

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2021**

(ORIGINALLY ISSUED IN TURKISH)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021**

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

		<i>Current Period Unaudited 30 September 2021</i>	<i>Audited 31 December 2020</i>
	Notes		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	1,114,056,971	1,890,430,861
Trade receivables			
- Related parties	5, 21	214,735,047	200,103,564
- Other parties	5	647,007,335	595,542,835
Inventories	6	1,360,674,904	870,863,728
Prepaid expenses	11	2,571,852	893,204
Other current assets	10	189,758,613	110,915,366
TOTAL CURRENT ASSETS		3,528,804,722	3,668,749,558
NON-CURRENT ASSETS			
Trade receivables			
- Other parties		109,458	109,458
Other receivables			
- Other parties		384,463	381,635
Property, plant and equipment	7	600,033,694	554,083,801
Right of use assets	8	18,530,316	25,528,912
Intangible assets	9	355,601,161	336,745,515
Prepaid expenses	11	17,180,874	2,249,848
Deferred tax assets	19	68,087,096	4,156,834
TOTAL NON-CURRENT ASSETS		1,059,927,062	923,256,003
TOTAL ASSETS		4,588,731,784	4,592,005,561

The financial statements prepared as at and for the period ended 30 September 2021 have been approved by the Board of Directors on 26 October 2021.

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021**

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

	Notes	Current Period Unaudited 30 September 2021	Audited 31 December 2020
LIABILITIES			
CURRENT LIABILITIES			
Short-term financial liabilities			
Other parties			
- Bank borrowings	4	50,622,917	70,029,167
Short-term portion of long-term financial liabilities			
Related parties			
- Lease liabilities	4, 21	5,961,458	11,260,714
Other parties			
- Bank borrowings	4	521,020,203	167,824,796
- Lease liabilities	4	1,780,385	3,363,004
Trade payables			
- Related parties	5, 21	58,740,948	80,229,217
- Other parties	5	1,534,723,320	1,397,935,795
Payables related to employee benefits	13	42,512,667	44,957,543
Other payables			
- Other parties		12,492,644	29,161,492
Government incentives and aids	10	3,910,282	3,633,916
Deferred income	11	169,630,115	157,136,571
Profit tax liability	19	40,828,486	19,392,412
Short-term provisions			
- Provision for employee benefits	12	7,219,011	4,645,214
- Other provisions	12	47,125,342	35,450,292
TOTAL CURRENT LIABILITIES		2,496,567,778	2,025,020,133
NON-CURRENT LIABILITIES			
Long-term financial liabilities			
Related parties			
- Lease liabilities	4, 21	11,631,773	14,561,328
Other parties			
- Bank borrowings	4	543,842,147	1,026,898,224
- Lease liabilities	4	282,088	353,134
Long-term provision			
- Provision for employee benefits	12	57,900,274	50,255,628
- Other provisions	12	48,430,238	33,750,677
TOTAL NON-CURRENT LIABILITIES		662,086,520	1,125,818,991
SHAREHOLDERS' EQUITY			
1,430,077,486			
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		(49,140,792)	(46,432,579)
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
- Losses on cash flow hedging		(31,471,342)	(42,851,846)
Retained earnings		474,667,368	521,839,858
Net income for the period		830,238,758	776,443,043
TOTAL LIABILITIES AND EQUITY		4,588,731,784	4,592,005,561

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2021**

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

	Notes	<i>Current Period Unaudited 1 January - 30 September 2021</i>	<i>Current Period Unaudited 1 July - 30 September 2021</i>	<i>Prior Period Unaudited 1 January - 30 September 2020</i>	<i>Prior Period Unaudited 1 July - 30 September 2020</i>
Revenue	15	8,043,340,383	2,466,920,402	3,802,684,784	1,624,085,254
Cost of sales (-)	15	(6,600,229,241)	(2,058,538,382)	(3,059,685,023)	(1,260,614,991)
GROSS PROFIT		1,443,111,142	408,382,020	742,999,761	363,470,263
Marketing expenses (-)		(203,451,910)	(62,769,396)	(132,373,625)	(44,619,566)
General administrative expenses (-)		(122,893,758)	(41,419,906)	(86,545,627)	(28,906,818)
Research and development expenses (-)		(39,799,699)	(12,921,634)	(33,621,271)	(10,672,461)
Other income from operating activities	16	1,055,304,659	339,804,547	293,070,017	99,219,900
Other expenses from operating expenses(-)	16	(1,155,366,261)	(388,695,790)	(294,905,984)	(110,070,495)
OPERATING PROFIT		976,904,173	242,379,841	488,623,271	268,420,823
Income from investing activities		2,086,041	1,589,426	915,877	154,789
OPERATING INCOME BEFORE FINANCIAL INCOME/(EXPENSES)		978,990,214	243,969,267	489,539,148	268,575,612
Financial income	17	240,741,044	56,945,245	116,019,097	53,327,593
Financial expenses (-)	18	(174,572,206)	(54,222,471)	(190,783,151)	(71,439,417)
PROFIT BEFORE TAXATION ON INCOME		1,045,159,052	246,692,041	414,775,094	250,463,788
Taxes on income	19	(281,967,004)	(6,465,107)	(72,876,015)	(71,554,459)
Deferred tax (expense)/income	19	67,046,710	(18,449,076)	18,540,801	20,968,921
NET PROFIT FOR THE PERIOD		830,238,758	221,777,858	360,439,880	199,878,250
Earnings per share (TL)	20	0,1556	0,0416	0.0675	0.0374
Other comprehensive expenses					
Other comprehensive expense not to be reclassified to profit or (loss):					
Actuarial loss arising from defined benefits plans	12	(3,385,266)	(756,234)	(1,362,651)	(331,925)
Other comprehensive expense not to be reclassified to profit or (loss):					
Actuarial gain/loss arising from defined benefit plans, tax effect	19	677,053	151,247	299,783	73,023
Other comprehensive expense to be reclassified to profit or loss:					
Losses on cash flow hedging		15,174,005	(6,209,624)	(3,310,435)	(3,779,150)
Other comprehensive expense to be reclassified to profit or loss, tax effect:					
Losses on cash flow hedging, tax effect	19	(3,793,501)	1,552,406	728,296	831,413
Other comprehensive expense after tax		8,672,291	(5,262,205)	(3,645,007)	(3,206,639)
TOTAL COMPREHENSIVE INCOME		838,911,049	216,515,653	356,794,873	196,671,611

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

				Other accumulated comprehensive income or expense items not be reclassified to profit or loss	Other accumulated 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	Losses on cash flow hedging	Restricted profit reserves	Retained earnings	Net income 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	-	-	-	-	-	74,631,552	701,811,491	(776,443,043)	-
Dividends paid	-	-	-	-	-	(101,016,019)	(748,983,981)	-	(850,000,000)
Net profit for the year	-	-	-	-	-	-	-	830,238,758	830,238,758
Other comprehensive income									
Actuarial loss arising from defined benefits plans	-	-	-	(2,708,213)	-	-	-	-	(2,708,213)
Losses on cash flow hedging	-	-	-	-	11,380,504	-	-	-	11,380,504
Total other comprehensive (expense)	-	-	-	(2,708,213)	11,380,504	-	-	-	8,672,291
Total comprehensive income/(expense)	-	-	-	(2,708,213)	11,380,504	-	-	830,238,758	838,911,049
30 September 2021	53,369,000	39,014,356	(5,569,000)	(49,140,792)	(31,471,342)	118,969,138	474,667,368	830,238,758	1,430,077,486

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

				Other accumulated comprehensive income or expense items not be reclassified to profit or loss	Other accumulated 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	Losses on cash flow hedging	Restricted profit reserves	Retained earnings	Net income 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)
Net profit for the year	-	-	-	-	-	-	-	360,439,880	360,439,880
Other comprehensive income									
Actuarial loss arising from defined benefits plans	-	-	-	(1,062,868)	-	-	-	-	(1,062,868)
Losses on cash flow hedging	-	-	-	-	(2,582,139)	-	-	-	(2,582,139)
Total other comprehensive (expense)	-	-	-	(1,062,868)	(2,582,139)	-	-	-	(3,645,007)
Total comprehensive income/(expense)	-	-	-	(1,062,868)	(2,582,139)	-	-	360,439,880	356,794,873
30 September 2020	53,369,000	39,014,356	(5,569,000)	(44,036,782)	(49,601,779)	145,353,605	521,839,858	360,439,880	1,020,809,138

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

	Notes	<i>Current period unaudited 1 January - 30 September 2021</i>	<i>Prior period unaudited 1 January - 30 September 2020</i>
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		369,543,885	1,031,984,232
Adjustments to reconcile profit for the period:		345,789,130	295,631,702
Depreciation and amortization		115,610,901	100,435,254
Adjustments related to provision for impairment on inventories	6	(1,135,294)	2,931,609
Adjustments related to provision for employee benefits	12	11,002,171	8,386,853
Adjustments related to provision for doubtful receivables	5	235,542	824,022
Adjustments related to other provisions		26,354,611	8,411,149
Government incentives and aids		(287,946)	-
Adjustments related to interest income and expense	17, 18	(43,350,657)	38,770,523
Adjustments related to tax expense	19	214,920,294	54,335,214
Adjustments related to (gain)/loss from sales of property plant and equipment		(2,086,041)	(915,877)
Other adjustments to reconcile profit		24,525,549	82,452,955
Changes in working capital		(561,176,491)	407,039,036
Trade receivables- other parties		(51,700,041)	(18,152,132)
Trade receivables- related parties		(14,631,483)	(98,162,489)
Inventories		(488,675,882)	(79,059,999)
Other current assets		(98,235,659)	32,640,672
Other receivables		(2,828)	8,732
Prepaid expenses		(16,609,674)	(4,357,353)
Trade payables from related parties		(21,488,269)	8,127,006
Trade payables from other parties		136,787,525	466,020,391
Deferred income		12,493,544	65,493,236
Other payables		(16,668,848)	21,174,064
Payables related to employee benefits		(2,444,876)	13,306,908
Net cash provided by operating activities		614,851,397	1,063,110,618
Employee termination benefits paid	12	(4,168,994)	(2,058,844)
Taxes paid	19	(241,138,518)	(29,067,542)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of property, plant and equipment and intangible assets		2,730,092	3,363,778
Payments for purchases of property, plant and equipment and intangible assets		(171,104,459)	(61,649,046)
Proceeds from government grants		564,312	155,823
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings	4	50,000,000	1,044,500,000
Repayment of bank borrowings	4	(226,397,628)	(1,192,826,056)
Dividends paid	14	(850,000,000)	(100,000,000)
Interest paid		(87,375,265)	(113,964,028)
Interest received		137,075,330	58,168,492
Repayment of lease liabilities		(14,713,115)	(12,798,681)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)		(789,676,848)	656,934,514
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		19,787,867	5,337,430
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(769,888,981)	662,271,944
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3	1,876,062,927	745,445,410
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	3	1,106,173,946	1,407,717,354

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE COMPANY

Türk Traktör ve Ziraat Makineleri A.Ş. (the “Company”) was established in 1954 in Ankara, as Minneapolis Moline Türk Traktör ve Ziraat Makineleri A.Ş. to undertake the manufacturing and trade of farm tractors, harvesters and other agricultural machinery and equipment. The name of the Company was changed as Türk Traktör Ziraat Makineleri A.Ş. in 1968 upon the purchase of 25% of the shares held by Ege Makina ve Ticaret A.Ş., a group company of the Koç Holding A.Ş. (“Koç Holding”). As of 30 September 2021, major shareholders of the Company are Koç Holding and CNHI Osterreich GmbH (“CNHI Osterreich”) (Note 14). The number of personnel working within the Company as of 30 September 2021 is 2,901 (Permanent: 2,678, temporary: 223) (31 December 2020: 2,834 (Permanent 2,078, temporary 756)). The average number of personnel working within the Company for the period is 2,833 (31 December 2020: 2,383).

The Company conducts marketing and selling activities in the domestic market, through its 131 tractor sales dealers, 147 spare part dealers and 42 construction equipment dealers (31 December 2020: 124 tractor sales dealers, 134 spare part dealers, 42 construction equipment dealers).

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

The Company is registered in Turkey in the following address:

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

As of 30 September 2021, 25% of the shares of the Company are quoted on Borsa Istanbul (“BIST”) (31 December 2020: 25%) (Note 14).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

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

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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

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

2.1 Basis of presentation (Continued)

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

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. The condensed interim statement of financial position of the Company at 30 September 2021 has been provided with the comparative financial information of 31 December 2020 and the statement of profit or loss, the statement of other comprehensive income, the statement of cash flows and the statement of changes in equity for the interim period between 1 January and 30 September 2021 have been provided with the comparative financial information, for the period between 1 January and 30 September 2020.

2.3 Changes in TFRS

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

The accounting policies applied in the preparation of the interim condensed financial statements as of 1 January - 30 September 2021 are consistent with those applied in the preparation of the financial statements, Except for the new and amended TFRS standards which are valid as of Turkey Financial Reporting Interpretations Committee’s (“TFRIC”) interpretations summarised below.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

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

2.3 Changes in TFRS (Continued)

a) Standards, amendments and interpretations applicable as at 30 September 2021:

- **Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the Practical expedient;** 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.
- **Amendments to 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 amendment did not have a significant impact over financial position or performance of the Company.

b) Standards, amendments and interpretations that are issued but not effective as at 30 September 2021:

- **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 amendment may not have an 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 amendment may not have an impact over financial position or performance of the Company.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

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

2.3 Changes in TFRS (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 30 September 2021:

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 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’.

The amendment may not have an impact over financial position or performance of the Company.

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The amendment may not have an impact over financial position or performance of the Company.
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. The amendment may not have an 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 30 September 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- 30 September 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.

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

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

2.5 Significant accounting estimates and judgments

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

Warranty expense provisions

The Company accounts for warranty provisions for the expenses incurred as a result of repair and maintenance activities for products produced and sold, authorised services' labour and material costs for products under the scope of the warranty terms based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period. The Company estimates ratio based on statistical information for possible future warranty services and returns of products, and calculates provision amount with respect to the products sold during the period (Note 12).

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.

The Company assess the recoverability of deferred tax assets based on business models that contain management estimations related to taxable profit for future periods. The models include key management estimations such as sales volume, sales prices and foreign exchange rates (Note 19).

Cash flow hedge transactions

As explained in Note 22, the Company uses its loans amounting to EUR11,833,333 as a hedging instrument against the Euro ("EUR")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 volume and sales prices.

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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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021

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

NOTE 3 - CASH AND CASH EQUIVALENTS

	30 September 2021	31 December 2020
Banks:		
- TRY denominated demand deposits	28,594,484	34,854,756
- TRY denominated time deposits	609,628,025	1,623,077,545
- Foreign currency denominated demand deposits	21,936,832	4,238,375
- Foreign currency denominated time deposits	453,897,630	228,260,185
	1,114,056,971	1,890,430,861

As of 30 September 2021, the weighted average effective annual interest rates for TRY, EUR and USD time deposits are 18.87 % , 0,28% and 0.70% (31 December 2020: TRY: 17.29% EUR: 1.11%).

30 September 2021 and 31 December 2020 maturities of time deposits are less than three months.

The Company has no blocked deposits as of 30 September 2021 (31 December 2020: None).

The cash and cash equivalents included in the statement of cash flows at 30 September 2021 and 31 December 2020 are as follows:

	30 September 2021	31 December 2020
Banks	1,114,056,971	1,890,430,861
Less: Interest accruals	(7,883,025)	(14,367,934)
Cash and cash equivalents	1,106,173,946	1,876,062,927

NOTE 4 - FINANCIAL LIABILITIES

	30 September 2021	31 December 2020
Short term financial liabilities		
Short term bank loans	50,622,917	70,029,167
Short-term portion of long-term bank loans	521,020,203	167,824,796
Short-term lease liabilities	7,741,843	14,623,718
	579,384,963	252,477,681
Long term financial liabilities		
Long-term bank loans	543,842,147	1,026,898,224
Long-term lease liabilities	11,913,861	14,914,462
	555,756,008	1,041,812,686

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

NOTE 4 - FINANCIAL LIABILITIES (Continued)

a) Short-term financial liabilities

Short-term bank borrowings

	Original currency		Weighted average effective interest rate p.a. (%)		TRY equivalent	
	30 September 2021	31 December 2020	30 September 2021	31 December 2020	30 September 2021	31 December 2020
TRY borrowings	50,622,917	70,029,167	19.50	7.50	50,622,917	70,029,167
					50,622,917	70,029,167

Short term portions of long term bonds

	Original currency		Weighted average effective interest rate p.a. (%)		TRY equivalent	
	30 September 2021	31 December 2020	30 September 2021	31 December 2020	30 September 2021	31 December 2020
EUR borrowings	11,246,971	14,488,965	1.83	1.92	115,995,640	130,515,145
TRY borrowings	405,024,563	37,309,651	9.72	7.97	405,024,563	37,309,651
					521,020,203	167,824,796

b) Long-term financial liabilities

Long-term bank borrowings

	Original currency		Weighted average effective interest rate p.a. (%)		TRY equivalent	
	30 September 2021	31 December 2020	30 September 2021	31 December 2020	30 September 2021	31 December 2020
EUR borrowings	3,657,286	12,833,333	3.03	2.06	37,719,417	115,601,383
TRY borrowings	506,143,244	911,324,194	9.33	8.94	506,143,244	911,324,194
Prepaid borrowing commissions for debt (*)					(20,514)	(27,353)
					543,842,147	1,026,898,224

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021

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

NOTE 4 - FINANCIAL LIABILITIES (Continued)

Redemption schedule of the long-term bank borrowings as of 30 September 2021 and 31 December 2020 are as follows:

Year	2021	2020
2022	20,627,000	449,754,502
2023	517,027,047	571,661,313
2024	6,188,100	5,482,409
	543,842,147	1,026,898,224

As of 30 September 2021; the Company has an investment loan with fixed interest rate amounting to EUR5,833,333.34, an operating loan with fixed interest rate amounting to EUR9,000,000. The EUR5,833,333.34 loan's maturity is 6 years (maturity date of 15 July 2022), with an interest and principal payment of every 6 months and with an interest rate of 0.95%. The remaining EUR6,000,000 loan's maturity is 5 years (maturity date of 14 November 2022), with principal and interest payment of every 6 months and with an interest rate of 2.60%. The EUR3,000,000 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 cash and cash equivalents from total of financial liabilities (including short-term and long-term financial debts).

The Company met these conditions as of balance sheet date.

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

	Carrying value		Fair value	
	30 September 2021	31 December 2020	30 September 2021	31 December 2020
Bank borrowings	1,115,485,267	1,264,752,187	1,067,898,748	1,210,797,953

As of 30 September 2021, fair values of the loans are determined by using the discounted cash flow method over annual average effective discount rates which is 0.64% for EUR loans and 17.27% for TRY denominated bank borrowings respectively (31 December 2020: EUR 0.63%, TRY: 14.03%).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021

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

NOTE 4 - FINANCIAL LIABILITIES (Continued)

The movement of the borrowings for the years 2021 and 2020 are as follows:

	2021	2020
1 January	1,294,290,367	1,396,509,527
Borrowing received during the period	50,000,000	1,044,500,000
Cash outflows related to debt payments arising from lease agreements	(14,713,115)	(12.798.681)
Effect of new lease contracts	2,957,438	10.206.345
Principal payments	(226,397,628)	(1.192.826.056)
Change of interest accruals	(135,501)	(14.163.670)
Change of exchange rates	29,139,410	88.862.087
30 September	1,135,140,971	1.320.289.552

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

	30 September 2021	31 December 2020
Short-term trade receivables:		
Trade receivables	702,133,788	649,155,148
Notes receivables	3,468,534	4,868,452
	705,602,322	654,023,600
Less: Provision for doubtful receivables	(51,106,296)	(50,870,754)
Unearned financial income	(7,488,691)	(7,610,011)
Short-term trade receivables	647,007,335	595,542,835
Due from related parties (Note 21)	214,735,047	200,103,564
Total short-term trade receivables	861,742,382	795,646,399

As of 30 September 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 17.90%, 0.11% and 0.56% (31 December 2020: 17.10%, 0.19% and 0.56%).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 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 years 2021 and 2020 are as shown below:

	2021	2020
1 January	(50,870,754)	(50.117.763)
Cancelled/received during the year (Note 16)	992,351	617.765
Charge during the year (Note 16)	(1,227,893)	(1.441.787)
30 September	(51,106,296)	(50.941.785)
	30 September 2021	31 December 2020
Long - term trade receivables:		
Notes receivables	109,458	109,458
	109,458	109,458
	30 September 2021	31 December 2020
Trade payables:		
Trade payables	1,579,342,396	1,431,333,592
Less: Unincurred financial expense	(44,619,076)	(33,397,797)
Trade payables	1,534,723,320	1,397,935,795
Due to related parties (Note 21)	58,740,948	80,229,217
Total trade payables	1,593,464,268	1,478,165,012

NOTE 6 - INVENTORIES

	30 September 2021	31 December 2020
Raw materials	672,578,170	453,966,371
Work in progress	29,201,498	15,965,272
Finished goods	214,526,804	119,210,355
Commercial goods	183,813,540	64,380,548
Spare parts	106,063,084	84,134,244
Goods in transit (*)	183,348,304	163,198,728
Provision for impairment of inventory (-)	(28,856,496)	(29,991,790)
Inventories	1,360,674,904	870,863,728

The cost of inventories recognised as expense in the current period is amounting to TRY6,136,082,822 (30 September 2020: TRY2,770,789,611).

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

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated)

NOTE 6 - INVENTORIES (Continued)

Movements of provision for impairment of inventory for the years 2021 and 2020 is as follows

	2021	2020
1 January	(29,991,790)	(30,765,907)
Cancelled/(charged) during the year for impairment of inventory	1,135,294	(2,931,608)
30 September	(28,856,496)	(33,697,515)

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

	2021	2020
Raw materials	(25,262,410)	(27,276,099)
Commercial goods	(2,393,607)	(5,220,937)
Spare parts	(1,200,479)	(1,200,479)
30 September	(28,856,496)	(33,697,515)

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2021	Additions	Disposals	Transfers	30 September 2021
<u>Cost</u>					
Land	52,418,380	-	-	-	52,418,380
Land improvements	19,005,606	401,628	-	-	19,407,234
Buildings	251,573,287	9,022,514	-	3,087,167	263,682,968
Machinery and equipment	779,299,242	87,010,970	(6,166,608)	-	860,143,604
Special costs	6,664,109	-	-	-	6,664,109
Motor vehicles	13,652,760	4,836,099	(1,760,389)	-	16,728,470
Furniture and fixtures	105,024,829	8,010,667	(424,567)	-	112,610,929
Construction in progress	5,375,103	404,175	-	(3,261,134)	2,518,144
	1,233,013,316	109,686,053	(8,351,564)	(173,967)	1,334,173,838
<u>Accumulated depreciation</u>					
Land improvements	6,499,963	451,075	-	-	6,951,038
Buildings	71,432,223	4,277,926	-	-	75,710,149
Machinery and equipment	505,983,044	49,373,093	(6,095,793)	-	549,260,344
Special costs	5,685,054	271,079	-	-	5,956,133
Motor vehicles	3,902,876	2,125,894	(1,193,801)	-	4,834,969
Furniture and fixtures	85,426,355	6,419,075	(417,919)	-	91,427,511
	678,929,515	62,918,142	(7,707,513)	-	734,140,144
Net book value	554,083,801				600,033,694

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2020	Additions	Disposals	Transfers	30 September 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	866,329	-	1,756,968	247,500,010
Machinery and equipment	759,230,922	7,221,849	(754,667)	-	765,698,104
Special costs	6,664,109	-	-	-	6,664,109
Motor vehicles	10,402,866	1,824,725	(2,599,945)	-	9,627,646
Furniture and fixtures	99,378,769	2,023,828	(154,575)	-	101,248,022
Construction in progress	6,423,547	1,414,808	-	(1,756,968)	6,081,387
	1,197,932,114	13,479,746	(3,509,187)	-	1,207,902,673
<u>Accumulated depreciation</u>					
Land improvements	5,912,064	440,656	-	-	6,352,720
Buildings	66,063,267	4,006,124	-	-	70,069,391
Machinery and equipment	457,986,162	37,367,014	(590,624)	-	494,762,552
Special costs	5,150,356	415,287	-	-	5,565,643
Motor vehicles	2,888,376	1,103,247	(319,768)	-	3,671,855
Furniture and fixtures	75,255,515	8,228,992	(150,894)	-	83,333,613
	613,255,740	51,561,320	(1,061,286)	-	663,755,774
Net book value	584,676,374				544,146,899

Allocation of the depreciation expenses of property, plant and equipment as of 30 September 2021 and 2020 is as follows:

	30 September 2021	30 September 2020
Cost of sales	44,757,221	35,477,560
General administrative expenses	11,066,224	10,203,296
Marketing, sales and distribution expenses	3,735,121	3,051,978
Research and development expenses	3,359,576	2,828,486
	62,918,142	51,561,320

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 30 September 2021 (31 December 2020: None).

There is not mortgage on property, plant and equipment as of 30 September 2021 (31 December 2020: None).

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated)

NOTE 8 - RIGHT OF USE ASSETS

	1 January 2021	Additions	Disposals (*)	30 September 2021
Cost				
Land and buildings	12,851,727	1,224,199	-	14,075,926
Machinery	15,980,365	235,448	(478,128)	15,737,685
Vehicles	20,118,064	1,497,790	(264,117)	21,351,737
	48,950,156	2,957,437	(742,245)	51,165,348
Accumulated amortization				
Land and buildings	5,554,166	3,000,023	-	8,554,189
Machinery	8,489,837	2,722,239	(478,128)	10,733,948
Vehicles	9,377,241	4,233,771	(264,117)	13,346,895
	23,421,244	9,956,033	(742,245)	32,635,032
Net book value -	25,528,912			18,530,316

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

	1 January 2020	Additions	Disposals	30 September 2020
Cost				
Land and buildings	12,790,937	5,325,284	(4,263,939)	13,852,282
Machinery	14,078,774	-	(217,701)	13,861,073
Vehicles	12,725,125	4,881,062	-	17,606,187
	39,594,836	10,206,346	(4,481,640)	45,319,542
Accumulated amortization				
Land and buildings	4,333,770	4,433,275	(2,186,634)	6,580,411
Machinery	4,679,223	2,672,801	(56,270)	7,295,754
Vehicles	4,703,443	3,953,969	-	8,657,412
	13,716,436	11,060,045	(2,242,904)	22,533,577
Net book value	25,878,400			22,785,965

Allocation of the depreciation expenses of right of use assets as of 30 September 2021 and 2020 is as follows:

	30 September 2021	30 September 2020
Marketing, sales and distribution expenses	5,228,709	5,880,920
Cost of sales	3,090,880	3,730,540
General and administrative expenses	871,968	692,425
Research and development expenses	764,476	756,160
	9,956,033	11,060,045

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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NOTE 9 - INTANGIBLE ASSETS

	1 January 2021	Additions	Disposals	Transfers	30 September 2021
<u>Cost</u>					
Rights	126,703,178	11,689,934	-	173,967	138,567,079
Development costs	326,384,464	-	-	19,612,322	345,996,786
Development costs in progress	92,216,127	54,534,125	-	(19,612,322)	127,137,930
	545,303,769	66,224,059	-	173,967	611,701,795
<u>Accumulated amortization</u>					
Rights	63,225,818	15,228,796	-	-	78,454,614
Development costs	145,332,436	32,313,584	-	-	177,646,020
	208,558,254	47,542,380	-	-	256,100,634
Net book value	336,745,515				355,601,161

	1 January 2020	Additions	Disposals	Transfers	30 September 2020
<u>Cost</u>					
Rights	103,908,396	8,459,021	-	-	112,367,417
Development costs	294,798,630	-	-	15,625,597	310,424,227
Development costs in progress	51,580,173	43,694,303	-	(15,625,597)	79,648,879
	450,287,199	52,153,324	-	-	502,440,523
<u>Accumulated amortization</u>					
Rights	47,586,598	11,268,594	-	-	58,855,192
Development costs	106,982,391	30,529,318	-	-	137,511,709
	154,568,989	41,797,912	-	-	196,366,901
Net book value	295,718,210				306,073,622

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

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021

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

NOTE 9 - INTANGIBLE ASSETS (Continued)

Allocation of the amortization expenses of intangible assets for the years ended at 30 September 2021 and 2020 is as follows:

	30 September 2021	30 September 2020
Research and development expenses	28,201,384	27,058,419
Cost of sales	11,133,039	8,237,926
Construction in progress	4,805,655	3,984,023
General administrative expenses	2,711,433	2,006,333
Marketing, selling and distribution expenses	690,869	511,211
	47,542,380	41,797,912

NOTE 10 - OTHER ASSETS AND LIABILITIES

	30 September 2021	31 December 2020
a) Other current assets:		
Deferred value added tax ("VAT")	108,502,798	65,093,377
Reclaimed VAT	81,255,815	45,821,989
	189,758,613	110,915,366

	30 September 2021	31 December 2020
b) Government grants and aids:		
Government grants and aids	3,910,282	3,633,916
	3,910,282	3,633,916

NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME

	30 September 2021	31 December 2020
a) Prepaid expenses:		
Prepaid expenses for future months	2,571,852	893,204
	2,571,852	893,204

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME (Continued)

	30 September 2021	31 December 2020
b) Long-term prepaid expenses		
Advances given for purchases of fixed assets	17,180,874	2,249,848
	17,180,874	2,249,848
c) Deferred income:		
Advances received (*)	161,009,610	143,628,518
Deferred income (**)	8,620,505	13,508,053
	169,630,115	157,136,571

(*) As of 30 September 2021, it consists of tractor order advances received.

(**) Deferred income represents the sales amount of the tractors for which the invoices were issued as of 30 september 2021 and 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 LIABILITIES AND CONTINGENT ASSETS**a) Short - term provisions****Short - term provision for employee benefits**

	30 September 2021	31 December 2020
Provision for unused vacation	7,219,011	4,645,214
	7,219,011	4,645,214

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

	2021	2020
1 January	4,645,214	1,688,128
Charge/(used) for the year, net	2,573,797	2,059,478
30 September	7,219,011	3,747,606

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021

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

a) Short - term provisions (Continued)

Other short-term provisions

	30 September 2021	31 December 2020
Warranty expense provisions	33,346,166	22,754,191
Provision for legal cases	13,779,176	12,696,101
	47,125,342	35,450,292

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

	2021	2020
1 January	12,696,101	9,248,815
Charge for the period (Note 16)	8,024,323	3,145,564
Cancelled provision for the period (Note 16)	(6,941,248)	(2,873,048)
30 September	13,779,176	9,521,331

b) Long-term provisions

Long-term provision for employee benefits

	30 September 2021	31 December 2020
Provision for employee termination benefits	57,900,274	50,255,628
	57,900,274	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 principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TRY8,284.51 (31 December 2020: TRY7,117.17) which is effective from 1 September 2021 has been taken into consideration in calculating the provision for employee termination benefits of the Company.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

	30 September 2021	31 December 2020
Inflation rate (%)	8,00	8.00
Interest rate (%)	13,00	13.00
Turnover rate to estimate the probability of retirement (%)	92,94	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 maximum amount of TRY8,284.51 (1 January 2020: TRY 7,638.96) which is effective from 1 July 2021 has been taken into consideration in calculating the provision for employee termination benefits of the Company.

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

	2021	2020
1 January	50,255,628	39,946,649
Interest cost	4,899,924	3,595,198
Service cost	3,528,450	2,732,177
Paid during the period	(4,168,994)	(2,058,844)
Actuarial loss	3,385,266	1,362,651
30 September	57,900,274	45,577,831

Sensitivity analysis of key assumptions used for termination benefits calculations as at 30 September 2021 are as follows:

Sensitivity level	Net discount rate		Turnover related to the probability of retirement	
	0,5% decrease (%4.13)	0,5% increase (%5.13)	0,5% decrease (%92.44)	0,5% increase (%93.44)
Rate				
Change in employee benefits liability	(3,117,989)	2,832,365	796,892	(849,893)

Other long-term provisions

	30 September 2021	31 December 2020
Warranty provision	48,430,238	33,750,677
	48,430,238	33,750,677

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

	2021	2020
1 January	56,504,868	33,068,681
Used during the period	(43,458,550)	(1,682,236)
Charge for the period	68,730,086	9,820,868
30 September	81,776,404	41,207,313

c) Contingent liabilities

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

As of 30 September 2021 and 31 December 2020; the Company's guarantee/pledge/mortgage positions are as follows:

	30 September 2021	31 December 2020
A. The total amount of collaterals given on behalf of its own legal entity	208,313,624	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	-	-
	208,313,624	188,074,388

As at 30 September 2021, the foreign currency collaterals amounts to EUR2,006,350 (31 December 2020: EUR2,006,350).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 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	
	30 September 2021			31 December 2020			30 September 2021	31 December 2020
	EUR	USD	TRY	EUR	USD	TRY		
Letters of guarantees received	-	270,000	628,246,172	-	270,000	552,671,672	630,633,863	554,653,607
Direct debit	-	-	1,031,506,171	-	-	778,466,671	1,031,506,171	778,466,671
Mortgages	-	-	438,714	-	-	438,714	438,714	438,714
Cash TL guarantees	-	-	623,174	-	-	1,140,874	623,174	1,140,874
Guarantee bonds	-	-	2,445,441	-	-	1,560,000	2,445,441	1,560,000
							1,665,647,363	1,336,259,866

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021

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

NOTE 13- PROVISION FOR EMPLOYEE BENEFITS

Liabilities for employee benefits

	30 September 2021	31 December 2020
Accrued premiums and liabilities to personnel	29,668,451	28,700,281
Taxes payable and liabilities (*)	12,844,216	16,257,262
	42,512,667	44,957,543

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

NOTE 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 53,369,000 units of shares each Kr 1 nominal value. The nominal value of share capital is TRY53,369,000.

The composition of the Company's statutory share capital at 30 September 2021 and 31 December 2020 are as follows:

	30 September 2021		31 December 2020	
	Participation (%)	Share amount (TRY)	Participation (%)	Share amount (TRY)
Koç Holding	37.50	20,013,375	37.50	20,013,375
CNH Industrial Osterreich	37.50	20,013,375	37.50	20,013,375
Public quotation in 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 30 September 2021, 25% of the Company shares are quoted at BIST (31 December 2020: 25%).

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

NOTE 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 January 1, 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 January 1, 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 arising due to implementing the communiqué (such as inflation adjustment differences) shall be disclosed as follows:

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

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

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

Dividend distribution

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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NOTE 14 - SHAREHOLDERS' EQUITY (Continued)

Dividend distribution (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 proposal for the distribution of the dividend in the amount of TRY850,000,000 from the profit of 2020 was accepted at the 67th Ordinary General Assembly Meeting dated March 22, 2021. It has been paid to shareholders in cash as of 25 March 2021. The dividend distributed per share is 15.93 kuruş ("Kr").

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated)

NOTE 15 - SALES AND COST OF SALES

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Domestic sales	6,659,899,234	1,951,530,838	2,627,330,771	1,169,241,152
Export sales	2,440,583,979	790,368,347	1,587,461,272	634,410,659
Sales income (gross)	9,100,483,213	2,741,899,185	4,214,792,043	1,803,651,811
Less: Discount and returns	(1,057,142,830)	(274,978,783)	(412,107,259)	(179,566,557)
Sales income (net)	8,043,340,383	2,466,920,402	3,802,684,784	1,624,085,254
Cost of sales	(6,600,229,241)	(2,058,538,382)	(3,059,685,023)	(1,260,614,991)
Gross profit	1,443,111,142	408,382,020	742,999,761	363,470,263

Sales volume:

	1 January - 30 September 2021			1 January - 30 September 2020		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Tractor	24,201	11,366	35,567	13,210	8,990	22,200
Harvester	384	-	384	117	-	117
	24,585	11,366	35,951	13,327	8,990	22,317

NOTE 16 - OTHER OPERATING INCOME/ (EXPENSES)

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Foreign exchange gain from trade receivable/ payables	808,559,150	251,282,094	238,016,870	84,846,908
Financial income from credit sales	205,733,018	82,296,460	27,604,915	7,962,107
Reversal of provision for doubtful receivables (Note 5)	992,351	143,011	617,765	56,778
Reversal of provision for litigation expenses (Note 12)	6,941,248	377,270	2,873,048	(20,852)
Other income	33,078,892	5,705,712	23,957,419	6,374,959
Other operating income	1,055,304,659	339,804,547	293,070,017	99,219,900
Foreign exchange loss from trade receivable/ payables	(833,456,381)	(257,235,706)	(257,489,196)	(100,643,872)
Financial expense on credit purchases	(311,032,629)	(130,974,996)	(32,829,437)	(10,003,396)
Provision for litigation expenses (Note 12)	(8,024,323)	(414,645)	(3,145,564)	580,956
Provision for doubtful receivables (Note 5)	(1,227,893)	(70,443)	(1,441,787)	(4,183)
Other expenses	(1,625,035)	-	-	-
Other operating expenses	(1,155,366,261)	(388,695,790)	(294,905,984)	(110,070,495)

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021

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NOTE 17 - FINANCIAL INCOME

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Interest income	130,590,421	26,975,205	61,029,836	25,092,834
Foreign exchange gain	110,150,623	29,970,040	54,989,261	28,234,759
Financial income	240,741,044	56,945,245	116,019,097	53,327,593

NOTE 18 - FINANCIAL EXPENSE

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Interest expenses of bank loans	(87,239,764)	(26,211,786)	(99,800,359)	(28,231,622)
Foreign exchange loss	(85,515,060)	(27,327,206)	(86,525,371)	(42,818,662)
Other	(1,817,382)	(683,479)	(4,457,421)	(389,133)
Financial expenses	(174,572,206)	(54,222,471)	(190,783,151)	(71,439,417)

NOTE 19 - TAX ASSETS AND LIABILITIES

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

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

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 100% from 40% with the amendment made to the 10th article of the Tax Law numbered 5520 as a result of the amendment in the 35th article of the Law 5746 related to the Support of Research and Development Operations.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021

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NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

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 30 September 2021 and 2020, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	30 September 2021	31 December 2020
Corporate tax expenses	281,967,004	30,299,815
Less: Prepaid taxes	(241,138,518)	(10,907,403)
Tax liability	40,828,486	19,392,412

The breakdown of total tax expense for the periods ended 30 September 2021 and 2020 are as follows:

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Corporate tax expense	(281,967,004)	(6,465,107)	(72,876,015)	(71,554,459)
Deferred tax income/(expense)	67,046,710	(18,449,076)	18,540,801	20,968,921
Total tax expense	(214,920,294)	(24,914,183)	(54,335,214)	(50,585,538)

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.

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NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) at 30 September 2021 and 2020 are as follows:

	Temporary differences		Deferred tax assets/ (liabilities)	
	30 September 2021	31 December 2020	30 September 2021	31 December 2020
Property, plant and equipment and intangible assets, restatement and useful life differences	311,982,442	331,074,341	(62,396,488)	(72,836,355)
Provision for employee termination benefits	(57,900,274)	(50,255,628)	11,580,055	11,056,238
Warranty provision	(81,776,404)	(56,504,868)	16,355,281	12,431,071
Provision for lawsuits	(13,779,176)	(12,696,101)	2,755,835	2,793,142
Unearned finance income/ expenses on trade receivables, payables and due from related parties, net	15,803,101	23,895,808	(3,950,775)	(5,257,078)
Provision for doubtful receivables	(235,541)	(752,991)	47,108	165,658
Provision for inventories	(28,856,496)	(29,991,790)	5,771,299	6,598,194
Sales premium accrued	(267,342,639)	(24,615,876)	66,835,660	5,415,493
Other expense provisions	(28,801,974)	(4,645,214)	5,760,395	1,021,947
Investment incentive tax assets	47,327,971	131,541,901	14,198,391	39,462,570
Deferred income	(30,036,788)	(13,363,814)	6,007,358	2,940,039
Other	(25,614,890)	(1,663,253)	5,122,977	365,915
Deferred tax assets			68,087,096	4,156,834

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

	2021	2020
1 January	4,156,834	71,324,643
Charged to profit for the period	67,046,710	18,540,801
Charged to other comprehensive income/(expense)	(3,116,448)	1,028,079
30 September	68,087,096	90,893,523

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

	1 January - 30 September 2021	1 January - 30 September 2020
Profit before tax	1,045,159,052	414.775.094
Tax calculated at enacted tax rate	261,289,763	91.250.521
Investment incentives	(33,114,553)	(30.259.570)
Research and development incentives	(13,633,531)	(8.590.474)
Disallowable expenses	1,989,239	53.663
Other	(1,610,624)	1.881.074
Total tax expense	214,920,294	54.335.214

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021

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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 Kuruş (“Kr”).

	1 January - 30 September 2021	1 January - 30 September 2020
Net profit for the period	830,238,758	360,439,880
Weighted average number of the ordinary shares	5,336,900,000	5,336,900,000
Earnings per share (TRY)	0.1556	0.0675

There is no difference between basic and diluted earnings per share in any period.

NOTE 21 - RELATED PARTY DISCLOSURES

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

Summary of the intercompany balances as of 30 September 2021 and 31 December 2020 and significant intercompany transactions are as follows:

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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NOTE 21 - RELATED PARTY DISCLOSURES (Continued)**i) Balances with related parties as of 30 September 2021 and 31 December 2020:****a) Bank deposits and borrowings**

	30 September 2021	31 December 2020
Due from group companies		
CNHI International SA ("CNHI International") (*)	184,127,554	173,147,157
CNH Industrial Argentina SA	21,328,940	15,853,074
CNHI Italia SPA ("CNHI Italia")	4,846,460	6,145,363
CNH Industrial Brasil Ltda	2,011,602	2,055,259
CNH Industrial (India) Pvt. Ltd.	368,692	1,015,602
Other	2,051,799	1,887,109
	214,735,047	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.

b) Due from related parties

	30 September 2021	31 December 2020
Koç Holding	849,270	2,510,006
Due to shareholders	849,270	2,510,006
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer")	32,131,336	45,530,678
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. ("Opet Fuchs")	18,514,613	13,823,295
Opet Petrolcülük A.Ş. ("Opet")	2,600,454	309,537
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ("Koç Sistem")	2,462,021	3,982,201
Otokoç Otomotiv San. ve Tic. A.Ş. ("Otokoç")	1,102,733	2,852,476
Akpa Dayanımlı Tüketim LPG ve Akaryakıt Ürünleri Paz. A.Ş. ("Akpa")	650,997	777,728
Setur Servis Turistik A.Ş. ("Setur")	208,570	1,022,137
Ram Sigorta Aracılık Hizmetleri A.Ş. ("Ram Sigorta")	169,399	35,220
Divan Turizm İşletmeleri ("Divan")	6,046	13,499
Koç Digital Çözümler A.Ş.	13,884	1,284,536
Koçtaş Yapı Marketleri A.Ş. ("Koçtaş")	125	2,364,267
Fpt Industrial Powertrain Technology	-	4,754,639
Other	967,732	1,809,363
Due to group companies	58,827,910	78,559,576
Less: Unincurred financial expenses	(936,232)	(840,365)
	58,740,948	80,229,217

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated)

NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

c) Lease liabilities to related parties

	30 September 2021	31 December 2020
Zer	9,362,088	12,279,314
Otokoç	8,170,399	13,144,302
Other	60,744	398,426
	17,593,231	25,822,042

ii) Significant sales and purchases transactions with related parties for the periods between:

a) Product sales to related parties

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Product sales to group companies:				
CNHI International (*)	2,344,248,555	766,423,279	1,557,670,002	619,344,807
Yapı Kredi Finansal Kiralama A,O,	40,570,484	11,145,214	1,730,805	1,025,805
CNH Industrial Argentina SA	59,507,094	12,962,826	-	-
CNHI Italy	24,924,696	7,814,166	11,213,199	5,422,129
CNHI Brasil	9,574,333	2,646,669	3,832,080	1,653,232
Iveco Argentina S,A,	-	-	4,199,572	2,500,127
Other	5,656,889	1,626,747	4,525,119	1,524,026
	2,484,482,051	802,618,901	1,583,170,777	631,470,126

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

b) Service sales to related parties

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Service sales to group companies				
CNHI International (1)	1,499,960	499,095	2,497,752	1,239,579
CNHI Italy (2)	1,376,755	1,019,650	5,367,578	1,254,406
CNH Industrial (India) PRI	17,349	-	-	(643,582)
	2,894,064	1,518,745	7,865,330	1,850,403

(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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 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 (Continued):
- c) Product purchases from related parties

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Product purchases from group companies				
CNHI International (1)	1,544,788,701	589,908,395	426,131,339	254,040,316
Opet Fuchs (2)	92,801,882	23,197,224	49,584,103	17,379,665
CNHI Industrial Italia SpA	12,725,083	5,193,466	3,204,337	2,503,326
Zer (3)	12,616,482	2,863,284	17,234,816	13,847,630
Koç Sistem	9,785,247	3,526,965	7,632,107	4,508,953
Akpa	5,054,919	2,252,411	2,288,643	863,551
Opet (2)	4,356,969	3,071,078	1,410,368	465,934
CNHI India	313,698	95,828	239,522	126,119
Other	985,331	354,041	579,435	322,649
	1,683,428,312	630,462,692	508,304,670	294,058,143

- (1) The Company purchases tractors, agricultural machineries, engine and spare parts.
(2) The Company purchases various oil for use in production and fuel for use for company vehicles
(3) The company purchases direct and indirect materials and services from Zer Merkezi Hizmetleri A.Ş..

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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(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 (Continued):

d) Service purchases from related parties

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Service purchases from shareholders				
Koç Holding (1)	5,759,303	1,573,053	4,345,703	1,280,000
	5,759,303	1,573,053	4,345,703	1,280,000
Service purchase from group companies				
Zer (2)	203,565,929	63,901,263	87,839,383	41,478,767
Eltek (3)	20,652,177	7,466,701	6,384,069	36,521
Otokoç (4)	7,139,597	2,715,028	5,028,192	1,456,999
Ram Sigorta (5)	5,484,142	900,211	2,844,589	93,673
CNHI International (6)	2,885,267	967,285	2,029,849	(260,322)
Setur (7)	1,191,483	348,477	4,265,952	17,582
Koç Sistem (8)	1,177,834	471,494	3,213,103	2,058,322
Entek (3)	-	-	6,197,483	4,622,923
Other	4,136,382	1,522,607	2,398,638	650,426
	246,232,811	78,293,066	120,201,258	50,154,891
	251,992,114	79,866,119	124,546,961	51,434,891

- (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) Service purchased from Eltek&Entek is related with electricity expenses.
- (4) Service purchased from Otokoç is related with motor vehicles leasing services.
- (5) Insurance service purchased from Ram Sigorta Aracılık Hizmetleri A.Ş. is related interim period include premium amounts paid and accrued ended on 30 September 2021.
- (6) Services purchased from CNHI International is 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 licences.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021

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

NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

- iii) **Financial income and expenses arising from transactions with related parties for the periods between 1 January - 30 September 2021 and 2020:**

Financial income and expense from group companies

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Interest income				
Yapı Kredi	2,476,412	-	6.356.694	734.803
	2,476,412	-	6.356.694	734.803

- iv) **Dividends paid to shareholders:**

	1 January - September 2021	1 January - 30 September 2020
Koç Holding	318,750,000	37,500,000
CNHI Osterreich	318,750,000	37,500,000
	637,500,000	75,000,000

- v) **Other transactions with related parties for the periods between 1 January - 30 September 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 30 September 2021, the Company paid TRY13,553,698 benefits to the key management personnel (30 September 2020: TRY10,521,933). All of this amount consists of short term benefits.

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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021

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

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

a) Market risk

Foreign currency risk

The Company is exposed to foreign exchange risks resulting from the foreign currency denominated commercial activities with the foreign companies and 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 affective foreign currency cash flow hedge relationship between EUR long term financial borrowing related with investment expenditures and highly probable EUR export sales income. In this content, the Company applied cash flow hedge accounting beginning from 1 January 2021. The related long term investment borrowings, designated as cash flow hedges and qualified as effective, are recognised in equity as “losses/gains on cash flow hedges. The amount of the related investment borrowing as of 30 September 2021 is EUR11,833,333 ((31 December 2021: 19.666.667 Avro). Another hedging instrument subject to cash flow hedge accounting is imported tractor orders and the exchange rate effect of the amount kept in the bank based on these orders. Türk Traktör imports and sells tractors in Euro. With the application put into use in 2021, the TRY price list for imported tractors was introduced. In this case, hedging started to be applied as of January 1, 2021 in order to eliminate the exchange rate risk at the time of payment on the date of sale of the Euro amount put in the cash register at the date of order. The total amount of foreign exchange losses recognized after tax in equity is TRY31,471,342 (30 September 2020: TRY49,601,779).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**NOTES TO THE CONDENSED INTERIM 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)**

The amounts of foreign currency assets, liabilities and TRY equivalents of the Company as of 30 September 2021 and 31 December 2020 are as follows:

	30 September 2021					
	TRY Equivalent	USD	EUR	GBP	CHF	YEN
1. Trade receivables	278.224.368	255.247	26.757.855	-	-	-
2. Monetary financial assets (including banks accounts)	475.834.462	2.493.637	42.637.077	64.259	13.726	165.954.825
3. Other	-	-	-	-	-	-
4. Current assets (1+2+3)	754.058.830	2.748.884	69.394.933	64.259	13.726	165.954.825
5. Trade receivables	-	-	-	-	-	-
6. Other	-	-	-	-	-	-
7. Non-current assets (5+6)	-	-	-	-	-	-
8. Total assets (4+7)	754.058.830	2.748.88	69.394.933	64.259	13.726	165.954.825
9. Trade payables	261.504.794	3.431.746	18.444.534	126.291	-	497.590.246
10. Financial liabilities	121.155.956	-	11.747.317	-	-	-
11. Other monetary liabilities	11.966.475	-	1.160.273	-	-	-
12. Current liabilities (9+10+11)	394.627.225	3.431.746	31.352.124	126.291	-	497.590.246
13. Financial liabilities	44.367.547	-	4.301.890	-	-	-
14. Non-current liabilities (13)	44.367.547	-	4.301.890	-	-	-
15. Total liabilities (12+14)	438.994.772	3.431.746	35.654.015	126.291	-	497.590.246
16. Cash flow hedge accounting amounts	122.043.083	-	11.833.333	-	-	-
17. Fair value of hedged funds of foreign currency (16+18)	437.107.141	(682.862)	45.574.251	(62.032)	13.726	(331.635.421)
18. Net monetary foreign currency asset/ (liability) position (8-15)	315.064.058	682.862)	33.740.918	(62.032)	13.726	(331.635.421)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**NOTES TO THE CONDENSED INTERIM 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. Trade receivables	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)	430,118,4218	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	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	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.

**NOTES TO THE CONDENSED INTERIM 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 30 September 2021 and 2020 are as follows:

	1 January 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Total export amount	2,440,583,979	790,368,347	1,587,461,272	634,410,659
Total import amount	2,918,646,897	1,009,113,527	1,014,881,312	486,782,757

The Company is exposed to foreign exchange risk primarily with respect to EUR and USD. The effect of the Company's EUR and USD foreign currency position as of 30 September 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:

	30 September 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	(603,875)	603,875	-	-
Hedged amount against USD risk (-)			-	-
Net effect of USD	(603,875)	603,875	-	-
Had TRY appreciate/ (depreciate) by 10% against EUR				
Profit/ (loss) from EUR net liability position	34,798,696	(34,798,696)	9,153,231	(9,153,231)
Hedged amount against EUR risk (-)	858,356	(858,356)	8,294,875	(8,294,875)
Net Effect of EUR	35,657,052	(35,657,052)	17,448,106	(17,448,106)
Had TRY appreciate/ (depreciate) by 10% against other				
Profit/(loss) from other net liability position	(2,957,256)	2,957,256	-	-
Hedged amount against other (-)			-	-
Net effect of other	(2,957,256)	2,957,256	-	-
Total net effect	32,095,921	(32,095,921)	17,448,106	(17,448,106)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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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.

Price risk

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

Financial instruments with fixed interest rate

	30 September 2021	31 December 2020
Time deposits (Note 3)	1,063,525,655	1,851,337,730
Financial liabilities (Note 4)	1,115,485,267	1,234,725,848
Lease liabilities (Note 4)	19,655,704	29,538,180

Financial instruments with floating interest rate

	30 September 2021	31 December 2020
Financial liabilities (Note 4)	-	30,026,339

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021

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

As of 30 September 2021, there are no floating rate financial instruments.

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.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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NOTE 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The Company's maximum exposure to credit risk as of 30 September 2021 and 31 December 2020 are as follows:

	30 September 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	214,735,047	642,184,547	-	384,463	1,114,056,971	-
Net book value of restructured financial assets, otherwise that will be considered as due dated or impaired	-	4,932,246	-	-	-	-
Net book value of impaired assets						
- Due dated (gross book value)	-	51,106,296	-	-	-	-
- Impairment (-)	-	(51,106,296)	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	214,735,047	647,116,793	-	384,463	1,114,056,971	-

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

As of 30 September 2021, the guarantee amount of the maximum exposure to credit risk is TRY1,631,873,495. Besides, all assets which are due but not impaired and are impaired are guaranteed.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**NOTES TO THE CONDENSED INTERIM 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					
	Trade receivables		Other receivables			
	Related party	Third party	Related party	Related party	Third party	Related party
Net book value of financial assets which are undue and not impaired	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 due but not impaired are guaranteed.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021

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

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.

d) 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. The total resources stated below consist of the total of shareholders' equity and net financial debt. This ratio is calculated as net financial debt divided by total shareholders' equity.

	30 September 2021	31 December 2020
Total Financial Liabilities	1,135,140,971	1,294,290,367
Less: Cash and cash equivalents (Note 3)	(1,114,056,971)	(1,890,430,861)
Net financial debt	21,084,000	(596,140,494)
Total shareholders' equity	1,430,077,486	1,441,166,437
Total liabilities	1,451,161,486	845,025,943
Net financial debt/ shareholders' equity	%1.45	%(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:

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

(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 disclosed in Note 4.

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

NOTE 23 - SUBSEQUENT EVENT

None.

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