681	12,548,059,112
Transfers	-	-	-	-	469,510,840	5,385,833,841	(5,855,344,681)	-
Dividends	-	-	-	-	-	(4,273,590,423)	-	(4,273,590,423)
Capital increase	46,697,875	(33,513,175)	-	-	-	(13,184,700)	-	-
Net profit for the period	-	-	-	-	-	-	8,103,224,202	8,103,224,202
Other comprehensive income								
Actuarial loss arising from defined benefits plans	-	-	(55,760,117)	-	-	-	-	(55,760,117)
Losses on cash flow hedging	-	-	-	(87,714,542)	-	-	-	(87,714,542)
Total other comprehensive income/ (expense)	-	-	(55,760,117)	(87,714,542)	-	-	-	(143,474,659)
Total comprehensive income	-	-	(55,760,117)	(87,714,542)	-	-	8,103,224,202	7,959,749,543
30 September 2023	100,066,875	1,912,398,240	(359,615,259)	176,482,615	2,182,123,911	4,119,537,648	8,103,224,202	16,234,218,232

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2024 AND 2023

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

		<i>Reviewed</i> 1 January- 30 September 2024	<i>Reviewed</i> 1 January- 30 September 2023
	Notes		
A. CASH FLOWS FROM OPERATING ACTIVITIES		1,156,401,961	12,512,807,471
Net profit for the period		5,104,690,102	8,095,910,215
Adjustments to reconcile profit for the period :		1,020,403,800	5,850,840,186
Amortization and depreciation		1,253,698,800	1,086,083,043
Provision for impairment on inventories	8	(243,987,632)	(46,671,652)
Provision for doubtful receivables	7	17,884,617	(241,141)
Provision for employee benefits		116,000,388	112,670,492
Premium provisions for employee		205,626,400	244,561,034
Provision for lawsuit	14	9,394,182	5,874,251
Provision for warranty	14	51,548,408	368,255,376
Interest income and expense	19, 20	2,105,438	(794,901,637)
Adjustment related to unrealized gain / (loss) on foreign currency differences		246,852,155	455,382,336
Adjustments related to fair value losses (gains) of financial assets	5	796,726	(3,338,104)
Adjustments related to disposal losses/(gains) of property, plant and equipment		-	-
Tax income/expense	21	1,755,580,185	3,105,393,500
Adjustment related to monetary gain / (loss)		758,504,141	1,317,772,688
Changes in working capital		(6,487,792,393)	(615,781,683)
Trade receivables	7	(1,132,218,868)	(888,685,640)
Due from related parties	7	1,045,793,239	2,246,250,913
Inventories	8	1,382,712,473	(925,788,598)
Other current assets	12	(243,801,993)	629,903,871
Other receivables		132,747	265,420
Due to related parties		(2,717,568,837)	(162,241,665)
Trade payables		(3,828,788,572)	(1,408,532,389)
Other liabilities		(994,052,582)	(106,953,595)
Net cash provided by operating activities		2,790,901,517	13,330,968,718
Employee termination benefits paid	14	(43,317,318)	(52,266,157)
Taxes paid	21	(1,591,182,238)	(765,895,090)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(2,410,758,890)	(1,577,048,711)
Proceeds from sales of property, plant and equipment and intangible assets	9,11	41,274,714	9,845,561
Payments for purchases of property, plant and equipment and intangible assets	9,11	(2,437,641,738)	(1,572,863,050)
Cash outflows from the sale of shares or debt instruments of other enterprises or funds	5	(14,391,866)	(14,031,222)
C. CASH FLOWS FROM FINANCING ACTIVITIES		(6,204,595,233)	(7,495,974,965)
Proceeds from bank borrowings	6	4,609,006,902	4,904,490,681
Repayment of bank borrowings	6	(3,385,833,151)	(7,742,122,660)
Dividends paid	16	(7,438,668,455)	(4,273,590,422)
Interest paid		(2,307,767,781)	(824,328,178)
Interest received		2,406,613,555	485,749,589
Repayment of lease liabilities	6	(87,946,303)	(46,173,975)
D. EFFECT OF MONETARY LOSS ON CASH AND CASH EQUIVALENTS		(4,345,400,329)	(2,580,031,274)
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C+D)		(11,804,352,491)	859,752,520
E. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		278,818,036	273,155,004
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D+E)		(11,525,534,455)	1,132,907,525
F. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4	16,462,966,038	9,774,696,007
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D+E+F)	4	4,937,431,583	10,907,603,532

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2024

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, 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 31 December 2023, major shareholders of the Company are Koç Holding and CNHI Österreich GmbH ("CNHI Österreich") (Note 16). The company is jointly managed by Koç Holding and CNH Industrial Österreich. The number of personnel working within the Company as of 30 September 2024 is 2,797 (Permanent: 2,744, temporary: 53) (31 December 2023: 2,938 (Permanent 2,660, temporary: 278). The average number of personnel working within the Company for the year ended 30 September 2024 is 2,884 (31 December 2023: 2,898).

The Company conducts marketing and selling activities in the domestic market, through its 128 tractor sales dealers, 145 spare part dealers and 32 construction equipment dealers (31 December 2023: 124 tractor sales dealers, 146 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 2024, 25% of the shares of the Company are quoted on Borsa Istanbul ("BIST") (31 December 2023: 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 company has prepared its condensed interim financial statements for the interim period ending on 30 September 2024, in accordance with IAS 34 Interim Financial Reporting. The condensed interim financial statements do not include all the information required to be included in annual financial statements and should be read in conjunction with the company's annual financial statements prepared as of 31 December 2023.

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2024

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

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

2.1 Basis of presentation (Continued)

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.

Pursuant to the decision of the Capital Markets Board ("CMB") dated 28 December 2023 and numbered 81/1820, it has been decided that issuers and capital market institutions subject to financial reporting regulations that entities applying TFRSs have started to apply inflation accounting in accordance with TAS 29 Financial Reporting in Hyperinflation Economies as of financial statements for the annual reporting period ending on or after 31 December 2023. In accordance with the aforementioned CMB decision, the announcement made by POA on 23 November 2023 and the "Guidance on Financial Reporting in Hyperinflationary Economies", the financial statements as at 31 December 2023 have been prepared by applying TAS 29. According to the standard, financial statements prepared in the currency of a hyperinflationary economy are presented in terms of the purchasing power of that currency at the balance sheet date. Prior period financial statements are also presented in the current measurement unit at the end of the reporting period for comparative purposes. The Company has therefore presented its financial statements as of 31 December 2023, on the purchasing power basis as of 30 September 2024.

As at 30 September 2024, the indices and adjustment coefficients used in the adjustment of the financial statements for the current and prior periods since 1 January 2005, the date on which TL ceased to be designated as the currency of a hyperinflationary economy, are as follows:

Year end	Index	Conversion factor	Three year cumulative inflation rates
30 September 2024	2,526.16	1.00000	%343
31 December 2023	1,859.38	1.35860	%268
30 September 2023	1,691.04	1.49385	%254

The main elements of the Company's adjustment process for financial reporting in hyperinflationary economies are as follows:

- Current period financial statements prepared in TL are expressed in terms of the purchasing power at the balance sheet date, and amounts from previous reporting periods are also adjusted and expressed in terms of the purchasing power at the end of the reporting period.
- Monetary assets and liabilities (such as cash and cash equivalents, trade receivables and payables, borrowings) are not adjusted as they are already expressed in terms of the current purchasing power at the balance sheet date. In cases where the inflation-adjusted values of non-monetary items (such as inventories, property, plant and equipment, intangible assets and equity items) exceed their recoverable amount or net realizable value, the provisions of TAS 36 "Impairment of Assets" and TAS 2 "Inventories" are applied, respectively.
- Non-monetary assets and liabilities and equity items that are not expressed in terms of the current purchasing power at the balance sheet date have been adjusted using the relevant adjustment coefficients.

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2024**

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

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

2.1 Basis of presentation (Continued)

- All items in the comprehensive income statement, except for those that have an impact on the comprehensive income statement of non-monetary items on the balance sheet, have been indexed using the coefficients calculated for the periods when the income and expense accounts were first reflected in the financial statements.
- The impact of inflation on the Company's net monetary asset position in the current period is recorded in the net monetary gain/(loss) account in the income statement. The purchasing power of companies carrying more monetary assets than monetary liabilities weakens with inflation, while the purchasing power of companies carrying more monetary liabilities than monetary assets increases with inflation. Net monetary position gain or loss is derived from the restatement differences of non-monetary items, shareholders' equity, items in the income statement and other comprehensive income statement and index-linked monetary assets and liabilities.

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 year ended 30 September 2024 are consistent with those used in the preparation of financial statements for the year ended 31 December 2023.

2.3 Changes in Accounting Estimates and Errors

Changes in accounting estimates are applied prospectively if they relate only to a single period, in the current period where the change is made. If they relate to future periods as well, they are applied both in the period of change and future periods. The significant estimates used during the preparation of the condensed interim financial statements as of September 30, 2024, are consistent with those applied during the preparation of the financial statements for the period ending December 31, 2023.

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, 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 consolidated financial statements as of September 30, 2024 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2024 and thereafter. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as of September 30, 2024 are as follows:

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

In March 2020 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarify that the requirement for the right to exist at the end of the reporting period applies to covenants which the entity is required to comply with on or before the reporting date regardless of whether the lender tests for compliance at that date or at a later date. The amendments also clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments must be applied retrospectively in accordance with TAS 8.

Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

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

2.4 Changes in TFRS (Continued)

Amendments to TAS 7 and TFRS 7 - Disclosures: Supplier Finance Arrangements

The amendments issued by POA in September 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those liabilities. In the context of quantitative liquidity risk disclosures required by TFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose.

ii) Standards issued but not yet effective and not early adopted

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

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

TFRS 17 - The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. In accordance with amendments issued by POA in December 2021, entities have transition option for a "classification overlay" to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of TFRS 17.

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

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

2.4 Changes in TFRS (Continued)

ii) Standards issued but not yet effective and not early adopted (Continued)

The mandatory effective date of the Standard for the following entities has been postponed to accounting periods beginning on or after January 1, 2025 with the announcement made by the POA:

- Insurance, reinsurance and pension companies.
- Banks that have ownership/investments in insurance, reinsurance and pension companies and
- Other entities that have ownership/investments in insurance, reinsurance and pension companies.

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. The mandatory effective date of the Standard postponed to accounting periods beginning on or after January 1, 2025 with the announcement made by the POA.

Amendments to IAS 21 - Lack of exchangeability

In August 2023, IASB issued amendments to IAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

Amendments to TAS 12 - International Tax Reform – Pillar Two Model Rules

In September 2023, POA issued amendments to TAS 12, which introduce a mandatory exception in TAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that TAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws. The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments.

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

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

2.5 Summary of Significant Accounting Policies

The significant accounting policies followed in preparing the condensed interim financial statements are consistent with those in the annual financial statements for the period January 1 - December 31, 2023, except as noted below:

The condensed interim financial statements prepared for the interim period January 1 - September 30, 2024, should be evaluated together with the annual financial statements for the period January 1 - December 31, 2023.

Expenses that do not distribute evenly over the fiscal year are only considered in the interim financial statements if they can be appropriately estimated or deferred by fiscal year-end.

2.6 Important Accounting Judgments, Estimates, and Assumptions

In preparing the condensed interim financial statements, company management must make assumptions and estimates that affect the reported amounts of assets and liabilities, potential liabilities and commitments as of the balance sheet date, and income and expense amounts for the reporting period. Actual results may differ from these estimates. Estimates are regularly reviewed, necessary adjustments are made, and they are reflected in the income statement in the periods they occur. The assumptions made considering comments that could significantly impact amounts reflected in the condensed interim financial statements, as well as potential estimates existing at the balance sheet date or that may arise in the future, are outlined 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.

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

2.5 Significant accounting estimates and judgments (Continued)

Deferred tax assets

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

Cash Flow Hedge Accounting

The company applies cash flow hedge accounting to mitigate the currency risk arising from orders received with a sales commitment in Turkish Lira for tractors imported in Euro.

The useful life of tangible and intangible assets

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

Provision for employment termination benefits

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

Provision for Inventory Impairment

Inventories are evaluated at each period to determine whether there is any impairment as of the financial statement preparation date, and necessary provisions are made for potential impairment costs (Note 8).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

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.

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 September 2024	31 December 2023
Banks:		
- TRY denominated demand deposits	2,468,191,222	13,766,474,932
- TRY denominated time deposits	358,052,240	371,713,396
- Foreign currency denominated demand deposits	35,834,685	301,179,091
- Foreign currency denominated time deposits	2,079,294,658	2,313,814,651
	4,941,372,805	16,753,182,070

As of 30 September 2024, the weighted average effective annual interest rates for TRY and Euro ("EUR") time deposits are 48.70% and 2% (31 December 2023: TRY: 43.91% EUR: 2.95%).

30 September 2024 and 2023 remaining time to maturity of time deposits is less than three months.

The Company has blocked deposit amount is TRY11,801,516 as of 30 September 2024 (31 December 2023: None).

The cash and cash equivalents included in the statement of cash flows at 30 September 2024 and 2023 are as follows:

	30 September 2024	31 December 2023
Banks	4,941,372,805	16,753,182,070
Less: Interest accruals	(3,941,222)	(290,216,033)
Cash and cash equivalents	4,937,431,583	16,462,966,038

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.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2024

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

NOTE 5 – FINANCIAL INVESTMENTS

Financial assets at fair value through profit or loss

	30 September 2024	31 December 2023
Investment fund (*)	26,317,793	15,298,037
	26,317,793	15,298,037

(*) "Venture Capital Investment Fund" received from Yapı Kredi Portföy Yönetimi A.Ş.,

NOTE 6 - FINANCIAL LIABILITIES

	30 September 2024	31 December 2023
Short-term financial liabilities		
Short-term bank borrowings	4,346,480,488	5,997,040,304
Short-term portions of long-term financial liabilities	878,241,111	696,201,835
Short-term lease liabilities	48,730,972	62,566,185
	5,273,452,571	6,755,808,324
Long-term financial liabilities		
Long-term bank borrowings	1,594,545,915	1,022,005,105
Long-term lease liabilities	21,898,652	87,110,833
	1,616,444,567	1,109,115,938

a) Short - term financial liabilities

Short - term bank borrowings

	Original currency		Weighted average effective interest rate p.a.(%)		TRY Equivalent	
	30 September 2024	31 December 2023	30 September 2024	31 December 2023	30 September 2024	31 December 2023
TRY borrowings	4,346,480,488	5,997,040,304	45.20	41.94	4,346,480,488	5,997,040,304
					4,346,480,488	5,997,040,304

Short - term portions of long term borrowings

	Original currency		Weighted average effective interest rate p.a.(%)		TRY Equivalent	
	30 September 2024	31 December 2023	30 September 2024	31 December 2023	30 September 2024	31 December 2023
EUR borrowings	15,872,020	15,703,295	7.78	3.77	606,949,216	696,201,835
TRY borrowings	271,291,894	-	41.25	-	271,291,894	-
					878,241,111	696,201,835

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

b) Long - term financial liabilities

Long - term bank borrowings

	Original currency		Weighted average effective interest rate p.a.(%)		TRY Equivalent	
	30 September 2024	31 December 2023	30 September 2024	31 December 2023	30 September 2024	31 December 2023
EUR borrowings	28,552,794	23,052,004	7.78	6.61	1,091,568,518	1,022,005,105
TRY borrowings	502,977,398	-	41.25	-	502,977,398	-
Total long-term financial liabilities					1,594,545,915	1,022,005,105

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

Redemption schedule of the long-term bank borrowings as of 30 September 2024 and 31 December 2023 are as follows:

Year	2024	2023
2025	835,812,138	507,997,035
2026	322,355,733	216,713,787
2027	290,918,686	148,647,133
2028	145,459,358	148,647,150
	1,594,545,915	1,022,005,105

EUR borrowings details as of 30 September 2024 are as follows;

EUR Borrowings	TRY Equivalent	Interest Rate	Maturity Date
20,462,122	782,475,652	EURIBOR + 4.85	29.12.2028
15,346,592	586,856,745	EURIBOR + 4.85	29.12.2028
5,818,506	222,500,849	%3.95	17.02.2025
1,925,961	73,353,101	%9.75	25.09.2026
871,632	33,331,386	%3.25	21.02.2025
44,424,813	1,698,517,734		

EUR borrowings details as of 31 December 2023 are as follows;

EUR Borrowings	TRY Equivalent	Interest Rate	Maturity Date
17,236,680	764,184,098	%3.95	17.02.2025
15,087,757	668,912,115	EURIBOR + 4.85	29.12.2028
3,415,914	151,443,728	%0.81	25.09.2026
2,409,465	106,823,039	%3.25	21.02.2025
605,483	26,843,959	%3.5	29.03.2024
38,755,299	1,718,206,939		

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2024

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

NOTE 6 - FINANCIAL LIABILITIES (Continued)

b) Long - term financial liabilities (Continued)

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

	Carrying values		Fair value	
	30 September 2024	31 December 2023	30 September 2024	31 December 2023
Bank borrowings	6,819,267,514	7,715,247,244	7,520,449,933	9,522,187,848

As of 30 September 2024, fair values of the loans are determined by using the discounted cash flow method over annual average effective discount rates which is 3.52% for EUR loans and 54.31% for TRY denominated bank borrowings respectively (31 December 2023: EUR 4.87%, TRY: 41.94%).

The movement of the borrowings for the years 2024 and 2023 are as follows:

	30 September 2024	30 September 2023
1 January	7,864,924,262	8,708,628,041
Borrowing received during the period	4,609,006,902	4,904,490,681
Repayment of lease liabilities	(87,946,303)	(46,173,975)
Impact of new lease contract	18,315,023	51,855,517
Principal payments	(3,385,833,151)	(7,742,122,660)
Change of interest accruals	(185,323,599)	13,474,397
Change of exchange rates	525,670,192	728,537,337
Monetary gain	(2,468,916,188)	(2,015,113,368)
30 September	6,889,897,138	4,603,575,970

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	30 September 2024	31 December 2023
Short-term trade receivables:		
Trade receivables	4,382,626,681	3,229,005,591
Notes receivables	71,654,464	60,881,269
	4,454,281,145	3,289,886,860
Less: Provision for doubtful receivables	(47,303,703)	(65,188,320)
Unearned financial income	(134,475,337)	(66,569,939)
Short-term trade receivables	4,272,502,105	3,158,128,601
Due from related parties (Note 23)	293,314,929	123,772,150
Total short-term trade receivables	4,565,817,034	3,281,900,751

As of 30 September 2024, the average maturity of trade receivables and payables are not longer than one year (31 December 2023 not longer than one year) and weighted average effective annual interest rates for discount of TRY, USD and EUR are 51.82%, 4.96% and 3.35% (31 December 2023: 41.39%, 5.47% and 3.85%).

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movements of the provisions for doubtful receivables for the years ended 30 September 2024 and 2023 are as shown below:

	2024	2023
1 January	(65,188,320)	(109,215,052)
Cancelled during the year (Note 18)	742,721	957,278
Charge during the year (Note 18)	-	(6,054)
Monetary gain/ (loss)	17,141,896	18,433,921
30 September	(47,303,703)	(89,829,907)
	30 September 2024	31 December 2023
Long - term trade receivables:		
Notes receivables	109,458	148,710
	109,458	148,710
	30 September 2024	31 December 2023
Trade payables:		
Trade payables	6,746,809,178	10,636,070,812
Less: Unincurred financial expense	(505,667,440)	(566,140,501)
Trade payables	6,241,141,738	10,069,930,311
Due to related parties (Note 23)	356,445,354	1,858,678,174
Total trade payables	6,597,587,092	11,928,608,485

NOTE 8 – INVENTORIES

	30 September 2024	31 December 2023
Raw materials	3,230,303,272	3,717,854,271
Goods in transit (*)	1,365,381,745	2,546,781,007
Work in progress	164,796,764	78,985,740
Spare parts	922,105,270	983,603,332
Commercial goods	3,740,848,438	2,469,690,090
Finished goods	1,733,906,368	2,255,164,628
Less: Provision for impairment of inventory (-)	(481,794,630)	(237,806,999)
Inventories	10,675,547,227	11,814,272,069

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2024

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

NOTE 8 – INVENTORIES (Continued)

(*) 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 2024 and 2023 are as follows

	2024	2023
1 January	(237,806,999)	(138,560,608)
Charge for impairment of inventory	(243,987,632)	(46,671,652)
30 September	(481,794,631)	(185,232,260)

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

	30 September 2024	30 September 2023
Raw materials	(374,606,693)	(151,622,710)
Commercial goods	(58,884,043)	(32,582,795)
Spare parts	(48,303,894)	(1,026,755)
	(481,794,630)	(185,232,260)

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2024

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2024	Additions	Disposals	30 September 2024
<u>Cost</u>				
Land	577,640,911	-	-	577,640,911
Land improvements	446,531,726	98,639,723	-	545,171,449
Buildings	3,260,194,731	147,094,879	-	3,407,289,610
Machinery and equipment	11,986,257,804	1,006,350,655	-	12,992,608,459
Special costs	93,389,868	-	-	93,389,868
Motor vehicles	222,511,555	101,879,736	(49,129,104)	275,262,187
Furniture and fixtures	1,471,109,209	96,552,319	-	1,567,661,528
Construction in progress	35,935,083	376,719,480	-	412,654,563
	18,093,570,887	1,827,236,792	(49,129,104)	19,871,678,575
<u>Accumulated depreciation</u>				
Land improvements	136,100,093	15,233,207	-	151,333,300
Buildings	1,425,334,605	41,676,508	-	1,467,011,113
Machinery and equipment	9,026,505,228	504,387,644	-	9,530,892,872
Special costs	92,250,431	847,503	-	93,097,934
Motor vehicles	57,084,866	37,118,799	(16,157,231)	78,046,434
Furniture and fixtures	1,158,531,055	79,082,778	-	1,237,613,833
	11,895,806,278	678,346,439	(16,157,231)	12,557,995,486
Net book value	6,197,764,609			7,313,683,089
	1 January 2023	Additions	Disposals	30 September 2023
<u>Cost</u>				
Land	559,786,944	17,752,069	-	577,539,013
Land improvements	274,199,949	97,598,838	-	371,798,787
Buildings	3,151,711,673	58,430,388	-	3,210,142,061
Machinery and equipment	10,992,662,272	518,542,640	(44,629,056)	11,466,575,856
Special costs	93,643,164	-	(653,305)	92,989,859
Motor vehicles	108,006,327	41,479,759	(39,633,137)	109,852,949
Furniture and fixtures	1,307,982,238	64,403,123	-	1,372,385,361
Construction in progress	-	-	-	-
	16,487,992,567	798,206,817	(84,915,498)	17,201,283,886
<u>Accumulated depreciation</u>				
Land improvements	124,521,447	7,501,324	-	132,022,771
Buildings	1,374,617,614	37,776,350	-	1,412,393,964
Machinery and equipment	8,586,751,902	394,931,681	(44,629,056)	8,937,054,527
Special costs	90,823,264	1,257,699	(217,292)	91,863,671
Motor vehicles	55,741,886	11,775,059	(6,902,953)	60,613,992
Furniture and fixtures	1,081,676,121	57,936,103	-	1,139,612,224
	11,314,132,235	511,178,216	(51,749,301)	11,773,561,149
Net book value	5,173,860,333			5,427,722,737

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NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Allocation of the depreciation expenses of property, plant and equipment for the years ended at 30 September 2024 and 2023 is as follows:

	30 September 2024	30 September 2023
Cost of sales	559,138,763	453,054,928
General administrative expenses	50,998,719	23,377,456
Marketing, selling and distribution expenses	45,808,586	18,567,412
Research and development expense	22,400,371	16,178,420
	678,346,439	511,178,216

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 2024 (31 December 2023: None).

There is no mortgage on property, plant and equipment as of 30 September 2024 (31 December 2023: None).

NOTE 10 -RIGHT OF USE ASSETS

	1 January 2024	Additions	30 September 2024
Cost			
Land and buildings	246.632.944	19.291.026	265.923.970
Machinery and equipment	206.562.480	-	206.562.480
Motor vehicles	434.148.745	47.356.087	481.504.832
	887,344,169	66,647,113	953,991,282
Accumulated depreciation			
Land and buildings	168.068.334	23.743.776	191.812.110
Machinery and equipment	152.566.395	20.875.282	173.441.677
Motor vehicles	255.429.173	66.602.886	322.032.059
	576,063,902	111,221,944	687,285,846
Net book value	311,280,267		266,705,436
	1 January 2023	Additions	30 September 2023
Cost			
Land and buildings	154,412,923	56,301,684	210,714,607
Machinery and equipment	206,562,480	11,074,001	217,636,481
Motor vehicles	273,762,048	72,381,930	346,143,978
	634,737,451	139,757,615	774,495,006
Accumulated depreciation			
Land and buildings	105,355,741	31,720,925	137,076,666
Machinery and equipment	107,792,018	30,452,493	138,244,511
Motor vehicles	129,966,344	42,568,403	172,534,747
	343,114,103	104,741,821	447,855,924
Net book value	291,623,348		326,639,142

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NOTE 10 -RIGHT OF USE ASSETS (Continued)

* Disposals consist of vehicles and machines which contract period has expired.

Depreciation expenses are stated below for the right of use for the periods ending on 30 September 2024 and 2023:

	30 September 2024	30 September 2023
Marketing, selling and distribution expenses	66,898,279	55,684,432
Cost of sales	26,097,327	27,099,568
General administrative expenses	12,127,820	11,769,518
Research and development expenses	6,098,518	10,188,303
	111,221,944	104,741,821

NOTE 11 - INTANGIBLE ASSETS

	1 January 2024	Additions	Disposals	Transfers	30 September 2024
<u>Cost</u>					
Rights	1,461,466,937	87,212,252	-	-	1,548,679,190
Development costs	4,278,152,823	-	-	33,179,277	4,311,332,100
Development costs in progress	1,026,961,589	523,192,693	-	(33,179,277)	1,516,975,005
	6,766,581,349	610,404,945	-	-	7,376,986,295
<u>Accumulated amortisation</u>					
Rights	1,008,120,315	113,475,063	-	-	1,121,595,378
Development costs	2,573,493,898	350,655,354	-	-	2,924,149,252
	3,581,614,213	464,130,417	-	-	4,045,744,630
Net book value	3,184,967,136				3,331,241,665

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NOTE 11 - INTANGIBLE ASSETS (Continued)

	1 January 2023	Additions	Disposals	Transfers	30 September 2023
<u>Cost</u>					
Rights	1,304,114,033	103,884,368	-	-	1,407,998,401
Development costs	3,941,967,004	-	-	178,125,977	4,120,092,981
Development costs in progress	934,999,098	670,771,865	-	(178,125,977)	1,427,644,986
	6,181,080,135	774,656,233	-	-	6,955,736,368
<u>Accumulated amortisation</u>					
Rights	856,748,440	106,615,165	-	-	963,363,605
Development costs	2,089,981,667	363,547,841	-	-	2,453,529,508
	2,946,730,107	470,163,006	-	-	3,416,893,113
Net book value	3,234,350,028				3,538,843,255

Development costs includes tractors and tractor components 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 2024 and 2023 is as follows:

	30 September 2024	30 September 2023
Research and development expenses	350,655,354	393,118,754
General administrative expenses	13,404,058	15,172,323
Construction in progress effects	5,781,291	7,260,648
Cost of sales	88,985,592	50,741,229
Marketing, selling and distribution expenses	5,304,122	3,870,052
	464,130,417	470,163,006

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NOTE 12 - OTHER ASSETS AND LIABILITIES

	30 September 2024	31 December 2023
a) Other current assets:		
Deferred value added tax ("VAT")	1,585,375,517	1,759,125,230
Reclaimed VAT	385,448,286	327,063,896
	1,970,823,803	2,086,189,126
	30 September 2024	31 December 2023
b) Government grants and aids:		
Government grants and aids	889,581	4,512,703
	889,581	4,512,703

NOTE 13 - PREPAID EXPENSES AND DEFERRED INCOME

	30 September 2024	31 December 2023
a) Prepaid expenses:		
Prepaid expenses for future months	63,608,695	23,668,532
	63,608,695	23,668,532
	30 September 2024	31 December 2023
b) Long-term prepaid expenses		
Advances given for purchases of fixed assets (*)	722,214,500	403,783,150
	722,214,500	403,783,150

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

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NOTE 13 - PREPAID EXPENSES AND DEFERRED INCOME (Continued)

	30 September 2024	31 December 2023
c) Deferred income:		
Advances received (*)	34,156,032	433,634,392
Income for future periods (**)	48,301,572	182,783,830
	82,457,604	616,418,222

(*) 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 2024 and 31 December 2023, 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 2024	31 December 2023
Provision for unused vacation	66,982,360	51,572,111
	66,982,360	51,572,111

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

	2024	2023
1 January	51,572,111	29,837,689
Charge/(used) for the year, net	36,449,731	63,273,339
Monetary gain	(21,039,482)	(46,934,796)
30 September	66,982,360	46,176,232

Other short - term provisions

	30 September 2024	31 December 2023
Warranty expense provisions	246,023,141	289,372,047
Provisions for legal cases	41,533,469	29,875,741
	287,556,610	319,247,788

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

a) Short - term provisions (Continued)

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

	2024	2023
1 January	29,875,741	34,191,485
Charge for the year (Note 18)	92,955,980	32,790,932
Used during the year (Note 18)	(28,067,065)	(26,860,667)
Monetary gain	(53,231,187)	(10,330,339)
30 September	41,533,469	29,791,411

b) Long-term provisions

Long-term provision for employee benefits

	30 September 2024	31 December 2023
Provision for employee termination benefits	343,252,658	347,497,627
	343,252,658	347,497,627

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 TRY41,828.42 for each year of service as of 30 September 2024 (31 December 2023: TRY23,489.83).

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

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

	30 September 2024	31 December 2023
Discount rate (%)	2.89	2.89
Turnover rate to estimate the probability of retirement (%)	91.95	92.27

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

b) Long-term provisions (Continued)

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 TRY41,828.42 (1 July 2023: TRY23,489.83) which is effective from 1 July 2024 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:

	2024	2023
1 January	347,497,627	574,110,171
Interest cost	55,958,578	37,704,575
Current year service cost	23,592,080	37,685,660
Paid in the year	(43,317,318)	(45,865,188)
Actuarial gain/(loss)	64,623,698	74,346,823
Monetary gain/(loss)	(105,102,007)	(266,865,037)
30 September	343,252,658	411,117,004

Sensitivity analysis of key assumptions used for termination benefits calculations as at 30 September 2024 are as follows:

	Net discount rate		Turnover related to the probability of retirement	
Sensitivity level	%0,5 decrease	%0,5 increase	%0,5 decrease	%0,5 increase
Rate	(2.88%)	2.91%	(91.49%)	92.41%
Change in employee benefits liability	744,429	(742,202)	(6,371,751)	6,633,569

Other long - term provisions

	30 September 2024	31 December 2023
Warranty provision	266,182,528	341,202,011
	266,182,528	341,202,011

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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:

	2024	2023
1 January	630,574,059	477,857,179
Used during the year	(376,361,593)	(143,428,983)
Charge for the year	427,910,000	511,684,359
Monetary gain/ (loss)	(169,916,797)	(386,815,085)
30 September	512,205,669	459,297,470

c) Contingent liabilities

As of 30 September 2024 and 31 December 2023 the Company's guarantee/ pledge/ mortgage positions are as follows:

	30 September 2024	31 December 2023
A. The total amount of collaterals given on behalf of its own legal entity	643,546,396	918,305,623
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	-	-
	643,546,396	918,305,623

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 2024, 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 2023: EUR 2,127,760).

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

d) Contingent assets

	Original currency amount						TRY equivalent	
	30 September 2024			31 December 2023			30 September 2024	31 December 2023
	EUR	USD	TRY	EUR	USD	TRY		
Letters of guarantees received	-	270,000	2,981,062,737	-	270,000	2,373,186,245	2,990,275,407	2,382,398,915
Direct debit	-	-	4,308,442,420	-	-	7,491,348,582	4,308,442,420	7,491,348,582
Mortgages	-	-	438,684	-	-	595,998	438,684	595,998
Cash TRY guarantees	-	-	79,266,800	-	-	76,783,380	79,266,800	76,783,380
Guarantee bonds	-	-	703,753	-	-	840,497	703,753	840,497
							7,379,127,064	9,951,967,372

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

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NOTE 15 - EMPLOYEE BENEFITS

Liabilities for employee benefits

	30 September 2024	31 December 2023
Taxes payable and liabilities (*)	131,084,124	189,953,146
Accrued premiums and liabilities to personnel	329,367,389	301,823,444
Collective agreement difference	-	255,894,223
	460,451,513	747,670,813

(*) 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: TRY250,000,000).

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 TRY100,066,875.

The composition of the Company's statutory share capital at 30 September 2024 and 2023 are as follows:

	30 September 2024		31 December 2023	
	Share (%)	Share amount (TRY)	Share (%)	Share amount (TRY)
Koç Holding	37.50	37,525,078	37.50	37,525,078
CNH Industrial Österreich	37.50	37,525,078	37.50	37,525,078
Public quotation in BİST	25.00	25,016,719	25.00	25,016,719
	100.00	100,066,875	100.00	100,066,875
Adjustments to share capital		1,926,758,956		1,926,758,956
		2,026,825,831		2,026,825,831

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

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

As of 11 June 2004, the Company has been quoted to BİST and its shares started to be traded in the stock exchange market from that date. As of 30 September 2024, 25% of the Company shares are quoted at BİST (31 December 2023: 25%).

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NOTE 16 - EQUITY (Continued)

In accordance with TFRS and VUK financial statements, as of 30 September 2024, historical values and inflation adjustment effects of the equity are as follows;

30 September 2024 (TFRS)	Historical Value	Inflation Adjustment Effect	Indexed Value
Capital	100,066,875	1,926,758,956	2,026,825,831
Legal Reserves	1,077,935,114	1,959,429,186	3,037,364,300

30 September 2024 (VUK)	Historical Value	Inflation Adjustment Effect	Indexed Value
Capital	100,066,875	1.604.710.084	1,704,776,959
Legal Reserves	1,077,935,114	1,462,675,382	2,540,610,496

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 to distribute dividends totaling 7,438,668,455 TL, including the profit for 2023, was accepted at the 70th Ordinary General Assembly Meeting dated 26 March 2024. Dividends began to be paid in cash to shareholders as of July 1, 2024. The gross dividend distributed per share of 1 krş is 74.34 krş.

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NOTE 17 - REVENUE AND COST OF SALES

	1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
Domestic sales	49,472,655,620	13,855,170,696	50,903,615,027	16,427,871,874
Export sales	11,514,394,335	2,739,496,092	16,074,708,074	5,069,419,783
Sales income (gross)	60,987,049,955	16,594,666,788	66,978,323,101	21,497,291,657
Less: Discounts and returns	(11,416,021,386)	(3,694,698,047)	(7,713,608,551)	(2,351,784,891)
Sales income (net)	49,571,028,569	12,899,968,741	59,264,714,550	19,145,506,766
Cost of sales	(38,440,549,167)	(10,306,970,676)	(44,275,992,880)	(13,629,143,085)
Gross profit	11,130,479,402	2,592,998,065	14,988,721,670	5,516,363,681

Sales quantities:

	1 January - 30 September 2024			1 January - 30 September 2023		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Tractor	24.310	10.870	35.180	25.289	13.902	39.191
Combine	92	-	92	337	-	337
	24.402	10.870	35.272	25.626	13.902	39.528

NOTE 18 – OTHER INCOME/EXPENSE FROM OPERATING ACTIVITIES

	1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
Foreign exchange gain from trade receivables and payables	1,084,470,096	460,930,485	2,786,517,969	273,389,147
Interest income from sales	899,413,185	251,062,268	1,044,851,715	309,242,074
Reversal of provision for litigation expenses (Note 14)	28,067,065	-	26,606,952	18,982,716
Termination of provision for doubtful receivables (Note 7)	742,721	-	957,278	(17,517)
Other income	142,847,066	49,907,355	113,546,915	87,716,123
Other operating income	2,155,540,133	761,900,108	3,972,480,829	657,146,139
Foreign exchange losses on trade receivables and payables	(1,017,141,859)	(470,948,847)	(2,809,260,604)	(834,901,915)
Interest expense from trade payables	(1,610,038,445)	(488,098,897)	(1,894,606,141)	(619,961,183)
Provision for litigation expenses (Note 14)	(37,818,465)	-	(32,481,203)	(19,415,508)
Provision for doubtful receivables (Note 7)	-	-	(6,054)	-
Other expenses	-	-	(14,798,007)	-
Other operating expenses	(2,664,998,769)	(959,047,744)	(4,751,152,009)	(1,474,278,606)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2024

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

NOTE 19 - FINANCIAL INCOME

	1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
Foreign exchange gain	305,747,360	171,499,384	498,191,347	312,074,881
Interest income	2,120,338,745	291,580,713	1,632,704,211	525,234,226
Financial income	2,426,086,105	463,080,097	2,130,895,558	837,309,107

NOTE 20 - FINANCIAL EXPENSE

	1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
Foreign exchange losses	(278,590,681)	(135,553,999)	(849,551,898)	(57,480,558)
Interest expenses of bank borrowings	(2,122,444,183)	(686,574,108)	(837,802,574)	(202,452,927)
Other	(34,190,501)	(55,638)	(19,428,452)	(3,705,223)
Financial expense	(2,435,225,365)	(822,183,745)	(1,706,782,924)	(263,638,708)

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 2024, the corporate tax rate is 25% in Turkey (December 31, 2023: 25%). 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 July 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 2024 and 2023.

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NOTE 21 - TAX ASSETS AND LIABILITIES (Continued)

Tax Advantages Obtained Under the Investment Incentive System:

The earnings from investments linked to the company's incentive certificate are subject to corporate tax at reduced rates until the contribution amount is reached, starting from the fiscal period when the investment is partially or fully operational. As of September 30, 2024, a tax advantage of TL 68,161,741 (December 31, 2023: TL 176,955,966), expected to be utilized in the foreseeable future, is recognized as a deferred tax asset in the interim condensed financial statements. As a result of accounting for this tax advantage as of September 30, 2024, a deferred tax expense of (TL 57,569,098) has been recorded in the profit and loss statement for the period January 1 - September 30, 2024.

Deferred tax assets are recognized when it is probable that taxable income will be available in future years. When taxable income is likely to arise, deferred tax assets are calculated based on deductible temporary differences, tax losses carried forward, and unlimited-life investment incentives that allow for reduced corporate tax payments. In this context, the company bases the recognition of deferred tax assets arising from investment incentives on long-term plans and evaluates their recoverability at each balance sheet date using business models that include taxable profit forecasts. It is anticipated that these deferred tax assets will be recovered within two years from the balance sheet date.

In sensitivity analysis conducted as of September 30, 2024, no changes were observed in the projected two-year recovery period for deferred tax assets related to investment incentives when inputs in fundamental macroeconomic and sectoral assumptions forming business plans were increased/decreased by 10%.

As of 30 September 2024 and 2023, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	30 September 2024	31 December 2023
Corporate tax expense	1,698,011,087	3,815,785,028
Less: Prepaid taxes	(1,591,182,238)	(3,137,476,362)
Tax liability/(asset)	106,828,849	678,308,666

The breakdown of total tax expense for the years ended 30 September 2024 and 2023 are as follows:

	1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
Corporate tax expense	(1,698,011,087)	91,016,038	(3,423,240,349)	(1,416,754,948)
Deferred tax income/(expense)	(57,569,098)	(346,646,645)	317,846,849	(143,447,979)
Total tax income/(expense)	(1,755,580,185)	(255,630,607)	(3,105,393,500)	(1,560,202,927)

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NOTE 21 - TAX ASSETS AND LIABILITIES (Continued)

Deferred taxes

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

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) at 30 September 2024 and 31 December 2023 are as follows:

		Temporary differences		Deferred tax assets/ (liabilities)
	30 September 2024	31 December 2023	30 September 2024	31 December 2023
Property, plant and equipment and intangible assets, restatement and useful life differences	3,710,758,314	2,369,323,631	(927,689,579)	(592,330,908)
Right of use assets	202,595,163	166,704,858	(50,648,791)	(41,676,215)
Employee termination benefits	(343,252,658)	(347,497,627)	85,813,164	86,874,407
Warranty provision	(512,205,669)	(630,574,059)	128,051,417	157,643,515
Provision for lawsuits	(30,386,732)	(29,875,741)	(7,596,683)	7,468,934
Unearned finance income/ expenses on trade receivables, payables and due from related parties	(171,244,365)	(42,183,080)	42,811,091	(10,545,770)
Provision for impairment of inventory	(57,369,115)	93,517,620	14,342,279	(23,379,406)
Sales premium accrued	(2,379,388,528)	(636,766,646)	594,847,132	159,191,661
Other expense provisions	(66,982,360)	(51,572,111)	16,745,590	12,893,028
Investment incentive tax assets	-	-	68,161,741	176,955,966
Deferred income	(5,756,032)	(218,468,585)	1,439,008	54,617,146
Accrued premiums and liabilities to personnel	(205,626,400)	(156,239,392)	51,406,600	39,059,848
Other	165,603,498	63,944,044	(41,400,874)	(15,986,008)
Deferred tax assets / (liabilities)	306,745,116	580,312,912	(23,717,905)	10,786,198

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

	2024	2023
1 January	10,786,198	(26,544,682)
Reflected to profit for the year	(57,569,098)	317,846,849
Reflected to other comprehensive income/(expense)	23,064,995	47,824,886
30 September	(23,717,905)	339,127,053

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(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

NOTE 22 - EARNINGS PER SHARE

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.

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.

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

	1 January- 30 September 2024	1 January- 30 September 2023
Net profit for the year	5,104,690,102	8,103,224,202
Weighted average number of the ordinary shares	10,006,687,500	7,338,237,500
Earnings per share (TRY)	0.5101	1.1042

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

Based on the permission from the Capital Markets Board ("CMB") dated June 2, 2023, with the number E-29833736-105.01.01.01-38126, TürkTraktör's issued capital of TL 53,369,000 has been increased by 87.5% to TL 100,066,875 within the registered capital ceiling of TL 250,000,000 by utilizing internal resources entirely. This transaction was processed on Borsa Istanbul on June 6, 2023.

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 2024 and 31 December 2023 and significant intercompany transactions were as follows:

NOTE 23 - RELATED PARTY EXPLANATIONS (Continued)

i) Balances with related parties as of 30 September 2024 and 31 December 2023:

a) Due from related parties

	30 September 2024	31 December 2023
Due from group companies		
CNHI International SA ("CNHI International") (*)	132,846,362	-
CNHI Italia S.P.A ("CNHI Italia")	87,454,595	22,435,894
CNH Industrial (India) Pvt. Ltd.	36,329,009	31,990,320
CNH Industrial Brasil Ltda	9,333,554	10,260,518
CNH Industrial Argentina SA	5,332,827	54,918,066
Other	22,018,582	4,167,352
	293,314,929	123,772,150

(*) 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.

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(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

NOTE 23 - RELATED PARTY EXPLANATIONS (Continued)

i) Balances with related parties as of 30 September 2024 and 31 December 2023 (Continued)

b) Due to related parties

	30 September 2024	31 December 2023
Koç Holding	-	62,824,070
Due to shareholders	-	62,824,070
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer")	158,215,177	349,716,793
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. ("Opet Fuchs")	92,916,210	121,908,990
Ark İnşaat San.ve Tic.A.Ş.("Ark İnşaat")	65,104,891	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ("Koç Sistem")	10,478,543	146,629,930
Opet Petrolcülük A.Ş. ("Opet")	7,614,846	18,790,238
Setur Servis Turistik A.Ş. ("Setur")	7,604,393	15,991,656
Otokoç Otomotiv San. ve Tic. A.Ş. ("Otokoç")	7,139,238	9,679,280
Divan Turizm İşletmeleri ("Divan")	6,070,663	8,201,590
Ram Sigorta Aracılık Hizmetleri A.Ş. ("Ram Sigorta")	4,567,121	-
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Paz. A.Ş. ("Akpa")	3,847,962	3,407,998
CNHI Industrial Italia SpA (wmf)	2,232,655	-
Koç Digital Çözümler A.Ş.	901,537	56,306,931
Ingage Dijital Pazarlama Hizmetleri	347,595	2,266,195
Fpt Industrial Powertrain Technolog	59,676	54,074,420
CNHI International SA ("CNHI International")	-	1,022,898,174
Other	3,967,372	5,695,501
Due to group companies	371,067,879	1,878,391,766
Less: Unearned financial expenses	(14,622,535)	(19,713,592)
	356,445,354	1,858,678,174

c) Lease liabilities to related parties

	30 September 2024	31 December 2023
Otokoç	48,837,585	106,066,660
Zer	16,421,360	35,664,311
Other	1,248,185	2,710,837
	66,507,130	144,441,808

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NOTE 23 - RELATED PARTY EXPLANATIONS (Continued)

Significant sales and purchases transactions with related parties for the periods between 1 January - 30 September 2024 and 2023:

a) Product sales to related parties

	1 January - 30 September 2024	1 July - 30 September 2024	1 January- 30 September 2023	1 July - 30 September 2023
Product sales to group companies				
CNHI International (*)	11,097,018,666	2,528,235,718	15,610,611,594	4,973,177,666
Yapı Kredi Finansal Kiralama A.O.	130,873,761	57,648,445	47,673,087	46,203
CNH Italia S.P.A	118,597,527	54,407,386	134,462,636	37,993,909
CNH Industrial (India) Pvt. Ltd.	101,563,985	25,345,801	131,863,176	23,602,064
CNH Industrial Brasil Ltda	26,835,162	4,092,080	22,685,450	211,119
CNH Industrial Argentina SA	-	-	124,671,471	7,845,921
Other	35,495,081	566,569	20,296,862	9,619,541
	11,510,384,182	2,670,295,999	16,092,264,276	5,052,496,423

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

b) Service sales to related companies

	1 January- 30 September 2024	1 July - 30 September 2024	1 January- 30 September 2023	1 July - 30 September 2023
Service sales to group companies				
CNHI Italia S.P.A (1)	76,670,832	32,855,640	63,887,302	23,016,387
CNHI International (2)	13,286,845	2,383,328	88,277,736	3,533,603
	89,957,677	35,238,968	152,165,038	26,549,990

(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.

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NOTE 23 - RELATED PARTY EXPLANATIONS (Continued)

Significant sales and purchases transactions with related parties for the periods between 1 January - 30 September 2024 and 2023 (Continued):

c) Product purchases from related parties

	1 January- 30 September 2024	1 July - 30 September 2024	1 January- 30 September 2023	1 July - 30 September 2023
Product purchases from group companies				
CNHI International (1)	6,780,673,066	1,531,592,397	10,696,554,360	5,032,304,052
Opet Fuchs (2)	497,022,724	107,156,294	540,292,371	190,161,844
Ark İnşaat (3)	292,328,243	149,882,557	37,460	37,460
Zer (4)	90,560,929	37,478,931	82,086,400	28,282,624
Opet	70,904,398	16,089,664	78,241,135	54,707,221
Koç Sistem (5)	55,301,533	17,031,212	93,961,050	51,622,753
CNH Italia SPA (6)	43,955,623	14,813,733	116,681,844	48,117,816
Akpa	30,639,538	8,874,204	27,450,134	9,134,402
CNHI India	965,040	295,487	27,450,134	19,981,676
Other	35,617,840	5,498,801	21,769,845	6,634,728
	7,897,968,934	1,888,713,280	11,684,524,733	5,440,984,576

- (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 makes production facility.
(4) The Company purchases direct and indirect materials and services from Zer Merkezi Hizmetler A.Ş.
(5) The Company purchases hardware and software from Koç Sistem
(6) The Company purchases tractor parts from CNH Italia SPA.

d) Service purchases from related parties

	1 January- 30 September 2024	1 July- 30 September 2024	1 January- 30 September 2023	1 July - 30 September 2023
Service purchases from shareholders				
Koç Holding (1)	31,740,808	9,683,514	33,650,401	9,260,255
	31,740,808	9,683,514	33,650,401	9,260,255
Service purchase from group companies				
Zer (2)	1,236,795,033	358,782,743	1,142,564,779	472,844,370
Setur (3)	114,588,141	33,889,397	41,197,251	21,092,780
CNHI Industrial Italia SpA (wmf) (4)	113,741,081	-	1,799,428	-
Eltek (5)	81,564,252	22,761,078	151,366,594	29,492,768
Ram Sigorta (6)	63,974,350	13,510,897	43,678,875	1,315,031
Otokoç (7)	47,938,887	16,857,669	42,784,690	14,438,971
CNHI International (8)	37,093,216	-	25,122,874	11,855,658
Arçelik Pazarlama A.Ş. (9)	18,990,327	1,815,389	357,110	-
Koç Sistem (10)	17,590,184	3,968,867	11,688,139	3,718,702
Token Finansal Teknolojiler A.Ş. (11)	12,690,969	5,390,117	9,562,800	3,967,579
Ingage Dijital Pazarlama Hizmetleri A.Ş. (10)	7,197,946	890,957	5,583,453	2,967,072
Other	24,279,691	12,755	22,279,692	5,138,144
	1,776,444,077	457,879,869	1,497,985,685	566,831,075
	1,808,184,885	467,563,383	1,531,636,086	576,091,330

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NOTE 23 - RELATED PARTY EXPLANATIONS (Continued)

ii) Significant sales and purchases transactions with related parties for the periods between 1 January - 30 September 2024 and 2023 (Continued):

- (1) The amount contains finance, legal consultancy, planning, tax consultancy, senior management service costs invoiced by Koç Holding A.Ş. regarding their related services according to the concealed gain distribution described in Regulation No:11 Intra-Group Services of Transfer Pricing General Communiqué No:1
- (2) Services purchased from Zer are related with security, cleaning, transportation and other services.
- (3) Services purchased from Setur are generally arising from plane tickets, accommodation and associated with various organizations within the sales and marketing activities
- (4) Services purchased from CNH Italia SPA are related with engineering, strategy development, agency and consulting business.
- (5) Service purchased from Eltek is related with electricity expenses.
- (6) Insurance service purchased from Ram Sigorta Aracılık Hizmetleri A.Ş. includes premium amounts paid and accrued for the year ended on 30 September 2024.
- (7) Service purchased from Otokoç is related with motor vehicles leasing services.
- (8) Services purchased from CNH International are related with engineering, strategy development, agency and consulting business.
- (9) Services purchased from Arçelik Pazarlama is related with personnel benefit.
- (10) Services received from Koç Sistem and Ingage Dijital Pazarlama Hizmetleri A.Ş. mainly includes support services related to repair and maintenance of computers and licences.
- (11) The service received from Token Financial Technologies Inc. is related to the company's digital meal card

iii) Financial income and expenses arising from transactions with related parties for the periods between 1 January - 30 September 2024 and 2023:

Financial income and expense from group companies

	1 January - 30 September 2024	1 July - 30 September 2024	1 January - 30 September 2023	1 July - 30 September 2023
Interest income				
Yapı Kredi	345,288,349	382,934	24,135,742	2,218,769

iv) Dividends paid to related parties:

	1 January - 30 September 2024	1 January - 30 September 2023
Koç Holding	2,789,500,670	1,566,726,521
CNHI Österreich	2,789,500,670	1,566,726,521
	5,579,001,340	3,133,453,042

v) Other transactions with related parties for the periods between 1 January - 30 September 2024 and 2023:

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

As of 30 September 2024, the Company paid TRY 55,507,661 benefits to the key management personnel (30 September 2023: TRY 84,311,776). All amount consists of short-term benefits.

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**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.

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

The hedging instrument subject to 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 TRY207,797,483 (31 December 2023: TRY228,524,698).

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

The amounts of foreign currency assets, liabilities and TRY equivalents of the Company as of 30 September 2024 and 31 December 2023 are as follows:

	30 September 2024					
	TRY Equivalent	USD	EUR	GBP	CHF	YEN
1. Trade receivables	506,774,528	1,293,613	12,169,900	-	-	-
2. Monetary financial assets (including banks accounts)	2,115,129,328	137,317	55,086,302	122,423	1,513	44,375,416
3. Other	-	-	-	-	-	-
4. Current assets (1+2+3)	2,621,903,856	1,430,930	67,256,202	122,423	1,513	44,375,416
5. Trade receivables	-	-	-	-	-	-
6. Other	-	-	-	-	-	-
7. Non-current assets (5+6)	-	-	-	-	-	-
8. Total assets (4+7)	2,621,903,856	1,430,930	67,256,202	122,423	1,513	44,375,416
9. Trade payables	737,643,147	4,068,299	3,845,977	100,529	-	1,886,657,229
10. Financial liabilities	606,949,216	-	15,872,020	-	-	-
11. Other monetary liabilities	6,140,365	-	161,512	-	-	-
12. Current liabilities (9+10+11)	1,350,732,728	4,068,299	19,879,509	100,529	-	1,886,657,229
13. Financial liabilities	1,091,568,518	-	28,552,794	-	-	-
14. Non-current liabilities (13)	1,091,568,518	-	28,552,794	-	-	-
15. Total liabilities (12+14)	2,442,301,246	4,068,299	48,432,303	100,529	-	1,886,657,229
16. Cash flow hedge accounting amounts	1,131,829,012	-	29,770,872	-	-	-
17. Fair value of hedged funds of foreign currency (16+18)	1,311,431,622	(2,637,369)	48,594,771	21,894	1,513	(1,842,281,813)
18. Net monetary foreign currency asset/ (liability) position (8-15)	179,602,610	(2,637,369)	18,823,899	21,894	1,513	(1,842,281,813)

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2024

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

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

	31 December 2023					
	TRY Equivalent	USD	EUR	GBP	CHF	YEN
1. Trade receivables	1,745,431,583	1,513,431	38,072,573	-	-	-
2. Monetary financial assets (including banks accounts)	2,614,993,761	5,587,619	53,308,661	117,760	10,241	91,766,023
3. Other	-	-	-	-	-	-
4. Current assets (1+2+3)	4,360,425,344	7,101,050	91,381,234	117,760	10,241	91,766,023
5. Trade receivables	-	-	-	-	-	-
6. Other	-	-	-	-	-	-
7. Non-current assets (5+6)	-	-	-	-	-	-
8. Total assets (4+7)	4,360,425,344	7,101,050	91,381,234	117,760	10,241	91,766,023
9. Trade payables	3,828,257,325	8,510,837	75,446,675	40,299	-	494,419,949
10. Financial liabilities	696,201,835	-	15,703,295	-	-	-
11. Other monetary liabilities	15,325,241	-	345,671	-	-	-
12. Current liabilities (9+10+11)	4,539,784,401	8,510,837	91,495,641	40,299	-	494,419,949
13. Financial liabilities	1,022,005,105	-	23,052,004	-	-	-
14. Non-current liabilities (13)	1,022,005,105	-	23,052,004	-	-	-
15. Total liabilities (12+14)	5,561,789,506	8,510,837	114,547,645	40,299	-	494,419,949
16. Cash flow hedge accounting amounts	(2,363,426,771)	-	(53,308,661)	-	-	-
17. Fair value of hedged funds of foreign currency (16+18)	(3,564,790,933)	(1,409,787)	(76,475,072)	77,461	10,241	(402,653,926)
18. Net monetary foreign currency asset/ (liability) position (8-15)	(1,201,364,162)	(1,409,787)	(23,166,411)	77,461	10,241	(402,653,926)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

The Company is exposed to foreign exchange risk primarily with respect to EUR and USD. The effect of the Company's EUR and USD foreign currency position as of 30 September 2024 and 31 December 2023 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 2024			
	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	(8,990,791)	8,990,791	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	(8,990,791)	8,990,791	-	-
Had TRY appreciate/ (depreciate) by 10% against EUR				
Profit/(loss) from EUR net liability position	71,564,703	(71,564,703)	-	-
Hedged amount against EUR risk (-) (-)	-	-	(113,182,901)	113,182,901
Net Effect of EUR	71,564,703	(71,564,703)	(113,182,901)	113,182,901
Had TRY appreciate/ (depreciate) by 10% against other				
Profit/(loss) from other net liability position	(43,656,134)	43,656,134	-	-
Hedged amount against other (-)	-	-	-	-
Net effect of other	(43,656,134)	43,656,134	-	-
Total net effect	18,917,778	(18,917,778)	(113,182,901)	113,182,901

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 September 2024

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

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

	31 December 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	25,054,372	(25,054,372)	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	25,054,372	(25,054,372)	-	-
Had TRY appreciate/ (depreciate) by 10% against EUR				
Profit/ (loss) from EUR net liability position	373,126,353	(373,126,353)	-	-
Hedged amount against EUR risk (-) (-)	-	-	(236,342,677)	236,342,677
Net Effect of EUR	373,126,353	(373,126,353)	(236,342,677)	236,342,677
Had TRY appreciate/ (depreciate) by 10% against other				
Profit/ (loss) from other net liability position	11,895,437	(11,895,437)	-	-
Hedged amount against other (-)	-	-	-	-
Net effect of other	11,895,437	(11,895,437)	-	-
Total net effect	410,076,162	(410,076,162)	(236,342,677)	236,342,677

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 2024	31 December 2023
Time deposits (Note 4)	4,547,485,880	16,080,289,583
Financial liabilities (Note 6)	6,819,267,514	7,715,247,244
Lease liabilities (Note 6)	70,629,624	149,677,018

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 30 September 2024**

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

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

As of 30 September 2024, there are no financial instruments with floating interest rate.

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.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 September 2024

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

The Company's maximum exposure to credit risk as of 30 September 2024 and 31 December 2023 is as follows:

	30 September 2024					
	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	293,314,929	4,264,453,132	-	427,529	4,941,372,805	-
Net book value of due dated but not impaired assets	-	8,158,431	-	-	-	-
Net book value of impaired assets	-	-	-	-	-	-
- Due dated (gross book value)	-	-	-	-	-	-
- Provision (-)	-	-	-	-	-	-
- Undue (gross book value)	-	47,303,703	-	-	-	-
- Provision (-)	-	(47,303,703)	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	293,314,929	4,272,611,563	-	427,529	4,941,372,805	-

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

As of 30 September 2024, the guarantee amount of the maximum exposure to credit risk is TRY 5,828,765,674. Furthermore, all assets which are due but not impaired are guaranteed.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2024

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

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

	31 December 2023					
	Trade Receivables		Other Receivables			
	Related party	Third party	Related party	Third party	Bank deposits	Derivative Instruments
Net book value of financial assets which are undue and not impaired	123,772,150	3,156,874,746	-	560,278	16,753,182,070	-
Net book value of due dated but not impaired assets	-	1,402,565	-	-	-	-
Net book value of impaired assets	-	-	-	-	-	-
- Due dated (gross book value)	-	65,188,320	-	-	-	-
- Provision (-)	-	(65,188,320)	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Provision (-)	-	-	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	123,772,150	3,158,277,311	-	560,278	16,753,182,070	-

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

As of 31 December 2023, the guarantee amount of the maximum exposure to credit risk is TRY4,125,823,160. Furthermore, all assets which are due but not impaired are guaranteed.

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

c) Liquidity risk

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

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

Capital risk management

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

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

	30 September 2024	31 December 2023
Total Financial liabilities	6,819,267,514	7,715,247,244
Less: Cash and cash equivalents (Note 4)	(4,941,372,805)	(16,753,182,070)
Financial investments	(26,317,793)	(15,298,037)
Net financial debt	1,851,576,916	(9,053,232,863)
Total shareholders' equity	18,516,588,740	20,919,762,081
Total liabilities	20,368,962,382	11,866,529,218
Net financial debt/ total liabilities (%)	9%	(76)%

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2024

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

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

Financial assets

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 June 30, 2024 is as follows:

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
Short term financial investments (Note 5)	26,317,793	-	-
Long term financial investments (Note 5)	-	-	11,734,714

Fair value hierarchy table as of December 31, 2023 is as follows:

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
Short term financial investments (Note 5)	15,298,037	-	-
Long term financial investments (Note 5)	-	-	11,494,108

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 30 September 2024**

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

NOTE 25 - SUBSEQUENT EVENT

Based on the decision of the Board of Directors dated October 14, 2024, it has been resolved to propose to the shareholders at the Extraordinary General Assembly Meeting, planned to be held in November, the distribution of a cash dividend amounting to TL 2,700,000,000.00 in accordance with our Company's Dividend Distribution Policy. This proposal considers the company's long-term strategies, investment and financing policies, profitability, and cash position. The dividend payment date is determined as November 8, 2024.