

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2021**

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2021

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TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

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

	Notes	Current period unaudited 31 March 2021	Prior period audited 31 December 2020
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	1,521,128,040	1,890,430,861
Trade receivables:			
- Related parties	5,21	75,638,152	200,103,564
- Other parties	5	712,982,892	595,542,835
Inventories	6	974,173,154	870,863,728
Prepaid expenses	11	3,743,456	893,204
Other current assets	10	105,396,209	110,915,366
TOTAL CURRENT ASSETS		3,393,061,903	3,668,749,558
NON-CURRENT ASSETS			
Trade receivables:			
- Other parties	5	109,458	109,458
Other receivables:			
- Other parties		384,465	381,635
Property, plant and equipment	7	546,340,035	554,083,801
Right of use assets	8	22,357,882	25,528,912
Intangible assets	9	338,924,027	336,745,515
Prepaid expenses	11	2,007,753	2,249,848
Deferred tax assets	19	51,153,336	4,156,834
TOTAL NON-CURRENT ASSETS		961,276,956	923,256,003
TOTAL ASSETS		4,354,338,859	4,592,005,561

The condensed interim financial statements prepared for the period 1 January-31 March 2021 have been approved by the Board of Directors on 26 April 2021.

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

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

	Notes	Current period unaudited 31 March 2021	Prior Period audited 31 December 2020
LIABILITIES			
CURRENT LIABILITIES			
Short-term financial liabilities			
Other parties			
- Bank borrowings	4	70,043,750	70,029,167
Short-term portion of long-term financial liabilities			
Related parties			
- Lease liabilities	4	8,404,506	11,260,714
Other parties			
- Bank borrowings	4	238,918,484	167,824,796
- Lease liabilities	4	2,509,999	3,363,004
Trade payables:			
- Related parties	5, 21	84,875,804	80,229,217
- Other parties	5	1,547,229,676	1,397,935,795
Payables related to employee benefits	13	24,757,938	44,957,543
Other payables			
- Other parties		17,845,342	29,161,492
Government incentives and aids	10	3,633,916	3,633,916
Deferred income	11	232,930,018	157,136,571
Taxes on income	19	117,875,342	19,392,412
Short-term provision :			
- Provision for employee benefits	12	7,095,936	4,645,214
- Other provisions	12	44,867,195	35,450,292
TOTAL CURRENT LIABILITIES		2,400,987,906	2,025,020,133
NON-CURRENT LIABILITIES			
Long-term financial liabilities			
Related parties			
- Lease liabilities	4	11,631,027	14,561,328
Other parties			
- Bank borrowings	4	902,358,873	1,026,898,224
- Lease liabilities	4	282,070	353,134
Long-term provision			
- Provision for employee benefits	12	51,199,771	50,255,628
- Other provisions	12	40,542,682	33,750,677
TOTAL NON-CURRENT LIABILITIES		1,006,014,423	1,125,818,991
SHAREHOLDERS' EQUITY			
Parent's equity		947,336,530	1,441,166,437
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		118,969,138	145,353,605
Other accumulated comprehensive income and expense not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plans		(46,136,498)	(46,432,579)
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
- Losses on cash flow hedging		(35,235,744)	(42,851,846)
Retained earnings		474,667,368	521,839,858
Net profit for the year		348,257,910	776,443,043
TOTAL LIABILITIES		4,354,338,859	4,592,005,561

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2021

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

	Notes	Current period unaudited 1 January - 31 March 2021	Prior Period unaudited 1 January - 31 March 2020
Revenue	15	2,683,930,780	1,190,601,222
Cost of sales (-)	15	(2,182,311,267)	(989,161,053)
GROSS PROFIT		501,619,513	201,440,169
Marketing expenses (-)		(66,012,113)	(50,961,776)
General administrative expenses (-)		(39,062,921)	(28,606,989)
Research and development expenses (-)		(14,230,418)	(11,452,051)
Other income from operating activities	16	272,270,338	136,664,842
Other expenses from operating activities (-)	16	(283,965,473)	(132,249,803)
OPERATING PROFIT		370,618,926	114,834,392
Income from investment activities		(15,820)	610,207
OPERATING INCOME BEFORE FINANCIAL INCOME/ (EXPENSE)		370,603,106	115,444,599
Financial income	17	114,661,346	30,231,502
Financial expenses (-)	18	(64,367,283)	(63,689,239)
PROFIT BEFORE TAXATION ON INCOME		420,897,169	81,986,862
Taxes on income (-)	19	(121,613,806)	(3,799,276)
Deferred tax income/(expense)	19	48,974,547	5,806,830
NET PROFIT FOR THE YEAR		348,257,910	83,994,416
Earnings per share (TL)	20	0.0653	0.0157
Other comprehensive income/(expense)			
Other comprehensive expense not to be reclassified to profit or loss:			
Actuarial loss arising from defined benefits plans	12	370,101	(510,418)
Other comprehensive expense not to be reclassified to profit or loss, tax effect			
Actuarial gain/ loss arising from defined benefit plans, tax effect	19	(74,020)	112,292
Other comprehensive expense to be reclassified to profit or loss			
Losses on cash flow hedging		9,520,127	(881,156)
Other comprehensive expense to be reclassified to profit or loss, tax effect			
Losses on cash flow hedging, tax effect	19	(1,904,025)	193,854
Other comprehensive income / (expense) after tax		7,912,183	(1,085,428)
TOTAL COMPREHENSIVE INCOME		356,170,093	82,908,988

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE INTERIM PERIOD ENDED 31 MARCH 2021

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

				Other comprehensive income or expense items not to be reclassified to profit or loss	Other comprehensive income or expense items to be reclassified to profit or loss				
	Paid-in share capital	Adjustment to share capital	Merger reserve	Actuarial loss arising from defined benefit plans	Cash flow hedge losses	Restricted profit reserves	Retained earnings	Net profit for the period	Total shareholders 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	-	-	-	-	-	(26,384,467)	802,827,510	(776,443,043)	-
Dividends paid	-	-	-	-	-	-	(850,000,000)	-	(850,000,000)
Comprehensive income									
Net profit for the period	-	-	-	-	-	-	-	348,257,910	348,257,910
Other comprehensive income									
Actuarial loss arising from defined benefit plans	-	-	-	296,081	-	-	-	-	296,081
Cash flow hedge losses	-	-	-	-	7,616,102	-	-	-	7,616,102
Total other comprehensive expense	-	-	-	296,081	7,616,102	-	-	-	7,912,183
Total comprehensive income	-	-	-	296,081	7,616,102	-	-	348,257,910	356,170,093
31 March 2021	53,369,000	39,014,356	(5,569,000)	(46,136,498)	(35,235,744)	118,969,138	474,667,368	348,257,910	947,336,530

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD ENDED 31 MARCH 2021**

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

				Other comprehensive income or expense items not to be reclassified to profit or loss	Other comprehensive income or expense items to be reclassified to profit or loss				
	Paid-in share capital	Adjustment to share capital	Merger reserve	Actuarial loss arising from defined benefit plans	Cash flow hedge losses	Restricted profit reserves	Retained earnings	Net profit for the period	Total shareholders equity
1 January 2020	53,369,000	39,014,356	(5,569,000)	(42,973,914)	(47,019,640)	135,620,450	519,679,547	111,893,466	764,014,265
Transfers	-	-	-	-	-	9,733,155	102,160,311	(111,893,466)	-
Dividends paid	-	-	-	-	-	-	(100,000,000)	-	(100,000,000)
Comprehensive income									
Net profit for the period	-	-	-	-	-	-	-	83,994,416	83,994,416
Other comprehensive income									
Actuarial loss arising from defined benefit plans	-	-	-	(398,126)	-	-	-	-	(398,126)
Cash flow hedge losses	-	-	-	-	(687,302)	-	-	-	(687,302)
Total other comprehensive expense	-	-	-	(398,126)	(687,302)	-	-	-	(1,085,428)
Total comprehensive income	-	-	-	(398,126)	(687,302)	-	-	83,994,416	82,908,988
31 March 2020	53,369,000	39,014,356	(5,569,000)	(43,372,040)	(47,706,942)	145,353,605	521,839,858	83,994,416	746,923,253

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 31 MARCH 2021

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

	Notes	Current period unaudited 1 January - 31 March 2021	Prior period unaudited 1 January - 31 March 2020
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		506,042,175	421,116,271
Adjustments to reconcile net profit:		348,257,910	83,994,417
Depreciation and amortization		78,044,897	57,725,171
Adjustments related to impairment on inventories	6	38,511,285	34,097,011
Adjustments related to provision for employee termination benefits	12	(384,294)	(449,804)
Adjustments related to impairment on receivables	5	5,260,180	3,456,883
Adjustments related to other provisions	12	861,095	(107,152)
Adjustments related to interest income and expense	17, 18	16,208,908	1,255,916
Adjustments related to tax expense	19	(37,833,775)	21,084,623
Adjustments related to sales of property, plant and equipment		72,639,259	(2,007,553)
Non-cash items		15,820	(610,207)
Changes in working capital		(17,233,581)	1,005,454
Trade receivables- other parties		84,973,046	280,057,101
Trade receivables- related parties		(118,301,152)	23,393,003
Inventories		124,465,412	(55,438,872)
Other current assets		(102,925,133)	82,851,394
Other receivables		(13,873,255)	44,567,335
Prepaid expenses		(2,829)	8,730
Trade payables-related parties		(2,608,157)	(904,491)
Trade payables- other parties		4,646,587	5,606,970
Deferred income		149,293,881	196,781,909
Other liabilities		75,793,447	(13,639,823)
Payables related to employee benefits		(11,316,150)	14,950,274
Net cash provided by operating activities		(20,199,605)	(18,119,328)
Employment termination benefits paid	12	511,275,853	421,776,689
Taxes paid	19	(1,495,214)	(660,418)
		(3,738,464)	-
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of property, plant and equipment and intangible assets		(28,082,148)	(25,141,110)
Payments for purchases of property, plant and equipment and intangible assets		(15,820)	658,360
		(28,066,328)	(25,799,470)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		(879,618,514)	(30,563,709)
Repayment of bank borrowings		-	694,500,000
Dividends paid	14	(70,442,461)	(589,863,758)
Interest paid		(850,000,000)	(100,000,000)
Interest received		(29,314,758)	(45,202,290)
Repayment of lease liabilities		74,928,217	13,797,483
		(4,789,512)	(3,795,144)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)			
		(401,658,487)	365,411,452
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS			
		40,299,254	4,765,861
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)			
		(361,359,233)	370,177,313
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD			
	3	1,876,062,927	745,445,410
E. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)			
	3	1,514,703,694	1,115,622,723

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Türk Traktör ve Ziraat Makineleri A.Ş. (the “Company”) was established in 1954 in Ankara, as Minneapolis Moline Türk Traktör ve Ziraat Makineleri A.Ş. to undertake the manufacturing and trade of farm tractors, harvesters and other agricultural machinery and equipment. The name of the Company was changed as Türk Traktör Ziraat Makineleri A.Ş. in 1968 upon the purchase of 25% of the shares held by Ege Makina ve Ticaret A.Ş., a group company of the Koç Holding A.Ş. (“Koç Holding”). As of 31 March 2020, 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 31 March 2021 is 2,799 (Permanent: 2,110 temporary: 689) and the average number of personnel is 2,804 (31 December 2020: 2,834 (Permanent: 2,078, temporary: 756), average: 2,383).

The Company conducts marketing and selling activities in the domestic market, through its 128 sales dealers, 139 spare part dealers and 43 heavy construction equipment dealers (31 December 2020: 124 sales dealers, 134 spare part dealers, 42 heavy 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:52-52 A
06560 Yenimahalle Ankara

As of 31 March 2021 the free float of the Company whose shares are traded in the Borsa Istanbul (“BİST”) is 25% (31 December 2020:25 %) (Note 14).

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED INTERIM FINANCIAL STATEMENTS

2.1 Basis of presentation

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

Principles governing the preparation of financial statements

The 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.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021

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

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED INTERIM 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 2020.

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 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.

Functional and presentation currency

Functional and presentation currency of the Company is TRY.

2.2 Changes in accounting estimates

If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. The accounting policies except the situation stated below used in the preparation of these financial statements for the year ended 31 March 2021 are consistent with those used in the preparation of financial statements for the year ended 31 December 2020.

2.3 Changes in accounting policies

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

The accounting policies adopted in preparation of the financial statements as at 31 March 2021 are consistent with those of the previous financial year, except for the new and amended TFRS standards which are valid as of 1 January 2021 and Turkey Financial Reporting Interpretations Committee’s (“TFRIC”) interpretations summarised below.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021

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

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

2.3 Changes in accounting policies (Continued)

a. The new standards, amendments and interpretations which are effective as at 31 March 2021:

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:
 - i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in IAS 1 about immaterial information.

The amendments did not have a significant impact over financial position or performance of the Company.

- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. The amendment did not have a significant impact over financial position or performance of the Company.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. The amendments 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 at 31 March 2021:

- **Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. 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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021

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

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

2.3 Changes in accounting policies (Continued)

b. Standards, amendments and interpretations that are issued but not effective as at 31 March 2021 (Continued):

- **IFRS 17, ‘Insurance contracts’**; effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The amendments are not expected to have significant impact over financial position or performance of the Company.
- **Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities**; effective from 1 January 2022. 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 amendments are not expected to have significant impact over financial position or performance of the Company.
- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16**; effective from Annual periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3, ‘Business combinations’** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. .
 - **Amendments to IAS 16, ‘Property, plant and equipment’** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’** specify which costs a company includes when assessing whether a contract will be loss-making.

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

- **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 amendments are not expected to have significant impact over financial position or performance of the Company.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021

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

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

2.3 Changes in accounting policies (Continued)

b. Standards, amendments and interpretations that are issued but not effective as at 31 March 2021 (Continued):

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 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 amendments are not expected to have significant impact over financial position or performance of the Company.
- **Amendments to IFRS 17 and IFRS 4, ‘Insurance contracts’, deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2021. These amendments change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023. The amendments are not expected to have significant impact over financial position or performance of the Company.

2.4 Summary of significant accounting policies

The accounting policies used in the preparation of these interim condensed financial statements for the period ended 31 March 2021 are consistent with those used in the preparation of annual financial statements for the year ended 31 December 2020 except for the following:

Tax provisions at interim periods are recognized based on the expected tax rates and taxable profit of the Company at year end.

These interim condensed financial statements for the period 1 January- 31 March 2021 should be read in conjunction with the annual financial statements for the year 1 January - 31 December 2020.

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:

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

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

2.5 Significant accounting estimates and judgments (Continued)

Warranty expense provisions

The Company calculates warranty expense provisions by estimating the repair and maintenance costs, including labor and material costs to be incurred, for goods sold with a warranty commitment, and the probability of return of goods sold in following years. The probability the goods will be returned for repair and maintenance as well as the repair and maintenance levels and costs used in the warranty provision calculation are estimated based on the Company's actual statistics from previous years (Note 12). Based on the sensitivity analysis performed for the probability the goods that will be returned for repair and maintenance as well as the repair and maintenance levels and costs, it is concluded that 10% increase/decrease in related estimations does not have any significant effect on the calculated amount of warranty 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).

The Company assess the recoverability of deferred tax assets over tax advantages resulted from investment incentives, based on business models that contain management estimations related to taxable profit for future periods. The models include key management estimations such as sales quantities, sales prices and foreign exchange rates. Based on the sensitivity analysis performed, it is concluded that 10% increase/decrease in related estimations does not have any effect on the assessment of recoverability of deferred tax assets (Note 19).

Cash flow hedge transactions

As explained in Note 22, the Company uses its loans amounting to EUR16,750,000 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. The estimations in budgets for export income used for effectiveness test include estimations such as sales quantities, sales prices and foreign exchange rates.

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).

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

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

2.6 Significant changes regarding to current period

For how long COVID-19 effect will continue in Turkey, and in the world, can not be estimated clearly. As the severity and duration of the effects become clear, it will be possible to make a more clear and healthy assessment for the medium and long term. However, while preparing the financial statements dated 31 March 2021, the possible effects of the COVID-19 outbreak were evaluated and the estimates and assumptions used in the preparation of the financial statements were reviewed. In this context, the Company has evaluated possible impairments in the financial assets, stocks, and tangible assets in the financial statements dated 31 March 2021 and no impairment has been identified.

NOTE 3 - CASH AND CASH EQUIVALENTS

	31 March 2021	31 December 2020
Banks:		
- TRY denominated demand deposits	48,512,389	34,854,756
- TRY denominated time deposits	988,611,387	1,623,077,545
- Foreign currency denominated demand deposits	22,569,002	4,238,375
- Foreign currency denominated time deposits	461,435,262	228,260,185
	1,521,128,040	1,890,430,861

As of 31 March 2021, the weighted average effective annual interest rate for TRY and Euro ("EUR") time deposits are 18.42% and 0.75%, respectively (31 December 2020: TRY: 17.29%, EUR: 1.11%). As of 31 March 2021 and 31 December 2020, remaining time to maturity of time deposits is less than three months.

As of 31 March 2021, the Company has no restricted deposits (31 December 2020: None).

The cash and cash equivalents included in the statement of cash flows at 31 March 2021 and 31 December 2020 is as follows:

	31 March 2021	31 December 2020
Banks	1,521,128,040	1,890,430,861
Less: Interest accruals	(6,424,346)	(14,367,934)
Cash and cash equivalents	1,514,703,694	1,876,062,927

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021**

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

NOTE 4 - FINANCIAL LIABILITIES

	31 March 2021	31 December 2020
Short-term financial liabilities		
Short-term bank borrowings	70,043,750	70,029,167
Short-term portions of long-term financial	238,918,484	167,824,796
Short-term lease liabilities	10,914,505	14,623,718
	319,876,739	252,477,681
Long-term financial liabilities		
Long-term bonds	902,358,873	1,026,898,224
Long-term bank borrowings	11,913,097	14,914,462
	914,271,970	1,041,812,686

a) Short-term financial liabilities**Short-term bank borrowings**

	Original currency amount		Weighted average effective interest rate p.a. (%)		TRY equivalent	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020	31 March 2021	31 December 2020
TRY borrowings	70,043,750	70,029,167	7.50	7.50	70,043,750	70,029,167
					70,043,750	70,029,167

Current portion of long-term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TRY equivalent	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020	31 March 2021	31 December 2020
EUR borrowings	11.192.643	14,488,965	1.83	1.92	109,398,016	130,515,145
TRY borrowings	129.520.468	37,309,651	7.88	7.97	129,520,468	37,309,651
					238,918,484	167,824,796

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021

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

NOTE 4 - FINANCIAL LIABILITIES (Continued)

b) Long-term financial liabilities

Long-term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		TRY equivalent	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020	31 March 2021	31 December 2020
EUR borrowings	9.255.338	12,833,333	2.32	2.06	90,462,602	115,601,383
TRY borrowings	811.903.109	911,324,194	9.02	8.94	811,903,109	911,324,194
Prepaid commission (*)					(6.838)	(27,353)
Total long-term borrowings					902.358.873	1,026,898,224

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

Redemption schedule of the long-term bank borrowings and bonds as of 31 March 2021 and 31 December 2020 is as follows:

Year	31 March 2021	31 December 2020
2022	323,468,651	449,754,502
2023	573,025,762	571,661,313
2024	5,864,460	5,482,409
	902,358,873	1,026,898,224

As of 31 March 2021; the Company has an investment loan with fixed interest rate amounting to EUR8,749,999.80 and an operating loan with fixed interest rate amounting to EUR11,600,000. The EUR8,749,999.80 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 EUR8,000,000 of EUR11,600,000 fixed interest operational capital loans is 5 years maturity (maturity date of 14 November 2022), with interest payment of every 6 months and principal payment at maturity date and with an interest rate of 2.60%. The remaining EUR3,600,000 of EUR11,600,000 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%. In accordance with the agreement signed with respect to the investment loan used by the Company, there is an obligation of not exceeding the below mentioned rate calculated over the financial statements prepared in accordance with the Turkish Financial Reporting Standards. There is no guarantees or mortgages given for the financial liabilities obtained.

Obligation rate is;

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

The Company meets this condition as of the balance sheet date.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021

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

NOTE 4 - FINANCIAL LIABILITIES (Continued)

Carrying values and fair values of the bank borrowings are as follows:

	Carrying Value		Fair Value	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020
Bank borrowings	1.211.321.107	1,264,752,187	1,159,646,238	1,210,797,953

As of 31 March 2021, fair values of the bank borrowings, for EUR and TRY bank borrowings are determined by using the discounted cash flow method over weighted effective discount rates 0.63% and 14.03% per annum, respectively (31 December 2020: EUR: 0.63% and TRY: 14.03% per annum)

The movement of the borrowings for 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021	31 December 2020
1 January	1,294,290,367	1,396,509,527
Borrowing received during the period	-	1,044,500,000
Repayment of lease liabilities	(4,789,512)	(17,304,614)
Effect of new lease contracts	1,708,672	13,727,628
Principal payments	(70,442,461)	(1,218,448,256)
Change of interest accruals	(163,904)	(13,993,474)
Change of exchange rates	13,545,547	89,299,556
	1,234,148,709	1,294,290,367

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

	31 March 2021	31 December 2020
Short-term trade receivables:		
Trade receivables	762,279,054	649,155,148
Notes receivables	10,356,327	4,868,452
	772,635,381	654,023,600
Less: Provision for doubtful receivables	(51,731,849)	(50,870,754)
Unearned financial income	(7,920,640)	(7,610,011)
Short-term trade receivables	712,982,892	595,542,835
Due from related parties (Note 21)	75,638,152	200,103,564
Total short-term trade receivables	788,621,044	795,646,399

As of 31 March 2021, the average maturity of trade receivables and payables are not longer than one year and weighted average effective annual interest rates for discount of TRY, USD and EUR are 19.00%, 0.13% and 0.55% (31 December 2020: 17.10%, 0.19% and 0.56%).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021

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

NOTE 5 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movements of the provisions for short-term doubtful receivables for the periods ended 31 March 2021 and 2020 are as follows:

	2021	2020
1 January	(50,870,754)	(50,117,763)
Cancelled during the period (Note 16)	84,869	545,138
Charge during the period (Note 16)	(945,964)	(437,985)
31 March	(51,731,849)	(50,010,610)

	31 March 2021	31 December 2020
Long-term trade receivables:		
Notes receivables	109,458	109,458
	109,458	109,458

	31 March 2021	31 December 2020
Trade payables:		
Trade payables	1,596,871,383	1,431,333,592
Less: Unincurred financial expense	(49,641,707)	(33,397,797)
Trade payables	1,547,229,676	1,397,935,795
Due to related parties (Note 21)	84,875,804	80,229,217
Total trade payables	1,632,105,480	1,478,165,012

NOTE 6 - INVENTORIES

	31 March 2021	31 December 2020
Raw materials	511,757,169	453,966,371
Work in progress	17,628,279	15,965,272
Finished goods	153,120,972	119,210,355
Commercial goods	52,882,444	64,380,548
Spare parts	104,048,432	84,134,244
Goods in transit (*)	164,343,354	163,198,728
Provision for impairment of inventory (-)	(29,607,496)	(29,991,790)
Inventories	974,173,154	870,863,728

The cost of inventories recognised as expense in the current period is amounting to TRY2,035,294,610 (31 March 2020: TRY895,100,796)

(*) Goods in transit are comprised of commercial goods and spare parts not yet arrived, but the risk and responsibility of which is received by the Company as of period end.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021**

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

NOTE 6 – INVENTORIES (Continued)

Movement of provisions for impairment of inventories during the periods is as follows:

	2021	2020
1 January	(29,991,790)	(30,765,907)
Cancelled due to sales inventory during the period	384,294	449,804
31 March	(29,607,496)	(30,316,103)

Allocation of the provision for impairment on inventories items is as follows:

	31 March 2021	31 March 2020
Raw materials	(25,940,334)	(23,919,843)
Finished goods	(1,331,389)	(5,195,781)
Spare parts	(2,335,773)	(1,200,479)
	(29,607,496)	(30,316,103)

NOTE 7- PROPERTY, PLANT AND EQUIPMENT

	1 January 2021	Additions	Disposals	Transfers	31 March 2021
<u>Cost</u>					
Land	52,418,380	-	-	-	52,418,380
Land improvements	19,005,606	-	-	-	19,005,606
Buildings	251,573,287	2,370,582	-	3,087,167	257,031,036
Machinery and equipment	779,299,242	3,250,891	(850)	-	782,549,283
Special costs	6,664,109	-	-	-	6,664,109
Motor vehicles	13,652,760	2,905,861	-	-	16,558,621
Furniture and fixtures	105,024,829	2,363,980	-	-	107,388,809
Construction in progress	5,375,103	285,203	-	(3,087,167)	2,573,139
	1,233,013,316	11,176,517	(850)	-	1,244,188,983
<u>Accumulated depreciation</u>					
Land improvements	6,499,963	149,195	-	-	6,649,158
Buildings	71,432,223	1,379,138	-	-	72,811,361
Machinery and equipment	505,983,044	14,557,461	(850)	-	520,539,655
Special costs	5,685,054	98,079	-	-	5,783,133
Motor vehicles	3,902,876	611,454	-	-	4,514,330
Furniture and fixtures	85,426,355	2,124,956	-	-	87,551,311
	678,929,515	18,920,283	(850)	-	697,848,948
Net book value	554,083,801				546,340,035

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021**

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

NOTE 7- PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2020	Additions	Disposals	Transfers	31 March 2020
<u>Cost</u>					
Land	52,418,380	-	-	-	52,418,380
Land improvements	18,536,808	128,207	-	-	18,665,015
Buildings	244,876,713	-	-	-	244,876,713
Machinery and equipment	759,230,922	7,289,001	(301,884)	-	766,218,039
Special costs	6,664,109	-	-	-	6,664,109
Motor vehicles	10,402,866	-	-	-	10,402,866
Furniture and fixtures	99,378,769	103,357	(135,746)	-	99,346,380
Construction in progress	6,423,547	2,878,842	-	-	9,302,389
	1,197,932,114	10,399,407	(437,630)	-	1,207,893,891
<u>Accumulated depreciation</u>					
Land improvements	5,912,064	147,437	-	-	6,059,501
Buildings	66,063,267	847,060	-	-	66,910,327
Machinery and equipment	457,986,162	14,358,570	(253,731)	-	472,091,001
Special costs	5,150,356	165,395	-	-	5,315,751
Motor vehicles	2,888,376	404,546	-	-	3,292,922
Furniture and fixtures	75,255,515	2,898,689	(135,746)	-	78,018,458
	613,255,740	18,821,697	(389,477)	-	631,687,960
Net book value	584.676.374				576.205.931

Allocation of the depreciation expenses of property, plant and equipment as of 31 March 2021 and 2020 is as follows:

	31 March 2021	31 March 2020
Production costs	13,010,755	13,194,145
General administrative expenses	3,561,873	3,609,646
Marketing, selling and distribution expenses	1,245,935	1,063,409
Research and development expenses	1,101,720	954,497
	18,920,283	18,821,697

The Company does not have any financial costs in the current period arising from foreign exchange denominated borrowings capitalized on construction in progress as of 31 March 2021 (31 March 2020: None)

There is not mortgage on property, plant and equipment as of 31 March 2021 (31 December 2020: None).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 -RIGHT OF USE ASSETS

	1 January 2021	Additions	Disposals	31 March 2021
Cost				
Land and buildings	12.851.727	1.000,555	-	13,852,282
Machinery and equipment	15.980.365	235,448	-	16,215,813
Motor vehicles	20.118.064	472,669	-	20,590,733
	48.950.156	1,708,672	-	50,658,828
Accumulated amortisation				
Land and buildings	5.554.166	2,795,674	-	8,349,840
Machinery and equipment	8.489.837	644,491	-	9,134,328
Motor vehicles	9.377.241	1,439,537	-	10,816,778
	23.421.244	4,879,702	-	28,300,946
Net book value	25.528.912			22,357,882
	1 January 2020	Additions	Disposals	31 March 2020
Cost				
Land and buildings	12,790,937	-	-	12,790,937
Machinery and equipment	14,078,774	1,312,567	-	15,391,341
Motor vehicles	12,725,125	2,525,258	-	15,250,383
	39,594,836	3,837,825	-	43,432,661
Accumulated amortisation				
Land and buildings	4,333,770	905,422	-	5,239,192
Machinery and equipment	4,679,223	979,963	-	5,659,186
Motor vehicles	4,703,443	1,078,001	-	5,781,444
	13,716,436	2,963,386	-	16,679,822
Net book value	25,878,400			26,752,839

Depreciation expenses are stated below for the right of use for the periods ending on 31 March 2021 and 2020:

	31 March 2021	31 March 2020
Production costs	1,573,199	1,087,953
General administrative expenses	458,649	219,260
Marketing, selling and distribution expenses	2,490,433	1,466,908
Research and development expenses	357,421	189,265
	4,879,702	2,963,386

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021

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

NOTE 9 - INTANGIBLE ASSETS

	1 January 2021	Additions	Disposals	Transfers	31 March 2021
<u>Cost</u>					
Rights	126,703,178	846,857	-	-	127,550,035
Development costs	326,384,464	-	-	-	326,384,464
Development costs in progress	-	17,602,227	-	-	109,818,354
	92,216,127	17,602,227	-	-	109,818,354
	545,303,769	18,449,084	-	-	563,752,853
<u>Accumulated amortisation</u>					
Rights	63,225,818	4,848,264	-		68,074,082
Development costs	145,332,436	11,422,308	-		156,754,744
	208,558,254	16,270,572	-		224,828,826
Net book value	336,745,515				338,924,027
	1 January 2020	Additions	Disposals	Transfers	31 March 2020
<u>Cost</u>					
Rights	103,908,396	1,244,063	-	-	105,152,459
Development costs	294,798,630	-	-	13,309,668	308,108,298
Development costs in progress	51,580,173	15,356,000	-	(13,309,668)	53,626,505
	450,287,199	16,600,063		-	466,887,262
<u>Accumulated amortisation</u>					
Rights	47,586,598	3,585,029	-	-	51,171,627
Development costs	106,982,391	9,926,899	-	-	116,909,290
	154,568,989	13,511,928	-	-	168,080,917
Net book value	295,718,210				298,806,345

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 development costs in progress as the development process has not yet been completed.

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NOTE 9 - INTANGIBLE ASSETS (Continued)

Allocation of the amortization expenses of intangible assets that has suspended as of 31 March 2021 and 2020 are as follows:

	31 March 2021	31 March 2020
Production costs	3,544,332	2,620,842
General administrative expenses	863,216	638,302
Marketing, selling and distribution expenses	219,946	162,638
Research and development expenses	10,083,804	8,891,226
Reflected to development cost in progress	1,559,274	1,198,920
	16,270,572	13,511,928

NOTE 10 - OTHER ASSETS AND LIABILITIES

	31 March 2021	31 December 2020
a) Other current assets:		
Deferred value added tax ("VAT")	76,893,293	65,093,377
Reclaimed taxes	28,502,916	45,821,989
	105,396,209	110,915,366

	31 March 2021	31 December 2020
b) Government grants and aids:		
Government grants and aids	3,633,916	3,633,916
	3,633,916	3,633,916

NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME

	31 March 2021	31 December 2020
a) Prepaid expenses:		
Prepaid expenses for future months	3,743,456	893,204
	3,743,456	893,204

	31 March 2021	31 December 2020
b) Long-term prepaid expenses:		
Advances given for purchases of fixed assets	2,007,753	2,249,848

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021**

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

	2,007,753	2,249,848
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NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME (Continued)

	31 March 2021	31 December 2020
c) Deferred income:		
Deferred income (*)	22,397,791	13,508,053
Advances received	210,532,227	143,628,518
	232,930,018	157,136,571

(*) Deferred income represents the sales amount of the tractors for which the invoices were issued as of 31 March 2021 and 31 December 2020, 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 ASSETS AND LIABILITIES**a) Short-term provisions****Short-term provision for employee benefits**

	31 March 2021	31 December 2020
Provision for unused vacation	7,095,936	4,645,214
	7,095,936	4,645,214

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

	2021	2020
1 January	4,645,214	1,688,128
Charge/ (used) for the period- net	2,450,722	1,347,757
31 March	7,095,936	3,035,885

Other short-term provisions

	31 March 2021	31 December 2020
Warranty provision	30,171,094	22,754,191
Provision for legal cases (*)	14,696,101	12,696,101
	44,867,195	35,450,292

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

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

	2021	2020
1 January	12,696,101	9,248,815
Cancelled/Charge provision for the period (Note 15)	2,000,000	(196,416)

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FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021**

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

31 March	14,696,101	9,052,399
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NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**b) Long-term provisions****Long-term provision for employee benefits**

	31 March 2021	31 December 2020
Provision for employee termination benefits	51,199,771	50,255,628
	51,199,771	50,255,628

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

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

The amount payable consists of one month's salary limited to a maximum of TRY7,638.96 for each year of service as of 31 March 2021 (31 December 2020 : TRY7,117.17).

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

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

	31 March 2021	31 December 2020
Inflation rate (%)	8.00	8.00
Interest rate (%)	13.00	13.00
Turnover rate to estimate the probability of retirement (%)	92.44	92.94

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 Company's provision for employee termination benefit was calculated over TRY7,638.96 valid as of 1 January 2020 (1 January 2020: TRY6,730.15).

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

	2021	2020
1 January	50,255,628	39,946,649
Interest cost	1,633,308	1,198,400
Current period service cost	1,176,150	910,726
Paid during the period	(1,495,214)	(660,418)
Actuarial loss	(370,101)	510,418

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

31 March	51,199,771	41,905,775
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NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Sensitivity analysis of key assumptions used for termination benefits calculations as at 31 March 2021 are as follows:

Sensitivity level Rate	Net discount rate		Turnover related to the probability of retirement	
	0.5% decrease 4.13 (%)	0.5% increase 5.13 (%)	0.5% decrease 91.94 (%)	0.5% increase 92.94 (%)
Change in employee benefits liability	2,644,214	(2,405,864)	(661,191)	688,041

Other long-term provisions

	31 March 2021	31 December 2020
Warranty provision	40,542,682	33,750,677
	40,542,682	33,750,677

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

	2021	2020
1 January	56,504,868	33,068,681
Used during the period	(10,250,322)	(8,368,537)
Charge for the period	24,459,230	9,820,869
31 March	70,713,776	34,521,013

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021

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

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

c) Contingent liabilities

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

As of 31 March 2021 and 31 December 2020; the Company's guarantee/pledge/mortgage positions are as follows:

	31 March 2021	31 December 2020
A. The total amount of collaterals given on behalf of its own legal entity	203,978,986	188,074,388
B. The total amount of collaterals given in favor of the companies in the scope of full consolidation	-	-
C. The total amount of collaterals given for the purpose of providing debt to third parties in the course of ordinary business activities	-	-
D. The total amount of other collaterals given	-	-
i. The total amount of collaterals given in favor of the parent companies	-	-
ii. The total amount of collaterals given in favor of other group companies which are not in the scope of items B and C	-	-
iii. The total amount of collaterals given in favor of third parties other than the parties stated in item C	-	-
	203,978,986	188,074,388

As at 31 March 2020, the Company has given its own legal entity on behalf of the original collateral denominated in foreign currency amounts of EUR 2,006,350 (31 December 2020: EUR2,006,350).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021

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

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

d) Contingent assets

	Original currency amount						TRY equivalent	
	31 March 2021			31 December 2020			31 March 2021	31 December 2020
	EUR	USD	TRY	EUR	USD	TRY		
Letters of guarantees received	-	270,000	576,166,672	-	270,000	552,671,672	578,414,692	554,653,607
Direct debit	-	-	884,632,255	-	-	778,466,671	884,632,255	778,466,671
Mortgages	-	-	438,714	-	-	438,714	438,714	438,714
Cash TL guarantees	-	-	599,207	-	-	1,140,874	599,207	1,140,874
Guarantee bonds	-	-	2,445,441	-	-	1,560,000	2,445,441	1,560,000
							1,466,530,309	1,336,259,866

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021

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NOTE 13 - PROVISION FOR EMPLOYEE BENEFITS

Liabilities for employee benefits

	31 March 2021	31 December 2020
Accrued premiums and liabilities to personnel	16,776,816	28,700,281
Taxes payable and liabilities (*)	7,981,122	16,257,262
	24,757,938	44,957,543

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

NOT 14 - SHAREHOLDERS' EQUITY

Paid-in share capital

The Company's registered share capital amounts to TRY250,000,000 (31 December 2020: TRY250,000,000).

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

The composition of the Company's statutory share capital at 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021		31 December 2020	
	Participation (%)	Share amount (TRY)	Participation (%)	Share amount (TRY)
Koç Holding	37.50	20,013,375	37.50	20,013,375
CNHI Österreich	37.50	20,013,375	37.50	20,013,375
Public quotation in BIST	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 31 March 2021, 25% (31 December 2020: 25%) of the Company shares are quoted at BIST.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021

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

NOT 14 - SHAREHOLDERS' EQUITY (Continued)

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

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

In accordance with the CMB regulations effective until 1 January 2008, the inflation adjustment differences arising at the initial application of inflation accounting which are recorded under "accumulated losses" could be netted off from the profit to be distributed based on CMB profit distribution regulations. In addition, the aforementioned amount recorded under "accumulated losses" could be netted off with net income for the period, if any, undistributed prior period profits, and inflation adjustment differences of extraordinary reserves, legal reserves and capital, respectively

In addition, in accordance with the CMB regulations effective until 1 January 2008, "Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment differences" at the initial application of inflation accounting. "Equity inflation adjustment differences" could have been utilised only in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from January 1, 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences arose due to implementing the 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 utilized in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings/losses"

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

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

Dividend distribution

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021

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

NOT 14 - SHAREHOLDERS' EQUITY (Continued)

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

Companies should include at least the following in their profit distribution policies:

- a) Whether dividends will be distributed, and if distributed, the dividend distribution rate for shareholders and for others participating in the distribution.
- b) Payment type of dividend distribution.
- c) Time of dividend distribution; on condition that the distribution procedures to be started at the latest of the end of the annual period in which general assembly meeting was held in which the distribution was agreed upon.
- d) Whether dividend advances will be distributed, and if distributed, the related principles.

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

In dividend distribution, the Company follows a balanced and consistent policy between the benefits of the shareholders and the benefits of the Company in accordance with the Corporate Management Principles. The Board of Directors of the Company has decided; that at least 20% of the distributable net profit for the period calculated in accordance with the TCC, CMB regulations and the main agreement should be distributed to the shareholders as dividends, taking into consideration the economic conditions, long-term investment financing and business plans as well as profitability; that the dividend to be distributed may be realized in cash or by capital increase through bonus shares or partly in cash and partly through bonus shares; that the calculable dividend amount may remain undistributed in the event that it is less than 5% of the paid-in capital; and that this dividend distribution policy should be revised annually by the Board of Directors.

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

The decision of dividend payment amounting to TL 850.000.000 was taken in the Company's 67th General Assembly dated March 22, 2021 and payment has been made to shareholders in cash till March 25, 2021. Dividend payment distribution has been 15,93 Kr per share.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021

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

NOTE 15 - SALES AND COST OF SALES

	1 January - 31 March 2021	1 January- 31 March 2020
Domestic sales	2,331,875,266	780,764,205
Export sales	733,888,392	529,868,059
Sales income (gross)	3,065,763,658	1,310,632,264
Less: Discount and returns	(381,832,878)	(120,031,042)
Sales income (net)	2,683,930,780	1,190,601,222
Cost of sales	(2,182,311,267)	(989,161,053)
Gross profit	501,619,513	201,440,169

Sales quantities:

	31 March 2021			31 March 2020		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Tractor	9,628	3,487	13,115	4,266	3,417	7,683
Combine	171	-	171	48	-	48
	9,799	3,487	13,286	4,314	3,417	7,731

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NOTE 16 - OTHER OPERATING INCOME/ (EXPENSES)

	1 January - 31 March 2021	1 January - 31 March 2020
Foreign exchange gain from trade receivable/ payables	197,566,213	114,160,178
Financial income from credit sales	47,523,883	13,567,821
Reversal of provision for litigation expenses (Note 12)	2,010,267	201,056
Reversal of provision for doubtful receivables (Note 5)	84,869	545,138
Other income	25,085,106	8,190,649
Other operating income	272,270,338	136,664,842
Foreign exchange loss from trade receivable/ payables	(210,120,772)	(118,331,030)
Financial expense from credit sales	(67,263,436)	(13,476,147)
Reversal of provision for doubtful receivables (Note 5)	(4,010,267)	(437,985)
Provision for litigation expenses (Note12)	(945,964)	(4,641)
Other expense	(1,625,034)	-
Other operating expenses	(283,965,473)	(132,249,803)

NOTE 17 - FINANCIAL INCOME

	1 January – 31 March 2021	1 January- 31 March 2020
Foreign exchange gain	47,676,717	13,499,539
Interest income	66,984,629	16,731,963
Financial income	114,661,346	30,231,502

NOTE 18 - FINANCIAL EXPENSES

	1 January - 31 March 2021	1 January - 31 March 2020
Foreign exchange losses	(34,712,291)	(23,854,178)
Interest expenses of bank borrowings	(29,150,854)	(37,816,586)
Other	(504,138)	(2,018,475)
Financial expenses	(64,367,283)	(63,689,239)

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NOTE 19 - TAX ASSETS AND LIABILITIES

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

The corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the year in which it relates, and is paid in one installment until the end of the relevant month. In accordance with the tax legislation, temporary taxes are calculated and paid on a quarterly basis at a rate of 20% (2020: 22%) , and the amounts paid in this manner are deducted from the tax calculated on annual earnings.

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

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

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

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

As of 31 March 2020 and 31 December 2019, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	31 March 2021	31 December 2020
Corporate tax expenses	121,613,806	30,299,815
Less: Prepaid taxes	(3,738,464)	(10,907,403)
Tax liability/ (Current tax assets)	117,875,342	19,392,412

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NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of total tax expense for the periods ended 31 March 2020 and 2019 are as follows:

	1 January - 31 March 2021	1 January - 31 March 2020
Corporate tax expenses	(121,613,806)	(3,799,276)
Deferred tax income/(expense)	48,974,547	5,806,830
Tax expenses	(72,639,259)	2,007,554

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 31 March 2021 and 31 December 2020 are as follows:

	Temporary differences		Deferred tax assets/ (liabilities)	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020
Property, plant and equipment and intangible assets, restatement and useful life differences	320,608,697	331,074,341	(64,121,739)	(72,836,355)
Provision for employee termination benefits	(51,199,771)	(50,255,628)	10,239,954	11,056,238
Warranty provision	(70,713,776)	(56,504,868)	14,142,755	12,431,071
Provision for lawsuits	(14,696,101)	(12,696,101)	2,939,220	2,793,142
Unearned finance income/ (expense) on trade receivables, payables and due from related parties	32,965,421	23,895,808	(6,593,084)	(5,257,078)
Provision for doubtful receivables	(861,095)	(752,991)	172,219	165,658
Provision for impairment of inventory	(29,607,496)	(29,991,790)	5,921,499	6,598,194
Sales premium accrued	(206,572,885)	(24,615,876)	41,314,577	5,415,493
Other expense provisions	(13,668,138)	(4,645,214)	2,733,628	1,021,947
Investment incentive tax assets	120,908,929	131,541,901	36,272,679	39,462,570
Deferred income	(28,490,616)	(13,363,814)	5,698,123	2,940,039
Other	(12,167,526)	(1,663,253)	2,433,505	365,915
Deferred tax assets			51,153,336	4,156,834

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NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

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

	2021	2020
1 January	4,156,834	71,324,643
Reflected to profit for the year	48,974,547	5,806,830
Reflected to other comprehensive income/ (expense)	(1,978,045)	306,146
31 March	51,153,336	77,437,619

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

	1 January – 31 March 2021	1 January - 31 March 2020
Profit before tax	420,897,169	81,986,862
Tax calculated at enacted tax rate	84,179,434	18,037,110
Investment incentives	(5,105,989)	(15,290,840)
Research and development incentives	(3,469,046)	(4,757,446)
Disallowable expenses	3,622	3,622
Other	(2,968,762)	-
Total tax expense/(income)	72,639,259	(2,007,554)

NOTE 20 - EARNINGS PER SHARE

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

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

Basic earnings per share are calculated by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue. Nominal value of one share of company is Kr1.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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NOTE 20 - EARNINGS PER SHARE (Continued)

	1 January- 31 March 2021	1 January- 31 March 2020
Net profit for the period	348.257.910	83,994,416
Weighted average number of the ordinary shares	5.336.900.000	5,336,900,000
Earnings per share (Kr1 nominal value per share as TRY)	0.0653	0.0157

NOTE 21 - RELATED PARTY DISCLOSURES

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

Summary of the intercompany balances as of 31 March 2021 and 31 December 2020 and significant intercompany transactions are as follows:

i) Balances with related parties as of 31 March 2021 and 31 December 2020:

a) Due from related parties

	31 March 2021	31 December 2020
Due from group companies		
CNH Industrial Argentina SA	35,761,332	15,853,074
CNHI International SA ("CNHI International") (*)	24,485,918	173,147,157
CNHI Italia SPA ("CNHI Italia")	10,164,925	6,145,363
CNH Industrial Brasil Ltda	1,745,548	2,055,259
CNH Industrial (India) Pvt. Ltd.	1,450,365	1,015,602
Other	2,030,064	1,887,109
	75,638,152	200,103,564

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

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021

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

NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

b) Due to related parties

	31 March 2021	31 December 2020
Koç Holding	-	2,510,006
Due to related parties	-	2,510,006
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer")	40,726,400	45,530,678
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. ("Opet Fuchs")	35,606,742	13,823,295
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ("Koç Sistem")	4,774,994	3,982,201
Ram Sigorta Aracılık Hizmetleri A.Ş. ("Ram Sigorta")	1,741,456	35,220
Koç Digital Çözümler A.Ş.	1,336,220	1,284,536
Otokoç Otomotiv San. ve Tic. A.Ş. ("Otokoç")	978,538	2,852,476
Opet Petrolcülük A.Ş. ("Opet")	257,720	309,537
Setur Servis Turistik A.Ş. ("Setur")	166,459	1,022,137
Koçtaş Yapı Marketleri A.Ş. ("Koçtaş")	111,022	2,364,267
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Paz. A.Ş. ("Akpa")	45,084	777,728
Divan Turizm İşletmeleri ("Divan")	16,038	13,499
Fpt Industrial Powertrain Technolog	-	4,754,639
Other	739,135	1,809,363
Due to group companies	86,499,808	78,559,576
Less: Unincurred financial expenses	(1,624,004)	(840,365)
	84,875,804	80,229,217

c) Lease liabilities to related parties

	31 March 2021	31 December 2020
Otokoç	10,537,110	13.144.302
Zer	11,424,548	12.279.314
Other	291,413	398.426
	22,253,071	25.822.042

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021

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

NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

ii) Significant sales and purchases transactions with related parties for the periods between 1 January - 31 March 2021 and 2020:

a) Product sales to related parties

	1 January - 31 March 2021	1 January- 31 March 2020
Product sales to group companies:		
CNHI International (*)	721,373,326	517,041,581
CNH Industrial Argentina SA	25,302,031	1,562,386
CNH Italia SPA	7,678,980	2,500,449
CNH Industrial Brasil Ltda	3,074,849	1,076,341
CNH Industrial (India) PV	994,713	593,734
Yapı Kredi Finansal Kiralama A.O.	-	470,000
Other	391,832	631,667
	758,815,731	523,876,158

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

b) Service sales to related parties

	1 January- 31 March 2021	1 January- 31 March 2020
Service sales to group companies		
CNHI International (1)	756,182	-
CNH Italia SPA (2)	379,489	978,070
Other	17,349	643,582
	1,153,020	1,621,652

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

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

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2021

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NOTE 21 - RELATED PARTY EXPLANATIONS (Continued)

c) Product purchases from related parties

	1 January- 31 March 2021	1 January- 31 March 2020
Product purchases from group companies		
CNHI International (1)	490,126,598	53,368,457
Opet Fuchs (2)	31,865,167	16,608,416
CNH Italia SPA (3)	5,917,970	-
Zer (4)	2,271,955	1,296,455
Koç Sistem (5)	1,921,906	1,471,650
Akpa	1,109,077	935,985
Opet	488,513	633,633
CNHI India	43,477	69,336
	533,968,226	75,053,748

(1) The Company purchases tractors, agricultural machineries, engine and spare parts.

(2) The Company purchases various oil for use in production.

(3) The Company purchases tractor parts from CNH Italia SPA.

(4) The Company purchases direct and indirect materials and services from Zer Merkezi Hizmetler A.Ş..

(5) The Company purchases hardware and software from Koç Sistem.

d) Service purchases from related parties

	1 January- 31 March 2021	1 January- 31 March 2020
Service purchases from shareholders		
Koç Holding (1)	1.280.000	1,342,500
	1.280.000	1,342,500
Service purchase from group companies		
Zer (2)	67,406,883	24,406,835
Eltek (3)	6,295,262	4,124,172
Ram Sigorta (4)	3,812,678	2,104,914
Otokoç (5)	2,019,076	1,744,753
CNHI International (6)	822,495	-
Setur (7)	343,201	3,984,535
Koç Sistem (8)	46,193	74,039
Other	389,484	872,943
	81,135,272	37,312,191
	82,415,272	38,654,691

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

NOTE 21 - RELATED PARTY EXPLANATIONS (Continued)

- (1) The amount contains finance, legal consultancy, planning, tax consultancy, senior management service costs invoiced by Koç Holding A.Ş. regarding their related services according to the concealed gain distribution described in Regulation No:11 Intra-Group Services of Transfer Pricing General Communiqué No:1.
- (2) Services purchased from Zer are related with security, cleaning, transportation and other services.
- (3) Services purchased from Eltek related to electricity.
- (4) As of 31 March, the amounts contain the paid and accrued premiums within the insurance policy signed with insurance companies through the related party Ram Sigorta Aracılık Hizmetleri A.Ş. which is operating as insurance agent.
- (5) Service purchased from Otokoç is related with motor vehicles leasing services.
- (6) Services purchased from CNHI International are related with engineering services, strategy development, consulting and brokerage.
- (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 licenses.

iii) Financial income and expenses arising from transactions with related parties for the periods between 1 January - 31 March 2021 and 2020:

Financial income and expense from group companies

	1 January- 31 March 2021	1 January- 31 March 2020
Interest income		
Yapı Kredi	2,476,412	871,355

iv) Dividends paid to shareholders:

	1 January- 31 March 2021	1 January 31 March 2020
Koç Holding	318,750,000	37,500,000
CNHI Österreich	318,750,000	37,500,000
	637,500,000	75,000,000

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

NOTE 21 - RELATED PARTY EXPLANATIONS (Continued)

v) Other transactions with related parties for the periods between 1 January - 31 March 2021 and 31 December 2020:

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

As of 31 March 2021, the Company paid TRY4,178,440 benefits to the key management personnel (31 March 2020: TRY3,227,569).

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

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

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

a) Market risk

Foreign currency risk

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

Cash flow hedge accounting

There is an effective foreign currency cash flow hedge relationship between EUR long term financial borrowing related with investment expenditures and highly probable EUR export sales income. In this content, the Company applied cash flow hedge accounting beginning from 15 July 2016. The related long term investment borrowings, designated as cash flow hedges and qualified as effective, are recognised in equity as "losses/gains on cash flow hedges". The amount of the related investment borrowing as of 31 March 2021 is EUR16,750,000 (31 December 2020 EUR19,666,667). The amount of foreign exchange losses recognized after tax in equity is TRY35,235,744 (31 December 2020: TRY42,851,846).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2020

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

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

The amounts of foreign currency assets, liabilities and TRY equivalents of the Company as of 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021					
	TRY equivalent	USD	EUR	GBP	CHF	YEN
1. Trade receivables	133,509,737	692,450	13,069,684	-	-	-
2. Monetary financial assets (including banks accounts) (Note 3)	484,004,264	398,143	48,430,783	37,338	3,709	91,105,569
3. Other	-	-	-	-	-	-
4. Current assets(1+2+3)	617.513.001	1.090.593	61.500.467	37.338	3.709	91.105.569
5. Trade receivables	-	-	-	-	-	-
6. Other	-	-	-	-	-	-
7. Non-current assets(5+6)	-	-	-	-	-	-
8. Total assets (4+7)	617.513.001	1.090.593	61.500.467	37.338	3.709	91.105.569
9. Trade payables	179,084,624	2,978,646	13,124,383	36,193	-	339,753,766
10. Financial liabilities (Note 4)	114,750,016	-	11,740,213	-	-	-
11. Other monetary liabilities	26,031,703	-	2,663,335	-	-	-
12. Current liabilities (9+10+11)	319.866.343	2.978.646	27.527.931	36.193	-	339.753.766
13. Financial liabilities (Note 4)	100,547,232	-	10,287,109	-	-	-
14. Non-current liabilities (13)	100.547.232	-	10.287.109	-	-	-
15. Total liabilities (12+14)	420.413.575	2.978.646	37.815.040	36.193	-	339.753.766
16. Cash flow hedge accounting amounts	163,716,175	-	16,750,000	-	-	-
17. Fair value of hedged funds of foreign currency (16+18)	360.816.601	(1.888.053)	40.435.427	1.144	3.709	(248.648.197)
18. Net monetary foreign currency asset/ (liability) position (8-15)	197.100.426	(1.888.053)	23.685.427	1.144	3.709	(248.648.197)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated)

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

31 December 2020

	TRY equivalent	USD	EUR	GBP	CHF	YEN
1.Trade receivables	197,619,858	683,648	21,381,403	-	-	-
2.Monetary financial assets (including banks accounts) (Note 3)	232,498,560	234,516	25,557,811	47,710	8,569	133,712
3.Other	-	-	-	-	-	-
4.Current assets(1+2+3)	430,118,418	918,164	46,939,214	47,710	8,569	133,712
5.Trade receivables	-	-	-	-	-	-
6.Other	-	-	-	-	-	-
7. Non-current assets(5+6)	-	-	-	-	-	-
8. Total assets (4+7)	430,118,422	918,164	46,939,214	47,710	8,569	133,712
9. Trade payables	164,022,745	4,442,032	13,013,356	63,976	-	191,129,775
10. Financial liabilities (Note 4)	135,990,095	-	15,096,759	-	-	-
11. Other monetary liabilities	17,795,656	-	1,975,561	-	-	-
12.Current liabilities (9+10+11)	317,808,496	4,442,032	30,085,676	63,976	-	191,129,775
13. Financial liabilities (Note 4)	126,412,527	-	14,033,518	-	-	-
14. Non-current liabilities (13)	126,412,527	-	14,033,518	-	-	-
15. Total liabilities (12+14)	444,221,023	4,442,032	44,119,194	63,976	-	191,129,775
16. Cash flow hedge accounting amounts	177,155,370	-	19,666,667	-	-	-
17. Fair value of hedged funds of foreign currency (16+18)	163,052,765	(3,523,868)	22,486,687	(16,266)	8,569	(190,996,063)
18. Net monetary foreign currency asset/ (liability) position (8-15)	(14,102,605)	(3,523,868)	2,820,020	(16,266)	8,569	(190,996,063)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
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**NOTE 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING
FROM FINANCIAL INSTRUMENTS (Continued)**

The import and export amounts of the Company for the periods ended 31 March 2020 and 2019 are as follows:

	1 January- 31 March 2021	1 January- 31 March 2020
Total export amount	733,888,392	529,868,059
Total import amount	916,625,698	249,361,329

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 31 March 2021 and 31 December 2020 under the assumption of the appreciation and depreciation of TRY against other currencies by 10% considering all variables are constant, the effect of net profit/loss and shareholder's equity for the period is as follows:

	31 March 2021			
	Appreciation of foreign currency	Profit/ Loss Depreciation of foreign currency	Appreciation of foreign currency	Shareholders' equity Depreciation of foreign currency
Had TRY appreciate/ (depreciate) by 10% against USD				
Profit/(loss) from USD net asset position	(1,571,993)	1,571,993	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	(1,571,993)	1,571,993	-	-
Had TRY appreciate/ (depreciate) by 10% against EUR				
Profit/ (loss) from EUR net liability position	23,150,373	(23,150,373)	12,932,474	(12,932,474)
Hedged amount against EUR risk (-)	775,474	(775,474)	12,157,000	(12,157,000)
Net Effect of EUR	23,925,847	(23,925,847)	25,089,474	(25,089,474)
Had TRY appreciate/ (depreciate) by 10% against other				
Profit/(loss) from other net liability position	(2,055,172)	2,055,172	-	-
Hedged amount against other (-)	-	-	-	-
Net effect of other	(2,055,172)	2,055,172		
Total net effect	20,298,682	(20,298,682)	25,089,474	(25,089,474)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2020**

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

	31 December 2020			
	Appreciation of foreign currency	Profit/ loss Depreciation of foreign currency	Appreciation of foreign currency	Shareholders' equity Depreciation of foreign currency
Had TRY appreciate/ (depreciate) by 10% against USD				
Profit/ (loss) from USD net asset position	(2,586,695)	2,586,695	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	(2,586,695)	2,586,695	-	-
Had TRY appreciate/(depreciate) by 10% against EUR				
Profit/(loss) from EUR net liability position	2,540,246	(2,540,246)	10,037,106	(10,037,106)
Hedged amount against EUR risk (-)	5,269,621	(5,269,621)	13,818,119	(13,818,119)
Net effect of EUR	7,809,867	(7,809,867)	23,855,225	(23,855,225)
Had TRY appreciate/(depreciate) by 10% against other				
Profit/(loss) from other net liability position	(1,500,192)	1,500,192	-	-
Hedged amount against other (-)	-	-	-	-
Net effect of other	(1,500,192)	1,500,192	-	-
Total net effect	3,722,980	(3,722,980)	23,855,225	(23,855,225)

Price risk

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

Interest rate risk

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

	31 March 2021	31 December 2020
Financial instruments with fixed interest rate		
Time deposits (Not 3)	1,450,046,649	1,851,337,730
Financial liabilities (Not 4)	1,211,321,107	1,234,725,848
Lease liabilities (Not 4)	22,827,602	29,538,180
	31 March 2021	31 December 2020
Financial instruments with floating interest rate		
Financial liabilities (Not 4)	-	30,026,339

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

For financial instruments with variable interest rates, if the interest on 31 March 2021 in all currencies was higher/lower by 100 base points with all other variables held constant, the profit for the period before tax as a result of high/ low interest rate income/ expense consisting of loans with variable interest rates would be higher/ lower by TRY69,662 (31 March 2020: 391,569),

b) Credit risk

Financial assets are in hand carrying the risk of the inability of fulfilling the requirements of the agreements by the counter parties, The Company management manages these risks by limiting the average risk to any individual counterparty, by obtaining guarantees where necessary, The Company limits these risks that may arise from its dealers, by restricting the credit limits determined for the dealers according to the amount of the guarantees received, by updating the guarantee amounts regularly and by receiving the pledge of ownership of the tractors sold, Credit limits are regularly monitored by the Company and the customers' credit quality are regularly evaluated by considering the customers' financial position, past experiences and other factors, Trade receivables are evaluated by the management of the Company depending on their past experiences and current economic conditions and are presented in financial statements net of provision for doubtful receivables (Note 5),

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
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NOT 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The Company's maximum exposure to credit risk as of 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021					
	Trade receivables		Other receivables			
	Related party	Third party	Related party	Third party	Banks deposits	Derivative instruments
Net book value of financial assets which are undue and not impaired	75,638,152	711,292,017	-	384,465	1,521,128,040	-
Net book value of restructured financial assets, otherwise that will be considered as due dated or impaired	-	1,800,333	-	-	-	-
Net book value of impaired assets						
- Due dated (gross book value)	-	51,731,849	-	-	-	-
- Provision (-)	-	(51,731,849)	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Provision (-)	-	-	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	75,638,152	713,092,350	-	384,465	1,521,128,040	-

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

As of 31 March 2021, the guarantee amount of the maximum exposure to credit risk is TRY1,426,518,566; Besides, all assets which are due but not impaired and are impaired are guaranteed,

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

	31 December 2020					
	Trade Receivables		Other receivables			
	Related party	Third party	Related party	Third party	Bank deposits	Derivative instruments
Net book value of financial assets which are undue and not impaired	200,103,564	594,784,812	-	381,635	1,890,430,861	-
Net book value of restructured financial assets, otherwise that will be considered as due dated or impaired	-	867,481	-	-	-	-
Net book value of impaired assets						
- Due dated (gross book value)	-	50,870,754	-	-	-	-
- Provision (-)	-	(50,870,754)	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Provision (-)	-	-	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	200,103,564	595,652,293	-	381,635	1,890,430,861	-

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

As of 31 December 2020, the guarantee amount of the maximum exposure to credit risk is TRY1,284,323,499; Besides, all assets which are overdue but not impaired and are impaired are guaranteed,

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2020

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

c) Liquidity risk

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

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

Capital risk management

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

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

	31 March 2021	31 December 2020
Total financial liabilities	1,234,148,709	1,294,290,367
Less: Cash and cash equivalents (Not 3)	(1,521,128,040)	(1,890,430,861)
Net financial debt	(286,979,331)	(596,140,494)
Total shareholders' equity	947,336,530	1,441,166,437
Total liabilities	660,357,198	845,025,943
Net financial debt/ total liabilities	(43.46)%	(70.55)%

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.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 1 JANUARY - 31 MARCH 2020

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

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

Financial assets

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

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

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

Financial liabilities

The fair values of short-term and long-term bank borrowings are presented in Note 4,

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

NOTE 23 - SUBSEQUENT EVENT AFTER BALANCE SHEET DATE

Public Debt Collection Procedure Law (Numbered 7316) and Article 11 of the law about amending some laws and Article 13, which was temporarily added to the corporate tax law, were published in the Official Gazette dated April 22, 2021, numbered 31462 and entered into force. With these new laws, the corporate tax rate, which was 20% as of March 31, 2021, will be applied at 25% in 2021 and 23% in 2022. This application will be valid starting from January 1, 2021. This change, which came after the reporting period, was evaluated within the events that do not require correction in accordance with TAS 10. The tax rate was used as 20% in the Company's financial statements as of March 31, 2021, and this change will be reflected in the financial statements dated June 30, 2021.

„.....“