

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

(ORIGINALLY ISSUED IN TURKISH)



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR’S REVIEW REPORT
ORIGINALLY ISSUED IN TURKISH
REPORT ON REVIEW OF INTERIM CONDENSED
FINANCIAL INFORMATION**

To the General Assembly of Türk Traktör ve Ziraat Makineleri A.Ş.

Introduction

We have reviewed the accompanying condensed statement of financial position of Türk Traktör ve Ziraat Makineleri A.Ş. (the “Company”) as at 30 June 2022 and the related condensed statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Company is responsible for the preparation and fair presentation of this interim condensed financial information in accordance with Turkish Accounting Standard 34 (“TAS 34”) “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements (“SRE”) 2410, “Review of interim financial information performed by the independent auditor of the entity”. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim condensed financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to conclude that the accompanying interim condensed financial information of Türk Traktör ve Ziraat Makineleri A.Ş. is not prepared, in all material respects, in accordance with TAS 34.



Additional explanation for convenience translation into English

Turkish Financial Reporting Standards differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of IAS 29 - Financial Reporting in Hyperinflationary Economies by 30 June 2022. Accordingly, the accompanying financial statements are not intended to present fairly the financial position and results of operations of the Company in accordance with IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

ORIGINALLY ISSUED IN TURKISH

Aysun Gul Kılıç, SMMM
Partner

İstanbul, 1 August 2022

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

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

	Notes	Reviewed 30 June 2022	Audited 31 December 2021
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	1,536,370,444	1,566,586,803
Trade receivables			
- Trade receivables from related parties	5, 21	675,282,386	635,170,444
- Trade receivables from third parties	5	1,163,127,486	629,307,137
Inventories	6	3,126,466,369	1,739,360,491
Prepaid expenses	11	6,019,205	2,657,912
Other current assets	10	615,666,043	366,839,583
TOTAL CURRENT ASSETS		7,122,931,933	4,939,922,370
NON - CURRENT ASSETS			
Financial investments		2,850,000	-
Trade receivables			
- Trade receivables from third parties	5	1,881,500	109,458
Other receivables			
- Other receivables from third parties		393,756	956,197
Property, plant and equipment	7	766,762,526	629,264,236
Right of use assets	8	23,375,760	23,215,525
Intangible assets	9	515,313,324	438,576,994
Prepaid expenses	11	60,036,241	44,979,811
Deferred tax assets	19	174,620,384	33,622,002
TOTAL NON - CURRENT ASSETS		1,545,233,491	1,170,724,223
TOTAL ASSETS		8,668,165,424	6,110,646,593

The financial statements prepared as at and for the period ended 30 June 2022 have been approved by the Board of Directors on 1 August 2022.

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

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

	Notes	Reviewed 30 June 2022	Audited 31 December 2021
LIABILITIES			
CURRENT LIABILITIES			
Short-term financial liabilities			
Short-term financial liabilities to other parties			
- Bank borrowings	4	1,991,480,723	-
Short-term portion of long-term financial liabilities			
Short-term portion of long-term financial liabilities from related parties			
- Lease liabilities	4, 21	11,482,153	8,085,198
Short-term portion of long-term financial liabilities from third parties			
- Bank borrowings	4	351,396,532	569,077,930
- Lease liabilities	4	3,429,137	2,414,639
Trade payables			
- Trade payables to related parties	5, 21	115,908,235	180,945,657
- Trade payables to third parties	5	3,055,322,829	2,228,517,987
Payables related to employee benefits	13	66,602,664	77,664,295
Other payables			
- Other payables to third parties		76,235,657	61,519,026
Government incentives and aids	10	3,476,853	3,692,202
Deferred income	11	129,640,954	173,947,802
Tax liability for the period	19	101,713,266	17,838
Short - term provision			
- Short term provision for employee benefits	12	15,527,656	6,501,091
- Other short term provisions	12	69,250,785	54,374,044
TOTAL CURRENT LIABILITIES		5,991,467,444	3,366,757,709
NON - CURRENT LIABILITIES			
Long-term financial liabilities			
Long-term financial liabilities from related parties			
- Lease liabilities	4,21	14,690,305	17,605,800
Long-term financial liabilities from third parties			
- Bank borrowings	4	744,386,570	537,231,153
- Lease liabilities	4	356,262	426,967
Long - term provisions			
- Long term provision for employee benefits	12	112,722,826	76,294,116
- Other long term provisions	12	63,774,841	61,336,750
TOTAL NON-CURRENT LIABILITIES		935,930,804	692,894,786
EQUITY			
1,740,767,176			
Paid-in share capital	14	53,369,000	53,369,000
Adjustments to share capital	14	39,014,356	39,014,356
Merger reserve		(5,569,000)	(5,569,000)
Restricted profit reserves		238,702,293	118,969,138
Other accumulated comprehensive income and expense not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plans		(87,783,231)	(62,365,129)
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
- Gain/(Losses) on cash flow hedging		66,589,625	110,720,788
Retained earnings		477,121,790	474,667,368
Net profit for the year		959,322,343	1,322,187,577
TOTAL LIABILITIES		8,668,165,424	6,110,646,593

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2022

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

	Notes	Reviewed 1 January - 30 June 2022	1 April - 30 June 2022	Reviewed 1 January - 30 June 2021	1 April - 30 June 2021
Revenue	15	8,880,752,502	4,892,762,725	5,576,419,981	2,892,489,201
Cost of sales (-)	15	(7,246,800,655)	(3,981,472,926)	(4,541,690,859)	(2,359,379,592)
GROSS PROFIT		1,633,951,847	911,289,799	1,034,729,122	533,109,609
Marketing expenses (-)		(239,523,075)	(128,454,572)	(140,682,514)	(74,670,401)
General administrative expenses (-)		(148,011,092)	(80,569,175)	(81,473,852)	(42,410,931)
Research and development expenses (-)		(33,149,077)	(16,181,087)	(26,878,065)	(12,647,647)
Other income from operating activities	16	705,087,426	306,735,915	715,500,112	443,229,774
Other expenses from operating activities (-)	16	(857,077,436)	(394,755,760)	(766,670,471)	(482,704,998)
OPERATING PROFIT		1,061,278,593	598,065,120	734,524,332	363,905,406
Income from investment activities		973,357	973,357	496,615	512,435
OPERATING INCOME BEFORE FINANCIAL INCOME/(EXPENSES)		1,062,251,950	599,038,477	735,020,947	364,417,841
Financial income	17	328,502,701	165,453,333	183,795,799	69,134,453
Financial expenses	18	(327,506,010)	(238,182,849)	(120,349,735)	(55,982,452)
PROFIT BEFORE TAXATION ON INCOME		1,063,248,641	526,308,961	798,467,011	377,569,842
Taxes on income (-)	19	(225,388,119)	(95,773,240)	(275,501,897)	(153,888,091)
Deferred tax income/(expense)	19	121,461,821	52,191,471	85,495,786	36,521,239
NET PROFIT FOR THE PERIOD		959,322,343	482,727,192	608,460,900	260,202,990
Earnings per share (TRY)	20	0.1798	0.0905	0.1140	0.0488
Other comprehensive income/(expense) Not to be reclassified to profit or loss:					
Actuarial loss arising from defined benefits plans	12	(31,772,627)	(31,901,749)	(2,629,032)	(2,999,133)
Other comprehensive expense not to be reclassified to profit or loss, tax effect					
Actuarial gain/ loss arising from defined benefit plans, tax effect	19	6,354,525	6,380,349	525,806	599,826
To be reclassified to profit or loss :					
Profit/(Losses) on cash flow hedging Other comprehensive expense to be reclassified to profit or loss, tax effect		(57,313,199)	(28,263,118)	21,383,629	11,863,502
Losses on cash flow hedging, tax effect	19	13,182,036	6,500,517	(5,345,907)	(3,441,882)
Other comprehensive income/(expense)		(69,549,265)	(47,284,001)	13,934,496	6,022,313
TOTAL COMPREHENSIVE INCOME		889,773,078	435,443,191	622,395,396	266,225,303

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

	Paid in share capital	Adjustment to share capital	Merger reserve	Actuarial loss arising from defined benefit plans	Losses on cash flow hedges	Restricted profit reserves	Retained earnings	Net profit for the period	Equity
1 January 2022	53,369,000	39,014,356	(5,569,000)	(62,365,129)	110,720,788	118,969,138	474,667,368	1,322,187,577	2,050,994,098
Transfers	-	-	-	-	-	119,733,155	1,202,454,422	(1,322,187,577)	-
Dividends	-	-	-	-	-	-	(1,200,000,000)	-	(1,200,000,000)
Comprehensive income	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	959,322,343	959,322,343
Other comprehensive income									
Actuarial loss arising from defined benefits plans	-	-	-	(25,418,102)	-	-	-	-	(25,418,102)
Losses on cash flow hedging	-	-	-	-	(44,131,163)	-	-	-	(44,131,163)
Total other comprehensive Income/(expense)	-	-	-	(25,418,102)	(44,131,163)	-	-	-	(69,549,265)
Total comprehensive income	-	-	-	(25,418,102)	(44,131,163)	-	-	959,322,343	889,773,078
30 June 2022	53,369,000	39,014,356	(5,569,000)	(87,783,231)	66,589,625	238,702,293	477,121,790	959,322,343	1,740,767,176

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE INTERIM PERIOD ENDED 30 JUNE 2021

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

	Paid in share capital	Adjustment to share capital	Merger reserve	Actuarial loss arising from defined benefit plans	Other accumulated income or expense items not be reclassified to profit or loss	Losses on cash flow hedges	Restricted profit reserves	Retained earnings	Net profit for the period	Equity
1 January 2021	53,369,000	39,014,356	(5,569,000)	(46,432,579)	(42,851,846)	145,353,605	521,839,858	776,443,043	1,441,166,437	
Transfers	-	-	-	-	-	84,733,155	691,709,888	(776,443,043)	-	
Dividends	-	-	-	-	-	(111,117,622)	(738,882,378)	-	(850,000,000)	
Comprehensive income	-	-	-	-	-	-	-	-	-	
Net profit for the period	-	-	-	-	-	-	-	608,460,900	608,460,900	
Other comprehensive income										
Actuarial loss arising from defined benefits plans	-	-	-	(2,103,226)	-	-	-	-	(2,103,226)	
Losses on cash flow hedging	-	-	-	-	16,037,722	-	-	-	16,037,722	
Total other comprehensive Income/(expense)	-	-	-	(2,103,226)	16,037,722	-	-	-	13,934,496	
Total comprehensive income	-	-	-	(2,103,226)	16,037,722	-	-	608,460,900	622,395,396	
30 June 2021	53,369,000	39,014,356	(5,569,000)	(48,535,805)	(26,814,124)	118,969,138	474,667,368	608,460,900	1,213,561,833	

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

	Notes	Reviewed 1 January - 30 June 2022	Reviewed 1 January - 30 June 2021
A. CASH FLOWS FROM OPERATING ACTIVITIES			
		(257,679,212)	672,870,975
Net profit for the period		959,322,343	608,460,900
Adjustments to reconcile profit for the period		424,185,405	306,022,224
Amortization and depreciation		89,725,148	76,635,206
Provision for impairment on inventories	6	3,302,028	(1,583,492)
Provision for employee benefits	12	21,182,112	10,491,795
Provision for doubtful receivables	5	(1,683,604)	308,110
Other provisions	12	17,314,832	22,540,105
Government incentives and aids		(241,448)	(287,946)
Interest income and expense	17, 18	105,438,069	(45,427,362)
Tax income/expense	19	103,926,298	190,006,111
(Gain)/loss from sales of property plant and equipment		(973,357)	(496,615)
Other adjustments to reconcile profit		86,195,327	53,836,312
Changes in working capital		(1,509,994,805)	(134,013,321)
Trade receivables from third parties		(533,908,787)	(73,808,665)
Trade receivables from related parties		(40,111,942)	(134,462,784)
Inventories		(1,390,407,906)	(177,115,946)
Other current assets		(248,826,460)	(82,020,702)
Other receivables		562,441	(2,828)
Prepaid expenses		(18,417,723)	(14,304,785)
Trade payables to related parties		(65,037,422)	10,177,341
Trade payables to third parties		826,804,842	266,715,789
Deferred income		(44,306,848)	61,192,370
Other liabilities		14,716,631	19,254,917
Debt for employee termination benefits		(11,061,631)	(9,638,028)
Net cash provided by operating activities		(126,487,057)	780,469,803
Employee termination benefits paid	12	(7,499,464)	(2,265,448)
Taxes paid	19	(123,692,691)	(105,333,380)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
		(299,952,090)	(108,684,264)
Proceeds from sales of property, plant and equipment and intangible assets		980,021	742,981
Payments for purchases of property, plant and equipment and intangible assets		(298,108,210)	(109,991,557)
Proceeds from government grants		26,099	564,312
Other cash outflows		(2,850,000)	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
		539,281,803	(999,365,106)
Proceeds from bank borrowings	4	2,383,963,849	-
Repayment of bank borrowings	4	(573,333,011)	(190,587,861)
Dividends paid	14	(1,200,000,000)	(850,000,000)
Interest paid		(101,133,573)	(58,773,853)
Interest received		40,478,377	110,119,229
Repayment of lease liabilities	4	(10,693,839)	(10,122,621)
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)		(18,349,499)	(435,178,395)
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		(5,190,845)	(2,269,958)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(23,540,344)	(437,448,353)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3	1,559,799,196	1,876,062,927
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	3	1,536,258,852	1,438,614,574

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE COMPANY

Türk Traktör ve Ziraat Makineleri A.Ş. (the “Company”) was established in 1954 in Ankara, as Minneapolis Moline Türk Traktör ve Ziraat Makineleri A.Ş. to undertake the manufacturing and trade of farm tractors, harvesters and other agricultural machinery and equipment. The name of the Company was changed as Türk Traktör Ziraat Makineleri A.Ş. in 1968 upon the purchase of 25% of the shares held by Ege Makina ve Ticaret A.Ş., a group company of the Koç Holding A.Ş. (“Koç Holding”). As of 30 June 2022, major shareholders of the Company are Koç Holding and CNHI Österreich GmbH (“CNHI Österreich”) (Note 14). The number of personnel working within the Company as of 30 June 2022 is 2,827 (Permanent: 2,777, temporary: 50) (31 December 2021: 2,882 (Permanent: 2,720, temporary: 162). The average number of personnel working within the Company for the period ended 30 June 2022 is 2,854 (2021: 2,846).

The Company conducts marketing and selling activities in the domestic market, through its 131 tractor sales dealers, 153 spare part dealers and 33 construction equipment dealers (31 December 2021 : 131 tractor sales dealers, 147 spare part dealers, 35 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 June 2022, 25% of the shares of the Company are quoted on Borsa Istanbul (“BIST”) (31 December 2021: 25%) (Note 14).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

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

Basis of presentation

The financial statements of the Company have been prepared in accordance with the Turkish Financial Reporting Standards, (“TFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board of Turkey (“CMB”) on 13 June 2013 which is published on Official Gazette numbered 28676. TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced by the POA.

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

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

2.1 Basis of presentation (Continued)

The condensed interim financial statements are prepared in accordance with the Communiqué and TAS 34 - "Interim Financial Reporting". In accordance with the TAS 34, entities are allowed to prepare a complete or condensed set of interim financial statements. In this framework, the Company has preferred to prepare condensed financial statements in the interim periods. These interim financial statements should be read in conjunction with the financial statements prepared for the year ended 31 December 2021.

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

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

Public Oversight Accounting and Auditing Standards Authority ("POA") made an announcement on 20 January 2022 about Application of Financial Reporting in Hyperinflationary Economies for Turkish Financial Reporting Standards and Reporting Standards for Large and Medium Sized Entities. In accordance with the announcement, companies that apply TFRS should not adjust financial statements for TAS 29 - Financial Reporting in Hyperinflationary Economies for the year 2021. As of the preparation date of this financial statements, POA did not make an additional announcement and no adjustment was made to this financial statements in accordance with TAS 29.

Functional and presentation currency

Functional and presentation currency of the Company is TRY.

2.2 Changes in accounting estimates

If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. The accounting policies except the situation stated below used in the preparation of these financial statements for the period ended 30 June 2022 are consistent with those used in the preparation of financial statements for the period ended 31 December 2021.

2.3 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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

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

2.3 Changes in TFRS (Continued)

The accounting policies adopted in preparation of the financial statements as at 30 June 2022 are consistent with those of the previous financial year, except for the new and amended TFRS standards which are valid as of 1 January 2022 and Turkey Financial Reporting Interpretations Committee's ("TFRIC") interpretations summarised below.

a. Standards, amendments, and interpretations applicable as of 30 June 2022:

- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2 (effective 1 January 2021);** The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform. The amendment did not have a significant impact over financial position or performance of the Company.
- **Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective 1 January 2021);** These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023. The amendment did not have a significant impact over financial position or performance of the Company.
- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment did not have a significant impact over financial position or performance of the Company.

b. Standards, amendments, and interpretations that are issued but not effective as of 30 June 2022:

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

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

2.3 Changes in TFRS (Continued)

b. Standards, amendments, and interpretations that are issued but not effective as of 30 June 2022 (Continued):

- **Amendments to IAS 37**, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

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

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

- **Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.
- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.
- **IFRS 17, ‘Insurance Contracts’, as amended in December 2021;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The amendment is not expected to have any impact on financial position or performance of the Company.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

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

2.4 Summary of significant accounting policies

The accounting policies used in the preparation of these interim condensed financial statements for the period ended 30 June 2022 are consistent with those used in the preparation of annual financial statements for the year ended 31 December 2021 except for the following:

These interim condensed financial statements for the period 1 January- 30 June 2022 should be read in conjunction with the annual financial statements for the year 1 January - 31 December 2021.

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

2.5 Significant accounting estimates and judgments

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

Warranty expense provisions

The Company accounts for warranty provisions for the expenses incurred as a result of repair and maintenance activities for products produced and sold, authorised services' labour and material costs for products under the scope of the warranty terms based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period (Note 12). The Company estimates ratio based on statistical information for possible future warranty services and returns of products, and calculates provision amount with respect to the products sold during the period. The Company gives guarantee services for each tractor sold during two years. The Company reflects estimated cost incurred in one year to short-term. Based on the sensitivity analysis performed, it is concluded that 10% increase/decrease in possible returns of products with respect to the products sold and cost estimations does not have any effect on the calculation of warranty expense provisions.

Deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available. If it is probable that future taxable profit will be available, deferred tax assets are accounted for over the deductible temporary differences and tax advantages resulted from investment incentives that enables the Company pay lower corporate tax (Note 19).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

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

2.5 Significant accounting estimates and judgments (Continued)

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

Cash flow hedge transactions

As explained in Note 22, the Company used its loans amounting to EUR4,916,667 as a hedging instrument against the Euro spot exchange rate risk the Company is exposed to due to highly probable export sales income, and applies cash flow hedge accounting as a result of the effectiveness tests performed until 30 June 2022. The estimations in budgets for export income used for effectiveness test include estimations such as sales quantities and sales prices. The Company also applies cash flow hedge accounting to hedge the currency risk arising from the production costs of tractors in Euro and the orders received with sales commitments in TRY.

The useful life of tangible and intangible assets

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

Provision for employment termination benefits

Provisions for retirement payments, discount rate, future salary increases and employee turnover rates are determined by actuarial calculations based on certain assumptions. Due to the long term nature of these plans, such estimates are subject to significant uncertainty (Note 12).

Provision for impairment of inventories

Inventory is evaluated at each period in order to determine whether there is a need to have provision for potential impairment costs at the date of statement of financial position (Note 6).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 3 - CASH AND CASH EQUIVALENTS

	30 June 2022	31 December 2021
Banks:		
- TRY denominated demand deposits	87,097,408	28,481,505
- TRY denominated time deposits	223,512,154	797,872,607
- Foreign currency denominated demand deposits	88,340,844	46,393,184
- Foreign currency denominated time deposits	1,137,420,038	693,839,507
	1,536,370,444	1,566,586,803

As of 30 June 2022, the weighted average effective annual interest rates for TRY, EUR and USD time deposits are 16.67%, 0.43% and 1.50% (31 December 2021: TRY: 18.76%, EUR: 0.58%, USD: 0.85%).

30 June 2022 and 2021 remaining time to maturity of time deposits is less than three months.

The Company has no blocked deposits as of 31 June 2022 (31 December 2021: None).

The cash and cash equivalents included in the statement of cash flows at 30 June 2022 and 31 December 2021 are as follows:

	30 June 2022	31 December 2021
Banks	1,536,370,444	1,566,586,803
Less: Interest accruals	(111,592)	(6,787,607)
Cash and cash equivalents	1,536,258,852	1,559,799,196

NOTE 4 - FINANCIAL LIABILITIES

	30 June 2022	31 December 2021
Short-term financial liabilities		
Short-term bank borrowings	1,991,480,723	-
Short-term portions of long-term financial liabilities	351,396,532	569,077,930
Short-term lease liabilities	14,911,290	10,499,837
	2,357,788,545	579,577,767
Long-term financial liabilities		
Long-term bank borrowings	744,386,570	537,231,153
Long-term lease liabilities	15,046,567	18,032,767
	759,433,137	555,263,920

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 4 - FINANCIAL LIABILITIES (Continued)

a) Short - term financial liabilities

Short - term bank borrowings

	Original currency		Weighted average effective interest rate p.a.(%)		TRY Equivalent	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
EUR borrowings	18,171,557	-	3.31	-	318,403,835	-
TRY borrowings	1,673,076,888	-	18.14	-	1,673,076,888	-
					1,991,480,723	-

Short - term portions of long term borrowings

	Original currency		Weighted average effective interest rate p.a.(%)		TRY Equivalent	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
EUR borrowings	20,054,476	11,146,218	3.86	1.83	351,396,532	168,462,824
TRY borrowings	-	400,615,106	-	8.32	-	400,615,106
					351,396,532	569,077,930

b) Long - term financial liabilities

Long - term bank borrowings

	Original currency		Weighted average effective interest rate p.a.(%)		TRY Equivalent	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
EUR borrowings	42,303,811	1,754,187	3.81	3.50	741,251,615	26,512,607
TRY borrowings	3,142,299	510,745,899	5.91	9.33	3,142,299	510,745,899
Prepaid borrowing commissions for debt (*)					(7,344)	(27,353)
Total long-term financial liabilities					744,386,570	537,231,153

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 4 - FINANCIAL LIABILITIES (Continued)

b) Long - term financial liabilities (Continued)

Redemption schedule of the long-term bank borrowings as of 30 June 2022 and 2021 are as follows:

Yıl	2022	2021
2023	341,217,776	-
2024	289,679,477	528,696,931
2025	113,489,317	8,534,222
	744,386,570	537,231,153

As of 30 June 2022; the Company has an investment loan with fixed interest rate amounting to EUR2,916,666.63, an operating loan with fixed interest rate amounting to EUR76,959,455.49. The EUR2,916,666.63 loan's maturity is 6 years (maturity date of 15 July 2022), with an interest and principal payment of every 6 months and with an interest rate of 0.95%. The remaining EUR2,000,000 loan's maturity is 5 years (maturity date of 14 November 2022), with principal and interest payment of every 6 months and with an interest rate of 2.60%, EUR2,400,000 loan's maturity is 5 years (maturity date of 29 March 2024), with principal and interest payment of every 6 months and with an interest rate of 3.50%, EUR33,000,000 loan's maturity is 3 years (maturity date of 17 February 2025), with principal and interest payment of every 6 months and with an interest rate of 3.50%, EUR5,362,717.56 loan's maturity is 3 years (maturity date of 21 February 2025), with principal and interest payment of every months and with an interest rate of 3.25%, EUR7,000,000 loan's maturity is 2 years (maturity date of 16 February 2024), with principal and interest payment of every 6 months and with an interest rate of 3.50%, EUR4,000,000 loan's maturity is 3 years (maturity date of 16 February 2025), with principal and interest payment of every 6 months and with an interest rate of 3.90%, EUR3,200,000 loan's maturity is 1 years (maturity date of 16 February 2023), with interest payment of every 3 months, principal payment at the end of the maturity and with an interest rate of 2.95%, EUR9,997,077.56 loan's maturity is 1 years (maturity date of 9 June 2023), with interest payment of every 6 months, principal payment at the end of the maturity and with an interest rate of 3.75%, EUR9,999,660.37 loan's maturity is 1 years (maturity date of 3 July 2023), with interest payment of every 6 months, principal payment at the end of the maturity and with an interest rate of 4.25%. In accordance with the agreement signed with respect to the investment loan used by the Company, there is an obligation of not exceeding the below mentioned rate calculated over the financial statements prepared in accordance with the Turkish Financial Reporting Standards. There is no guarantees or mortgages given for the financial liabilities obtained.

Obligation rate is;

- Net financial liability (*) / Earnings before interest, taxes, depreciation and amortization: 3.75.
- (*) Net financial liability is calculated by deducting the cash and cash equivalents from total of financial liabilities (including short-term and long-term financial debts).

The Company met these conditions as of 30 June 2022.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 4 - 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 June 2022	31 December 2021	30 June 2022	31 December 2021
Bank borrowing	3,087,263,825	1,106,309,083	3,067,581,509	992,766,596

As of 30 June 2022, fair values of the loans are determined by using the discounted cash flow method over annual average effective discount rates which is %0.57 for EUR loans and %23.02 for TRY denominated bank borrowings respectively (31 December 2021: EUR %0.61 TRY: %28.12).

The movement of the borrowings for the years 2022 and 2021 are as follows:

	2022	2021
1 January	1,134,841,687	1,294,290,367
Borrowing received during the period	2,383,963,849	-
Repayment of lease liabilities	(10,693,839)	(10,122,621)
Effect of new lease contracts	6,018,458	2,957,437
Principal payments	(573,333,011)	(190,587,861)
Change of interest accruals	38,106,858	(585,999)
Change of exchange rates	138,317,680	30,182,726
30 June	3,117,221,682	1,126,134,049

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

	30 June 2022	31 December 2021
Short-term trade receivables:		
Trade receivables	1,215,540,816	681,006,167
Notes receivables	12,402,534	2,852,777
	1,227,943,350	683,858,944
Less: Provision for doubtful receivables	(49,223,906)	(50,907,510)
Unearned financial income	(15,591,958)	(3,644,297)
Short-term trade receivables	1,163,127,486	629,307,137
Due from related parties (Note 21)	675,282,386	635,170,444
Total short-term trade receivables	1,838,409,872	1,264,477,581

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 5 - TRADE RECEIVABLES AND PAYABLES (Continued)

As of 30 June 2022, the average maturity of trade receivables and payables are not longer than one year (31 December 2021 not longer than one year) and weighted average effective annual interest rates for discount of TRY, USD and EUR are 14.50%, 1.79% and 0.51% (31 December 2021: 14.50% 0.15% and 0.59%).

Movements of the provisions for doubtful receivables for the 2022 and 2021 are as shown below:

	2022	2021
1 January	(50,907,510)	(50,870,754)
Cancelled during the year (Note 16)	4,954,545	849,340
Charge during the year (Note 16)	(3,270,941)	(1,157,450)
30 June	(49,223,906)	(51,178,864)

	30 June 2022	31 December 2021
Long - term trade receivables:		
Notes receivables	1,881,500	109,458
	1,881,500	109,458

	30 June 2022	31 December 2021
Trade payables:		
Trade payables	3,120,089,514	2,271,295,826
Less: Unincurred financial expense	(64,766,685)	(42,777,839)
Trade payables	3,055,322,829	2,228,517,987
Due to related parties (Note 21)	115,908,235	180,945,657
Total trade payables	3,171,231,064	2,409,463,644

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 6 – INVENTORIES

	30 June 2022	31 December 2021
Raw materials	1,343,465,868	812,333,865
Commercial goods	579,481,731	294,347,494
Work in progress	460,377,511	130,761,108
Goods in transit (*)	374,159,863	344,331,158
Spare parts	273,877,760	79,612,000
Finished goods	128,085,429	107,654,631
Less: Provision for impairment of inventory (-)	(32,981,793)	(29,679,765)
Inventories	3,126,466,369	1,739,360,491

The cost of inventories recognised as expense in the current period is amounting to TRY 6,727,860,410 (30 June 2021: TRY 4,234,760,895).

(*) 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 2022 and 2021 are as follows

	2022	2021
1 January	(29,679,765)	(29,991,790)
Cancelled due to sales of inventory during the year	(3,302,028)	1,583,492
30 June	(32,981,793)	(28,408,298)

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

	2022	2021
Raw materials	(28,972,164)	(24,346,642)
Commercial goods	(2,884,737)	(2,127,797)
Spare parts	(1,124,892)	(1,933,859)
30 June	(32,981,793)	(28,408,298)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2022	Additions	Disposals	Transfers	30 June 2022
<u>Cost</u>					
Land	52,418,380	-	-	-	52,418,380
Land improvements	20,016,761	6,463,672	-	-	26,480,433
Buildings	264,255,222	2,875,510	-	-	267,130,732
Machinery and equipment	891,765,332	158,759,985	(2,237,768)	-	1,048,287,549
Special costs	6,664,109	-	-	-	6,664,109
Motor vehicles	17,726,224	5,495,070	(193,129)	-	23,028,165
Furniture and fixtures	128,991,314	14,122,385	(3,349)	-	143,110,350
Construction in progress	95,242	3,510,708	-	-	3,605,950
	1,381,932,584	191,227,330	(2,434,246)	-	1,570,725,668
<u>Accumulated depreciation</u>					
Land improvements	7,105,108	346,582	-	-	7,451,690
Buildings	77,152,880	2,674,914	-	-	79,827,794
Machinery and equipment	564,607,841	41,752,412	(2,237,694)	-	604,122,559
Special costs	6,038,882	157,273	-	-	6,196,155
Motor vehicles	5,609,951	2,153,070	(186,539)	-	7,576,482
Furniture and fixtures	92,153,686	6,638,125	(3,349)	-	98,788,462
	752,668,348	53,722,376	(2,427,582)	-	803,963,142
Net book value	629,264,236				766,762,526

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 7 -RIGHT OF USE ASSETS (Continued)

	1 January 2021	Additions	Disposals	Transfers	30 June 2021
<u>Cost</u>					
Land	52,418,380	-	-	-	52,418,380
Land improvements	19,005,606	-	-	-	19,005,606
Buildings	251,573,287	5,826,185	-	3,087,167	260,486,639
Machinery and equipment	779,299,242	20,770,858	(3,057,361)	-	797,012,739
Special costs	6,664,109	-	-	-	6,664,109
Motor vehicles	13,652,760	4,836,099	(853,061)	-	17,635,798
Furniture and fixtures	105,024,829	3,885,133	(372,626)	-	108,537,336
Construction in progress	5,375,103	32,475,339	-	(3,261,134)	34,589,308
	1,233,013,316	67,793,614	(4,283,048)	(173,967)	1,296,349,915
<u>Accumulated depreciation</u>					
Land improvements	6,499,963	298,383	-	-	6,798,346
Buildings	71,432,223	2,810,768	-	-	74,242,991
Machinery and equipment	505,983,044	32,420,309	(3,004,591)	-	535,398,762
Special costs	5,685,054	186,316	-	-	5,871,370
Motor vehicles	3,902,876	1,375,171	(659,465)	-	4,618,582
Furniture and fixtures	85,426,355	4,238,134	(372,626)	-	89,291,863
	678,929,515	41,329,081	(4,036,682)	-	716,221,914
Net book value	554,083,801				580,128,001

Allocation of the depreciation expenses of property, plant and equipment for the years ended at 30 June 2022 and 2021 is as follows:

	30 June 2022	30 June 2021
Cost of sales	38,273,692	29,029,597
General administrative expenses	10,697,856	7,302,160
Marketing, selling and distribution expenses	2,847,481	2,771,566
Research and development expenses	1,903,347	2,225,758
	53,722,376	41,329,081

The Company have no financial costs in the current period arising from foreign exchange denominated borrowings capitalized on construction in progress as of 30 June 2022 (31 December 2021: None).

There is no mortgage on property, plant and equipment as of 30 June 2022 (31 December 2021: None).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2022**

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

NOTE 8 -RIGHT OF USE ASSETS

	1 January 2022	Additions	Disposals	30 June 2022
Cost				
Land and buildings	15,820,355	301,665	-	16,122,020
Machinery and equipment	18,800,737	461,424	-	19,262,161
Motor vehicles	26,597,337	5,255,368	-	31,852,705
	61,218,429	6,018,457	-	67,236,886
Accumulated depreciation				
Land and buildings	11,010,273	1,355,765	-	12,366,038
Machinery and equipment	11,269,084	1,282,678	-	12,551,762
Motor vehicles	15,723,547	3,219,779	-	18,943,326
	38,002,904	5,858,222	-	43,861,126
Net book value	23,215,525			23,375,760

	1 January 2021	Additions	Disposals	30 June 2021
Cost				
Land and buildings	12,851,727	1,224,199	-	14,075,926
Machinery and equipment	15,980,365	235,448	(478,128)	15,737,685
Motor vehicles	20,118,064	1,497,790	(264,117)	21,351,737
	48,950,156	2,957,437	(742,245)	51,165,348
Accumulated depreciation				
Land and buildings	5,554,166	2,097,425	-	7,651,591
Machinery and equipment	8,489,837	1,758,308	(478,128)	9,770,017
Motor vehicles	9,377,241	2,857,669	(264,117)	11,970,793
	23,421,244	6,713,402	(742,245)	29,392,401
Net book value	25,528,912			21,772,947

Depreciation expenses are stated below for the right of use for the periods ending on 30 June 2022 and 2021:

	30 June 2022	30 June 2021
Cost of sales	2,320,927	2,037,629
Marketing, selling and distribution expenses	2,122,923	3,609,014
General administrative expenses	859,069	593,192
Research and development expenses	555,303	473,567
	5,858,222	6,713,402

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2022**

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

NOTE 9 - INTANGIBLE ASSETS

	1 January 2022	Additions	Transfers	30 June 2022
<u>Cost</u>				
Rights	157,506,465	18,363,641	-	175,870,106
Development costs	365,465,848	-	44,676,442	410,142,290
Development costs in progress	190,261,147	91,838,261	(44,676,442)	237,422,966
	713,233,460	110,201,902	-	823,435,362
<u>Accumulated amortisation</u>				
Rights	84,108,573	12,789,316	-	96,897,889
Development costs	190,547,893	20,676,256	-	211,224,149
	274,656,466	33,465,572	-	308,122,038
Net book value	438,576,994			515,313,324
	1 January 2021	Additions	Transfers	30 June 2021
<u>Cost</u>				
Rights	126,703,178	7,550,598	173,967	134,427,743
Development costs	326,384,464	-	9,733,960	336,118,424
Development costs in progress	92,216,127	37,802,080	(9,733,960)	120,284,247
	545,303,769	45,352,678	173,967	590,830,414
<u>Accumulated amortisation</u>				
Rights	63,225,818	10,001,131	-	73,226,949
Development costs	145,332,436	21,746,326	-	167,078,762
	208,558,254	31,747,457	-	240,305,711
Net book value	336,745,515			350,524,703

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

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 9 - INTANGIBLE ASSETS (Continued)

Allocation of the amortization expenses of intangible assets for the years ended at 30 June 2022 and 2021 is as follows:

	30 June 2022	30 June 2021
Research and development expenses	17,937,605	19,047,001
Cost of sales	9,349,653	7,311,345
Construction in progress effects	3,321,022	3,154,734
General administrative expenses	2,277,092	1,780,665
Marketing, selling and distribution expenses	580,200	453,712
	33,465,572	31,747,457

NOTE 10 - OTHER ASSETS AND LIABILITIES

	30 June 2022	31 December 2021
a) Other current assets		
Deferred value added tax ("VAT")	516,763,243	222,387,904
Reclaimed VAT	98,902,800	144,451,679
	615,666,043	366,839,583

	30 June 2022	31 December 2021
b) Government grants and aids		
Government grants and aids	3,476,853	3,692,202
	3,476,853	3,692,202

NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME

	30 June 2022	31 December 2021
a) Prepaid expenses		
Prepaid expenses for future months	6,019,205	2,657,912
	6,019,205	2,657,912

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME (Continued)

	30 June 2022	31 December 2021
b) Long-term prepaid expenses		
Advances given for purchases of fixed assets (*)	60,036,241	44,979,811
	60,036,241	44,979,811

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

	30 June 2022	31 December 2021
c) Deferred income		
Advances received (*)	128,365,334	123,920,302
Income for future periods (**)	1,275,620	50,027,500
	129,640,954	173,947,802

(*) 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 June 2022 and 31 December 2021, but the delivery of the risk and responsibility to the customers has not yet reached 90 days from the invoice date.

NOTE 12 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) Short - term provisions

Short - term provision for employee benefits

	30 June 2022	31 December 2021
Provision for unused vacation	15,527,656	6,501,091
	15,527,656	6,501,091

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

	2022	2021
1 January	6,501,091	4,645,214
Charge/(used) for the year, net	9,026,565	4,872,879
30 June	15,527,656	9,518,093

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

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

a) Short - term provisions (Continued)

Other short - term provisions

	30 June 2022	31 December 2021
Warranty expense provisions	56,313,827	41,210,641
Provisions for legal cases	12,936,958	13,163,403
	69,250,785	54,374,044

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

	2022	2021
1 January	13,163,403	12,696,101
Charge for the year (Note 16)	1,554,864	7,609,678
Used during the year (Note 16)	(1,781,309)	(6,563,978)
30 June	12,936,958	13,741,801

b) Long-term provisions

Long-term provision for employee benefits

	30 June 2022	31 December 2021
Provision for employee termination benefits	112,722,826	76,294,116
	112,722,826	76,294,116

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 TRY10,848.59 for each year of service as of 30 June 2022 (31 December 2021 : TRY8,284.51).

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

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

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

	30 June 2022	31 December 2021
Inflation rate (%)	16.80	16.80
Discount rate (%)	22.00	22.00
Turnover rate to estimate the probability of retirement (%)	93.00	92.12

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 TRY15,371.40 (1 July 2021: TRY8,284.51) which is effective from 1 July 2022 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:

	2022	2021
1 January	76,294,116	50,255,628
Interest cost	8,392,353	3,266,616
Current year service cost	3,763,194	2,352,300
Paid in the year	(7,499,464)	(2,265,448)
Actuarial loss	31,772,627	2,629,032
30 June	112,722,826	56,238,128

Sensitivity analysis of key assumptions used for termination benefits calculations as at 30 July 2022 are as follows:

Sensitivity level	Net discount rate		Turnover related to the probability of retirement	
	0.5% decrease (3.95%)	0.5% increase (4.95%)	0.5% decrease (92.50%)	0.5% increase (93.50%)
Change in employee benefits liability	6,292,859	(5,704,796)	(1,629,045)	1,707,166

Other long - term provisions

	30 June 2022	31 December 2021
Warranty provision	63,774,841	61,336,750
	63,774,841	61,336,750

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

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

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

	2022	2021
1 January	102,547,391	56,504,868
Charge for the year	62,059,832	24,459,230
Used during the year	(44,518,555)	(2,964,825)
30 June	120,088,668	77,999,273

a) Contingent liabilities

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

As of 30 June 2022 and 31 December 2021 the Company's guarantee/ pledge/ mortgage positions are as follows:

	30 June 2022	31 December 2021
A. The total amount of collaterals given on behalf of its own legal entity	223,379,361	286,689,350
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	-	-
	223,379,361	286,689,350

As at 30 June 2022 , 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 2021: EUR 2,006,350).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2022**

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

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

	Original currency amount						TRY equivalent	
	30 June 2022			31 December 2021			30 June 2022	31 December 2021
	EUR	USD	TRY	EUR	USD	TRY		
Letters of guarantees received	-	270,000	739,630,172	-	270,000	655,412,172	744,130,802	659,011,002
Direct debit	-	-	1,829,476,123	-	-	1,232,025,165	1,829,476,123	1,232,025,165
Mortgages	-	-	438,684	-	-	438,714	438,684	438,714
Cash TRY guarantees	-	-	2,445,441	-	-	2,445,441	2,445,441	2,445,441
Guarantee bonds	-	-	451,929	-	-	615,528	451,929	615,528
							2,576,942,979	1,894,535,850

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 13 - EMPLOYEE BENEFITS

Liabilities for employee benefits

	30 June 2022	31 December 2021
Accrued premiums and liabilities to personnel	48,124,199	39,042,724
Taxes payable and liabilities (*)	18,478,465	38,621,571
	66,602,664	77,664,295

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

NOTE 14 - EQUITY

Paid-in share capital

The Company's registered share capital amounts to TRY250,000,000 (31 December 2021: TRY 250,000,000).

The Company's share capital is composed of 5,336,900,000 units of shares each Kr 1 nominal value. The nominal value of share capital is TRY53,369,000.

The composition of the Company's statutory share capital at 30 June 2022 and 31 December 2021 are as follows:

	30 June 2022		31 December 2021	
	Share (%)	Share amount (TRY)	Share (%)	Share amount (TRY)
Koç Holding	37.50	20,013,375	37.50	20,013,375
CNH Industrial Osterreich	37.50	20,013,375	37.50	20,013,375
Public quotation in BİST	25.00	13,342,250	25.00	13,342,250
	100.00	53,369,000	100.00	53,369,000
Adjustments to share capital		39,014,356		39,014,356
		92,383,356		92,383,356

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

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

As of 11 June 2004, the Company has been quoted to BIST and its shares started to be traded in the stock exchange market from that date. As of 30 June 2022, 25% of the Company shares are quoted at BIST (31 December 2021: 25%)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 14 - EQUITY (Continued)

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

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

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from January 1, 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences arising due to implementing the communiqué (such as inflation adjustment differences) shall be disclosed as follows:

- If the difference is arising due to the inflation adjustment of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment To Share Capital";
- "If the difference is due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings",

Other equity items shall be carried at the amounts calculated based on TFRS.

Capital adjustment differences have no other use other than being transferred to share capital.

Dividend distribution

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

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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 14 - EQUITY (Continued)

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

The proposal for the distribution dividends from the profit amount of TRY 1,200,000,000 was accepted at the 68th Ordinary General Assembly Meeting held on 22 March 2022. Dividend paid in cash to shareholders as of 28 March 2022 and distributed per share is 22.48 kuruş.

NOTE 15 - REVENUE AND COST OF SALES

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Domestic sales	6,961,199,662	3,846,938,187	4,708,368,396	2,376,493,130
Export sales	3,156,062,656	1,595,985,141	1,650,215,632	916,327,240
Sales income (gross)	10,117,262,318	5,442,923,328	6,358,584,028	3,292,820,370
Less: Discounts and returns	(1,236,509,816)	(550,160,603)	(782,164,047)	(400,331,169)
Sales income (net)	8,880,752,502	4,892,762,725	5,576,419,981	2,892,489,201
Cost of sales	(7,246,800,655)	(3,981,472,926)	(4,541,690,859)	(2,359,379,592)
Gross profit	1,633,951,847	911,289,799	1,034,729,122	533,109,609

Sales quantities:

	1 January - 30 June 2022			1 January - 30 June 2021		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Tractor	13,474	8,254	21,728	17,896	7,577	25,473
Combine	167	-	167	306	-	306
	13,641	8,254	21,895	18,202	7,577	25,779

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 16 - OTHER INCOME/EXPENSE FROM OPERATING ACTIVITIES

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Foreign exchange gain from trade receivables and payables	439,546,097	164,150,362	557,277,056	359,710,843
Interest income from sales	237,269,914	125,149,217	123,436,558	75,912,675
Termination of provision for doubtful receivables (Note 5)	4,954,545	2,263,405	849,340	764,471
Reversal of provision for litigation expenses (Note 12)	1,781,309	891,557	6,563,978	4,553,711
Other income	21,535,561	14,281,374	27,373,180	2,288,074
Other operating income	705,087,426	306,735,915	715,500,112	443,229,774
Foreign exchange gain from trade receivables and payables	(476,265,786)	(189,854,159)	(576,220,675)	(366,099,903)
Interest income from sales	(374,712,365)	(201,604,060)	(180,057,633)	(112,794,197)
Reversal of provision for litigation expenses (Note 12)	(1,554,864)	(633,155)	(7,609,678)	(3,599,411)
Termination of provision for doubtful receivables (Note 5)	(3,270,941)	(1,962,598)	(1,157,450)	(211,487)
Other expenses	(1,273,480)	(701,788)	(1,625,035)	-
Other operating expenses	(857,077,436)	(394,755,760)	(766,670,471)	(482,704,998)

NOTE 17 - FINANCIAL INCOME

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Foreign exchange gain	294,700,339	155,867,361	80,180,583	32,503,866
Interest income	33,802,362	9,585,972	103,615,216	36,630,587
Financial income	328,502,701	165,453,333	183,795,799	69,134,453

NOTE 18 - FINANCIAL EXPENSE

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Foreign exchange losses	(182,430,890)	(144,613,907)	(61,027,978)	(26,315,687)
Interest expenses of bank borrowings	(139,240,431)	(90,354,173)	(58,187,854)	(29,037,000)
Other	(5,834,689)	(3,214,769)	(1,133,903)	(629,765)
Financial expenses	(327,506,010)	(238,182,849)	(120,349,735)	(55,982,452)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 19 - TAX ASSETS AND LIABILITIES

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

In accordance with the regulation numbered 7316, published in Official Gazette numbered 31462 on 22 April 2021, “Law on the Amendment of Some Tax Acts and Some Other Laws”, corporate tax rate for the years 2021 has set for 25%, 2022 for 23%. This change will be effective for corporate tax calculation for the periods starting from 1 January 2021, starting with the declarations that must be submitted as of 1 July 2021. Tax returns are filed between 25th April following the close of the accounting year to which they relate. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant year and is paid in one installment until the end of the relevant month. In accordance with the tax legislation, 25% temporary tax is calculated and paid on quarterly earnings, and the paid amounts are deducted from the tax calculated on the annual income.

The law on the amendment of the Tax Procedure Law and the Corporate Tax Law was enacted on 20 January 2022 with the Law No. 7352, including the temporary accounting periods, the conditions regarding the inflation adjustment within the scope of the repeated article 298 for the 2021 and 2022 accounting periods and the 2023 accounting period temporary tax periods, it has been decided that the financial statements will not be subject to inflation adjustment, regardless of whether or not they have occurred. The Public Oversight Authority made a statement on the Implementation of Financial Reporting in Hyperinflationary Economies under TFRS on 20 January 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the financial statements for 2021.

Research and development incentive rate which will be calculated over the research and development expenditures, is raised to 100% from 40% with the amendment made to the 10th article of the Tax Law numbered 5520 as a result of the amendment in the 35th article of the Law 5746 related to the Support of Research and Development Operations.

The aforementioned law has been enacted as of April 1, 2008. Accordingly, income tax-payers can deduct 100% of the expenditures made as of then, which are related to research and development related to new technology and information developments. Research and development incentives shall be calculated over the total expenditures made in 2021 and 2020.

As of 30 June 2022 and 31 December 2021, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	30 June 2022	31 December 2021
Corporate tax expense	225,388,119	259,399,849
Less: Prepaid taxes	(123,674,853)	(259,382,011)
Tax liability	101,713,266	17,838

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of total tax expense for the years ended 30 June 2022 and 31 December 2021 are as follows:

	1 January - 30 June 2022	1 January - 30 June 2021
Corporate tax expense	(225,388,119)	(275,501,897)
Deferred tax income/(expense)	121,461,821	85,495,786
Total tax income/(expense)	(103,926,298)	(190,006,111)

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 June 2022 and 31 December 2021 are as follows:

	Temporary differences		Deferred tax assets/ (liabilities)	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Property, plant and equipment and intangible assets, restatement				
And useful life differences	265,879,931	230,656,919	(53,175,986)	(46,131,384)
Employee termination benefits	(112,722,826)	(76,294,116)	22,544,565	15,258,823
Warranty provision	(120,088,668)	(102,547,391)	27,620,394	23,585,900
Provision for lawsuits	(12,936,958)	(13,163,403)	2,975,500	3,027,583
Unearned finance income/ expenses on trade receivables, payables and due	(34,152,051)	(60,096,798)	7,854,972	13,822,264
Provision for doubtful receivables from related parties	1,683,604	(36,756)	(387,229)	8,454
Provision for impairment of inventory	(32,981,793)	(29,679,765)	7,585,812	6,826,346
Sales premium accrued	(453,293,805)	(57,143,837)	104,257,575	13,143,082
Other expense provisions	(48,715,720)	(6,501,091)	11,204,616	1,495,251
Investment incentive tax assets	62,165,299	26,198,663	18,649,590	7,859,599
Deferred income	(1,936,459)	63,671,398	445,386	(14,644,422)
Other	(109,750,658)	(40,741,317)	25,045,189	9,370,506
Deferred tax assets			174,620,384	33,622,002

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

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

	2022	2021
1 January	33,622,002	4,156,834
Reflected to profit for the year	121,461,821	85,495,786
Reflected to other comprehensive income/(expense)	19,536,561	(4,820,101)
30 June	174,620,384	84,832,519

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

	1 January - 30 June 2022	1 January - 30 June 2021
Profit before tax	1,063,248,641	798,467,011
Tax calculated at enacted tax rate	233,914,701	199,616,753
Investment incentives	(110,642,794)	(4,678,945)
Research and development incentives	(16,332,355)	(9,075,520)
Tax base increase	(11,176,283)	-
Disallowable expenses	9,514,903	2,146,712
Other	(1,351,874)	1,997,111
Total tax income/(expense)	103,926,298	190,006,111

NOTE 20 - EARNINGS PER SHARE

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

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

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

	1 January - 30 June 2022	1 January - 30 June 2021
Net profit for the year	959,322,343	608,460,900
Weighted average number of the ordinary shares	5,336,900,000	5,336,900,000
Earnings per share (TRY)	0.1798	0.1140

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 21 - 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 June 2022 and 31 December 2021 significant intercompany transactions were as follows:

i) Balances with related parties as of 30 June 2022 and 31 December 2021:

a) Due from related parties

	30 June 2022	31 December 2021
Due from group companies		
CNHI International SA (“CNHI International”) (*)	547,083,227	591,983,017
CNH Industrial Argentina SA	91,268,512	29,155,239
CNHI Italia SPA (“CNHI Italia”)	23,633,846	8,911,470
CNH Industrial (India) Pvt. Ltd.	5,693,369	846,275
CNH Industrial Brasil Ltda	2,814,176	3,069,818
Other	4,789,256	1,204,625
	675,282,386	635,170,444

(*) 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.

b) Due to related parties

	30 June 2022	31 December 2021
Koç Holding	-	805,692
Due to shareholders	-	805,692
Zer Merkezi Hizmetler ve Ticaret A.Ş. (“Zer”)	63,926,808	43,053,172
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. (“Opet Fuchs”)	38,457,676	58,688,298
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (“Koç Sistem”)	4,520,341	37,703,427
Otokoç Otomotiv San. ve Tic. A.Ş. (“Otokoç”)	2,779,478	25,368,505
Koç Digital Çözümler A.Ş.	2,279,760	123,312
Ram Sigorta Aracılık Hizmetleri A.Ş. (“Ram Sigorta”)	1,676,538	4,864,565
Opet Petrolcülük A.Ş. (“Opet”)	1,230,768	3,098,787
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Paz. A.Ş. (“Akpa”)	727,756	1,028,627
Setur Servis Turistik A.Ş. (“Setur”)	696,077	1,409,605
Divan Turizm İşletmeleri (“Divan”)	191,792	3,688,218
Fpt Industrial Powertrain Technology	77,006	478,855
Koçtaş Yapı Marketleri A.Ş. (“Koçtaş”)	125	1,154,157
Other	817,993	866,264
Due to group companies	117,382,118	181,525,792
Less: Unearned financial expenses	(1,473,883)	(1,385,827)
	115,908,235	180,945,657

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 21 - RELATED PARTY EXPLANATIONS (Continued)

c) Lease liabilities to related parties

	30 June 2022	31 December 2021
Otokoç	14,415,860	11,808,492
Zer	10,089,308	13,343,173
Other	1,667,290	539,333
	26,172,458	25,690,998

ii) Significant sales and purchases transactions with related parties for the periods between 1 January - 30 June 2022 and 2021:

a) Product sales to related parties

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Product sales to group companies				
CNHI International (*)	2,998,555,930	1,500,688,877	1,577,825,276	856,451,950
CNH Industrial Argentina SA	95,908,720	59,250,682	46,544,268	21,242,237
CNH Italia SPA	49,754,672	27,091,669	17,110,530	9,431,550
Yapı Kredi Finansal Kiralama A.O.	18,165,418	15,524,580	29,425,270	29,425,270
CNH Industrial (India) Pvt. Ltd.	7,362,965	7,362,965	1,807,893	813,180
CNH Industrial Brasil Ltda	4,480,369	1,590,949	6,927,664	3,852,815
Other	7,552,564	1,846,936	2,222,249	1,830,417
	3,181,780,638	1,613,356,658	1,681,863,150	923,047,419

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

b) Service sales to related companies

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Service sales to group companies				
CNHI Italy (1)	6,588,933	1,344,234	357,105	(22,384)
CNHI International (2)	1,391,686	-	1,000,865	244,683
CNH Industrial (India) PRI	930,562	-	17,349	-
	8,911,181	1,344,234	1,375,319	222,299

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

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 21 - RELATED PARTY EXPLANATIONS (Continued)

ii) **Significant sales and purchases transactions with related parties for the periods between 1 January - 30 June 2022 and 2021 (Continued):**

c) **Product purchases from related parties**

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Product purchases from group companies				
CNHI International (1)	1,794,046,697	942,080,790	954,880,306	464,753,708
Opet Fuchs (2)	97,118,835	42,024,939	69,604,658	37,739,491
Zer (3)	26,932,654	22,670,256	9,753,198	7,481,243
Koç Sistem (4)	15,083,104	12,608,180	6,258,282	4,336,376
CNH Italia S.p.A (5)	12,054,895	6,317,120	7,531,617	1,613,647
Akpa	11,559,784	4,786,190	2,802,508	1,693,431
Opet (2)	10,854,153	8,064,079	1,285,891	797,378
CNHI India	364,148	168,237	217,870	174,393
Other	3,021,765	1,961,976	631,290	407,727
	1,971,036,035	1,040,681,767	1,052,965,620	518,997,394

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 21 - RELATED PARTY EXPLANATIONS (Continued)

ii) **Significant sales and purchases transactions with related parties for the periods between 1 January - 30 June 2022 and 2021 (Continued):**

d) **Service purchases from related parties**

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Service purchases from shareholders				
Koç Holding (1)	16,465,834	14,900,836	4,186,250	2,906,250
	16,465,834	14,900,836	4,186,250	2,906,250
Service purchase from group companies				
Zer (2)	207,708,347	118,337,889	139,664,666	72,257,783
Eltek (3)	40,310,714	29,670,720	13,185,476	6,890,214
CNHI International (4)	16,898,118	16,898,118	1,917,982	1,095,487
Ram Sigorta (5)	8,338,677	324,819	4,583,931	771,253
Otokoç (6)	6,464,783	3,460,348	4,424,569	2,405,493
Setur (7)	5,706,596	3,137,767	843,006	499,805
Koç Sistem (8)	4,505,307	3,912,198	706,340	660,147
CNHI Industrial Italia SpA (wmf)	2,941,687	919,821	-	-
Other	2,544,522	2,275,871	2,613,775	2,224,291
	295,418,751	178,937,551	167,939,745	86,804,473
	311,884,585	193,838,387	172,125,995	89,710,723

- (1) The amount contains finance, legal consultancy, planning, tax consultancy, senior management service costs invoiced by Koç Holding regarding their related services according to the concealed gain distribution described in Regulation No:11 Intra-Group Services of Transfer Pricing General Communiqué No:1
- (2) Services purchased from Zer are related with security, cleaning, transportation and other services.
- (3) Service purchased from Eltek is related with electricity expenses.
- (4) Services purchased from CNHI International is related with engineering services, strategy development, consulting and brokerage.
- (5) Insurance service purchased from Ram Sigorta Aracılık Hizmetleri A.Ş. includes premium amounts paid and accrued for the year ended on 30 June 2022.
- (6) Service purchased from Otokoç is related with motor vehicles leasing services.
- (7) Services purchased from Setur are generally arising from plane tickets, accommodation and associated with various organizations within the sales and marketing activities.
- (8) Services received from Koç Sistem mainly includes support services related to repair and maintenance of computers and licences.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

NOTE 21 - RELATED PARTY EXPLANATIONS (Continued)

iii) Financial income and expenses arising from transactions with related parties for the periods between 1 January – 30 June 2022 and 2021:

Financial income and expense from group companies

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Interest income				
Yapı Kredi	7,504,576	-	2,476,412	-
	7,504,576	-	2,476,412	-

iv) Dividends paid to related parties:

	1 January - 30 June 2022	1 January - 30 June 2021
Koç Holding	450,000,000	318,750,000
CNHI Osterreich	450,000,000	318,750,000
	900,000,000	637,500,000

v) Other transactions with related parties for the periods between 1 January – 30 June 2022 and 2021:

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

As of 30 June 2022, the Company paid TRY 11,776,262 benefits to the key management personnel (30 June 2021: TRY 8,579,718). All amount consists of short-term benefits.

NOTE 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM INANCIAL INSTRUMENTS

The Company’s activities expose it to a variety of financial risks. These risks are market risk, currency risk, fair value interest rate risk, price risk and cash flow interest rate risk, credit risk and liquidity risk. The Company’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

Risk management is carried out in accordance with the program set by the Board of Directors of the Company.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

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

a) Market risk

Foreign currency risk

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

Cash flow hedge accounting

There is an affective foreign currency cash flow hedge relationship between EUR long term financial borrowing related with investment expenditures and highly probable EUR export sales income. In this content, the Company applied cash flow hedge accounting beginning from 1 January 2021. The related long term investment borrowings, designated as cash flow hedges and qualified as effective, are recognised in equity as “losses/gains on cash flow hedges. The amount of the related investment borrowing as of 30 June 2022 is EUR4,916,667 (31 December 2021: EUR 9,833,333). Another 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 TRY66,589,625 (31 December 2021: TRY 110,720,788).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

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

The amounts of foreign currency assets, liabilities and TRY equivalents of the Company as of 30 June 2022 and 31 December 2021 are as follows:
30 June 2022

	TRY Equivalentı	USD	EUR	GBP	CHF	YEN
1. Trade receivables	759,833,005	335,742	43,044,870	-	-	-
2. Monetary financial assets (including banks accounts) (Note 3)	1,225,760,882	609,305	65,048,179	19,847	7,504	617,037,567
3. Other	-	-	-	-	-	-
4. Current assets (1+2+3)	1,985,593,886	945,047	108,093,049	19,847	7,504	617,037,567
5. Trade receivables	-	-	-	-	-	-
6. Other	-	-	-	-	-	-
7. Current assets (5+6)	-	-	-	-	-	-
8. Total assets (4+7)	1,985,593,886	945,047	108,093,049	19,847	7,504	617,037,567
9. Trade payables	350,233,584	1,805,264	13,186,249	-	-	730,133,330
10. Financial liabilities	681,627,821	-	38,901,035	-	-	-
11. Other monetary liabilities	531,691	-	30,344	-	-	-
12 Current liabilities (9+10+11)	1,032,393,096	1,805,264	52,117,628	-	-	730,133,330
13. Financial liabilities	753,186,369	-	42,984,937	-	-	-
14. Non-current liabilities (13)	753,186,369	-	42,984,937	-	-	-
15. Total liabilities (12+14)	1,785,579,465	1,805,264	95,102,565	-	-	730,133,330
16. Cash flow hedge accounting amounts	86,150,325	-	4,916,667	-	-	-
17. Fair value of hedged funds of foreign currency (16+18)	286,164,747	(860,217)	17,907,151	19,847	7,504	(113,095,763)
18. Net monetary foreign currency asset/ (liability) position (8-15)	200,014,422	(860,217)	12,990,484	19,847	7,504	(113,095,763)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2022**

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

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

	31 December 2021					
	TRY Equivalentı	USD	EUR	GBP	CHF	YEN
1. Trade receivables	764,913,600	309,478	50,498,192	-	-	-
2. Monetary financial assets (including banks accounts) (Note 3)	740,232,690	905,989	45,470,474	28,253	11,597	359,135,604
3. Other	-	-	-	-	-	-
4. Current assets (1+2+3)	1,505,146,290	1,215,467	95,968,666	28,253	11,597	359,135,604
5. Trade receivables	-	-	-	-	-	-
6. Other	-	-	-	-	-	-
7. Current assets (5+6)	-	-	-	-	-	-
8. Total assets (4+7)	1,505,146,290	1,215,467	95,968,666	28,253	11,597	359,135,604
9. Trade payables	290,565,485	4,751,465	12,016,398	28,576	-	386,940,715
10. Financial liabilities	174,230,184	-	11,527,811	-	-	-
11. Other monetary liabilities	46,006,070	-	3,112,668	-	-	-
12 Current liabilities (9+10+11)	510,801,739	4,751,465	26,656,877	28,576	-	386,940,715
13. Financial liabilities	35,354,384	-	2,339,197	-	-	-
14. Non-current liabilities (13)	35,354,384	-	2,339,197	-	-	-
15. Total liabilities (12+14)	546,156,123	4,751,465	28,996,074	28,576	-	386,940,71
16. Cash flow hedge accounting amounts	148,620,017	-	9,833,333	-	-	-
17. Fair value of hedged funds of foreign currency (16+18)	1,107,610,184	(3,535,998)	76,805,925	(323)	11,597	(27,805,111)
18. Net monetary foreign currency asset/ (liability) position (8-15)	958,990,167	(3,535,998)	66,972,592	(323)	11,597	(27,805,111)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

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

The import and export amounts of the Company for the years ended 30 June 2022 and 2021 are as follows:

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Total export amount	3,156,062,656	1,595,985,141	1,650,215,632	916,327,240
Total import amount	3,480,419,062	1,788,787,403	1,909,533,370	992,907,672

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 June 2022 and 31 December 2021 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 June 2022			
	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Had TRY appreciate/ (depreciate) by 10% against USD				
Profit/(loss) from USD net asset position	(1,433,896)	1,433,896	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	(1,433,896)	1,433,896	-	-
Had TRY appreciate/ (depreciate) by 10% against EUR				
Profit/ (loss) from EUR net liability position	22,642,709	(22,642,709)	6,461,274	(6,461,274)
Hedged amount against EUR risk (-)	525,663	(525,663)	2,102,652	(2,102,652)
Net Effect of EUR	23,168,372	(23,168,372)	8,563,926	(8,563,926)
Had TRY appreciate/ (depreciate) by 10% against other				
Profit/ (loss) from other net liability position	(1,459,391)	1,459,391	-	-
Hedged amount against other (-)	-	-	-	-
Net effect of other	(1,459,391)	1,459,391	-	-
Total net effect	20,275,085	(20,275,085)	8,563,926	(8,563,926)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2022**

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

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

	31 December 2021			
	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	(4,721,618)	4,721,618	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	(4,721,618)	4,721,618	-	-
Had TRY appreciate/ (depreciate) by 10% against EUR				
Profit/ (loss) from EUR net liability position	101,221,705	(101,221,705)	11,146,501	(11,146,501)
Hedged amount against EUR risk (-) (-)	1,555,472	(1,555,472)	9,591,029	(9,591,029)
Net Effect of EUR	102,777,177	(102,777,177)	20,737,530	(20,737,530)
Had TRY appreciate/ (depreciate) by 10% against other				
Profit/ (loss) from other net liability position	(337,557)	337,557	-	-
Hedged amount against other (-)	-	-	-	-
Net effect of other	(337,557)	337,557	-	-
Total net effect	97,718,002	(97,718,002)	20,737,530	(20,737,530)

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 June 2022	31 December 2021
Time deposits (Note 3)	1,360,932,192	1,491,712,114
Financial liabilities (Note 4)	3,052,263,825	1,106,309,083
Lease liabilities (Note 4)	29,957,857	28,532,604
Financial instruments with floating interest rate	30 June 2022	31 December 2021
Financial liabilities (Note 4)	35,000,000	-

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

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

For floating rate financial instruments, if interest in all available currencies was 100 basis points higher/lower and all other variables remained constant, pre-tax profit as a result of high/low interest expense on floating rate loans is TRY 24,306 (31 December 2021: None) would be lower/higher.

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 5).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

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

The Company's maximum exposure to credit risk as of 30 June 2022 and 31 December 2021 is as follows:

	30 June 2022					
	Trade Receivables		Other Receivables		Bank deposits	Derivative Instruments
	Related party	Third party	Related party	Third party		
Net book value of financial assets which are undue and not impaired	675,282,386	1,164,089,072	-	393,756	1,536,370,444	-
Net book value of due dated but not impaired assets						
Net book value of impaired assets	-	919,914	-	-	-	-
- Due dated (gross book value)	-		-	-	-	-
- Provision (-)	-	49,223,906	-	-	-	-
- Undue (gross book value)	-	(49,223,906)	-	-	-	-
- Provision (-)	-	-	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Net book value of due dated but not impaired assets	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	675,282,386	1,165,008,986	-	393,756	1,536,370,444	-

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

As of 30 June 2022, the guarantee amount of the maximum exposure to credit risk is TRY2,559,773,226. Furthermore, all assets which are due but not impaired are guaranteed.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

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

	31 December 2021					
	Trade Receivables		Other Receivables			
	Related party	Third party	Related party	Related party	Third party	Related party
Net book value of financial assets which are undue and not impaired	635,170,444	628,453,274	-	956,197	1,566,586,803	-
Net book value of due dated but not impaired assets						
Net book value of impaired assets	-	963,321	-	-	-	-
- Due dated (gross book value)	-	-	-	-	-	-
- Provision (-)	-	50,907,510	-	-	-	-
- Undue (gross book value)	-	(50,907,510)	-	-	-	-
- Provision (-)	-	-	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Net book value of due dated but not impaired assets	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	635,170,444	629,416,595	-	956,197	1,566,586,803	-

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

As of 31 December 2021, the guarantee amount of the maximum exposure to credit risk is TRY 1,738,990,061. Furthermore, all assets which are due but not impaired are guaranteed.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2022

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

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

c) Liquidity risk

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

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

Capital risk management

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

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

	30 June 2022	31 December 2021
Total Financial liabilities	3,117,221,682	1,134,841,687
Less: Cash and cash equivalents (Note 3)	(1,536,370,444)	(1,566,586,803)
Net financial debt	1,580,851,238	(431,745,116)
Total shareholders' equity	1,740,767,176	2,050,994,098
Total liabilities	3,321,618,414	1,619,248,982
Net financial debt/ total liabilities (%)	47.59%	(26.66%)

Fair value of financial assets

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

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

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2022**

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

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

Financial assets

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

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

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

Financial liabilities

The fair values of short-term and long-term bank borrowings are disclosed in Note 4.

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

NOTE 23- SUBSEQUENT EVENT

None.

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