

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2021
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

(ORIGINALLY ISSUED IN TURKISH)



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

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

Introduction

1. We have reviewed the accompanying condensed statement of financial position of Türk Traktör ve Ziraat Makineleri A.Ş. (the “Company”) as at 30 June 2021, the condensed statement of profit or loss and other comprehensive income, condensed changes in equity and condensed cash flows and other explanatory notes for the six-month period then ended (“condensed interim financial information”). The management of the Company is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with Turkish Accounting Standard 34 (“TAS 34”) “Interim Financial Reporting”. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

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



Conclusion

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

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

ORIGINALLY ISSUED IN TURKISH

Murat Sancar, SMMM
Partner

İstanbul, 9 August 2021

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONTENTS	PAGE
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION.....	1 - 2
CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	3
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY.....	4 - 5
CONDENSED INTERIM STATEMENTS OF CASH FLOWS.....	6
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	7 - 49
NOTE 1 ORGANISATION AND NATURE OF OPERATIONS OF THE COMPANY	7
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	7 - 11
NOTE 3 CASH AND CASH EQUIVALENTS.....	12
NOTE 4 FINANCIAL LIABILITIES.....	12 - 15
NOTE 5 TRADE RECEIVABLES AND PAYABLES.....	15 - 16
NOTE 6 INVENTORIES	16 - 17
NOTE 7 PROPERTY, PLANT AND EQUIPMENT	17 - 18
NOTE 8 RIGHT OF USE ASSET	19
NOTE 9 INTANGIBLE ASSETS	20 - 21
NOTE 10 OTHER ASSETS AND LIABILITIES	21
NOTE 11 PREPAID EXPENSES AND DEFERRED INCOME.....	21 - 22
NOTE 12 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	22 - 26
NOTE 13 PROVISIONS FOR EMPLOYEE BENEFITS	27
NOTE 14 SHAREHOLDERS' EQUITY	27 - 29
NOTE 15 SALES AND COST OF SALES.....	30
NOTE 16 OTHER OPERATING INCOME/ (EXPENSES)	30
NOTE 17 FINANCIAL INCOME.....	31
NOTE 18 FINANCIAL EXPENSE.....	31
NOTE 19 TAX ASSETS AND LIABILITIES	31 - 33
NOTE 20 EARNINGS PER SHARE	34
NOTE 21 RELATED PARTY DISCLOSURES	34 - 39
NOTE 22 FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS.....	39 - 49
NOTE 23 SUBSEQUENT EVENTS.....	49

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

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

	Notes	<i>Reviewed</i> 30 June 2021	<i>Audited</i> 31 December 2020
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	1,446,478,495	1,890,430,861
Trade receivables			
- Related parties	5, 21	334,566,348	200,103,564
- Other parties	5	669,043,390	595,542,835
Inventories	6	1,049,563,166	870,863,728
Prepaid expenses	11	3,781,179	893,204
Other current assets	10	173,543,656	110,915,366
TOTAL CURRENT ASSETS		3,676,976,234	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	580,128,001	554,083,801
Right of use assets	8	21,772,947	25,528,912
Intangible assets	9	350,524,703	336,745,515
Prepaid expenses	11	13,666,658	2,249,848
Deferred tax assets	19	84,832,519	4,156,834
TOTAL NON-CURRENT ASSETS		1,051,418,749	923,256,003
TOTAL ASSETS		4,728,394,983	4,592,005,561

The condensed financial statements prepared as at and for the period ended 30 June 2021 have been approved by the Board of Directors on 9 August 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 JUNE 2021**

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

	Notes	<i>Reviewed</i> 30 June 2021	<i>Audited</i> 31 December 2020
LIABILITIES			
CURRENT LIABILITIES			
Short-term financial liabilities			
Other parties			
- Bank borrowings	4	-	70,029,167
Short-term portion of long-term financial liabilities			
Related parties			
- Lease liabilities	4, 21	7,449,768	11,260,714
Other parties			
- Bank borrowings	4	521,744,374	167,824,796
- Lease liabilities	4	2,224,868	3,363,004
Trade payables			
- Related parties	5, 21	90,406,558	80,229,217
- Other parties	5	1,664,651,584	1,397,935,795
Payables related to employee benefits	13	35,319,515	44,957,543
Other payables			
- Other parties		48,416,409	29,161,492
Government incentives and aids	10	3,910,282	3,633,916
Deferred income	11	218,328,941	157,136,571
Profit tax liability	19	170,168,517	19,392,412
Short-term provisions			
- Provision for employee benefits	12	9,518,093	4,645,214
- Other provisions	12	45,256,766	35,450,292
TOTAL CURRENT LIABILITIES		2,817,395,675	2,025,020,133
NON-CURRENT LIABILITIES			
Long-term financial liabilities			
Related parties			
- Lease liabilities	4, 21	13,893,660	14,561,328
Other parties			
- Bank borrowings	4	580,484,437	1,026,898,224
- Lease liabilities	4	336,942	353,134
Long-term provision			
- Provision for employee benefits	12	56,238,128	50,255,628
- Other provisions	12	46,484,308	33,750,677
TOTAL NON-CURRENT LIABILITIES		697,437,475	1,125,818,991
SHAREHOLDERS' EQUITY			
1,213,561,833			
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		(48,535,805)	(46,432,579)
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
- Losses on cash flow hedging		(26,814,124)	(42,851,846)
Retained earnings		474,667,368	521,839,858
Net income for the period		608,460,900	776,443,043
TOTAL LIABILITIES AND EQUITY		4,728,394,983	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 JUNE 2021**

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

	Notes	Reviewed 1 January - 30 June 2021	1 April - 30 June 2021	Reviewed 1 January - 30 June 2020	1 April - 30 June 2020
Revenue	15	5,576,419,981	2,892,489,201	2,178,599,530	987,998,308
Cost of sales (-)	15	(4,541,690,859)	(2,359,379,592)	(1,799,070,032)	(809,908,979)
GROSS PROFIT		1,034,729,122	533,109,609	379,529,498	178,089,329
Marketing expenses (-)		(140,682,514)	(74,670,401)	(87,754,059)	(36,792,283)
General administrative expenses (-)		(81,473,852)	(42,410,931)	(57,638,809)	(29,031,820)
Research and development expenses (-)		(26,878,065)	(12,647,647)	(22,948,810)	(11,496,759)
Other income from operating activities	16	715,500,112	443,229,774	193,850,117	57,185,275
Other expenses from operating expenses(-)	16	(766,670,471)	(482,704,998)	(184,835,489)	(52,585,686)
OPERATING PROFIT		734,524,332	363,905,406	220,202,448	105,368,056
Income from investing activities		496,615	512,435	761,088	150,881
OPERATING INCOME BEFORE FINANCIAL INCOME/(EXPENSES)		735,020,947	364,417,841	220,963,536	105,518,937
Financial income	17	183,795,799	69,134,453	62,691,504	32,460,002
Financial expenses (-)	18	(120,349,735)	(55,982,452)	(119,343,734)	(55,654,495)
PROFIT BEFORE TAXATION ON INCOME		798,467,011	377,569,842	164,311,306	82,324,444
Taxes on income	19	(275,501,897)	(153,888,091)	(1,321,556)	2,477,720
Deferred tax (expense)/income	19	85,495,786	36,521,239	(2,428,120)	(8,234,950)
NET PROFIT FOR THE PERIOD		608,460,900	260,202,990	160,561,630	76,567,214
Earnings per share (TRY)	20	0.1140	0.0488	0.0301	0.0144
Other comprehensive expenses					
Other comprehensive expense not to be reclassified to profit or (loss):					
Actuarial loss arising from defined benefits plans	12	(2,629,032)	(2,999,133)	(1,030,726)	(520,308)
Other comprehensive expense not to be reclassified to profit or (loss):					
Actuarial gain/loss arising from defined benefit plans, tax effect	19	525,806	599,826	226,760	114,468
Other comprehensive expense to be reclassified to profit or loss:					
Losses on cash flow hedging		21,383,629	11,863,502	468,715	1,349,871
Other comprehensive expense to be reclassified to profit or loss, tax effect:					
Losses on cash flow hedging, tax effect	19	(5,345,907)	(3,441,882)	(103,117)	(296,971)
Other comprehensive income/(expense) after tax		13,934,496	6,022,313	(438,368)	647,060
TOTAL COMPREHENSIVE INCOME		622,395,396	266,225,303	160,123,262	77,214,274

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

				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	-	-	-	-	-	84,733,155	691,709,888	(776,443,043)	-
Dividends paid	-	-	-	-	-	(111,117,622)	(738,882,378)	-	(850,000,000)
Comprehensive income	-	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	608,460,900	608,460,900
Other comprehensive income									
Actuarial loss arising from defined benefits plans	-	-	-	(2,103,226)	-	-	-	-	(2,103,226)
Losses on cash flow hedging	-	-	-	-	16,037,722	-	-	-	16,037,722
Total other comprehensive (expense)	-	-	-	(2,103,226)	16,037,722	-	-	-	13,934,496
Total comprehensive income/(expense)	-	-	-	(2,103,226)	16,037,722	-	-	608,460,900	622,395,396
30 June 2021	53,369,000	39,014,356	(5,569,000)	(48,535,805)	(26,814,124)	118,969,138	474,667,368	608,460,900	1,213,561,833

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD ENDED 30 JUNE 2020**

(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)	
Comprehensive income										
Net profit for the year	-	-	-	-	-	-	-	160,561,630	160,561,630	
Other comprehensive income										
Actuarial loss arising from defined benefits plans	-	-	-	(803,966)	-	-	-	-	(803,966)	
Losses on cash flow hedging	-	-	-	-	365,598	-	-	-	365,598	
Total other comprehensive (expense)	-	-	-	(803,966)	365,598	-	-	-	(438,368)	
Total comprehensive income/(expense)	-	-	-	(803,966)	365,598	-	-	160,561,630	160,123,262	
30 June 2020	53,369,000	39,014,356	(5,569,000)	(43,777,880)	(46,654,042)	145,353,605	521,839,858	160,561,630	824,137,527	

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

	Notes	<i>Reviewed</i> 1 January - 30 June 2021	<i>Reviewed</i> 1 January - 30 June 2020
A. CASH FLOWS FROM OPERATING ACTIVITIES			
		672,870,975	392,023,311
Net income for the period		608,460,900	160,561,630
Adjustments to reconcile profit for the period:		306,022,224	163,435,567
Depreciation and amortization		76,635,206	67,232,629
Adjustments related to provision for impairment on inventories	6	(1,583,492)	2,931,608
Adjustments related to provision for employee benefits	12	10,491,795	9,013,688
Adjustments related to provision for doubtful receivables	5	308,110	876,617
Adjustments related to other provisions	12	22,540,105	3,103,217
Cash inflows from government incentives		(287,946)	-
Adjustments related to interest income and expense	17, 18	(45,427,362)	35,631,735
Adjustments related to tax expense	19	190,006,111	3,749,676
Adjustments related to (gain)/loss from sales of property plant and equipment		(496,615)	(761,088)
Other adjustments to reconcile profit		53,836,312	41,657,485
Changes in working capital		(134,013,321)	71,322,679
Trade receivables- other parties		(73,808,665)	(21,489,541)
Trade receivables- related parties		(134,462,784)	(72,989,709)
Inventories		(177,115,946)	74,998,375
Other current assets		(82,020,702)	38,982,146
Other receivables		(2,828)	8,733
Prepaid expenses		(14,304,785)	(5,708,534)
Trade payables from related parties		10,177,341	(1,586,994)
Trade payables from other parties		266,715,789	24,694,653
Deferred income		61,192,370	17,508,586
Other payables		19,254,917	12,901,115
Payables related to employee benefits		(9,638,028)	4,003,849
Net cash provided by operating activities		780,469,803	395,319,876
Employee termination benefits paid	12	(2,265,448)	(1,206,340)
Taxes paid	19	(105,333,380)	(2,090,225)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
		(108,684,264)	(33,913,987)
Proceeds from sales of property, plant and equipment and intangible assets		742,981	3,189,376
Payments for purchases of property, plant and equipment and intangible assets		(109,991,557)	(37,259,186)
Proceeds from government grants		564,312	155,823
C. CASH FLOWS FROM FINANCING ACTIVITIES			
		(999,365,106)	(251,535,635)
Proceeds from bank borrowings		4	1,044,500,000
Repayment of bank borrowings	4	(190,587,861)	(1,134,888,158)
Dividends paid	14	(850,000,000)	(100,000,000)
Interest paid		(58,773,853)	(86,805,496)
Interest received		110,119,229	33,422,311
Repayment of lease liabilities		(10,122,621)	(7,764,292)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)		(435,178,395)	106,573,689
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		(2,269,958)	1,030,256
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(437,448,353)	107,603,945
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1,876,062,927	745,445,410
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)		1,438,614,574	853,049,355

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 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 June 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 June 2021 is 2,807 (Permanent: 2,370, temporary: 437) (2020: 2,834 (Permanent 2,078, temporary 756)). The average number of personnel working within the Company for the period is 2,809 (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 2019: 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 June 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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 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 condensed interim financial statements have been prepared under historical cost conventions except for the financial assets and liabilities carried at fair value and in functional and presentation currency, Turkish Lira, of the Company. The financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS.

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 June 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 June 2021 have been provided with the comparative financial information, for the period between 1 January and 30 June 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 June 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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 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 June 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.
- **Amendments IFRS 4, ‘Insurance contracts’, deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2021. These amendments change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023. The 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 June 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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

(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 (Note 19).

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.

Cash flow hedge transactions

As explained in Note 22, the Company uses its loans amounting to EUR14,750,000 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).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 3 - CASH AND CASH EQUIVALENTS

	30 June 2021	31 December 2020
Banks:		
- TRY denominated demand deposits	36,708,179	34,854,756
- TRY denominated time deposits	940,013,921	1,623,077,545
- Foreign currency denominated demand deposits	16,309,520	4,238,375
- Foreign currency denominated time deposits	453,446,875	228,260,185
	1,446,478,495	1,890,430,861

As of 30 June 2020, the weighted average effective annual interest rates for TRY and EUR time deposits are 18.98 % and 0.73% (31 December 2020: TRY: 17.29% EUR: 1.11%).

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

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

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

	30 June 2021	31 December 2020
Banks	1,446,478,495	1,890,430,861
Less: Interest accruals	(7,863,921)	(14,367,934)
Cash and cash equivalents	1,438,614,574	1,876,062,927

NOTE 4 - FINANCIAL LIABILITIES

	30 June 2021	31 December 2020
Short term financial liabilities		
Short term bank loans	-	70,029,167
Short-term portion of long-term bank loans	521,744,374	167,824,796
Short-term lease liabilities	9,674,636	14,623,718
	531,419,010	252,477,681
Long term financial liabilities		
Long-term bank loans	580,484,437	1,026,898,224
Long-term lease liabilities	14,230,602	14,914,462
	594,715,039	1,041,812,686

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 4 - FINANCIAL LIABILITIES (Continued)

a) Short-term financial liabilities

Short-term bank borrowings

	Original currency		Weighted average effective interest rate p.a. (%)		TRY equivalent	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020
TRY borrowings	-	70,029,167	-	7.50	-	70,029,167
					-	70,029,167

Short term portions of long term bonds

	Original currency		Weighted average effective interest rate p.a. (%)		TRY equivalent	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020
EUR borrowings	11,285,014	14,488,965	1.83	1.92	116,963,523	130,515,145
TRY borrowings	404,780,851	37,309,651	8.29	7.97	404,780,851	37,309,651
					521,744,374	167,824,796

b) Long-term financial liabilities

Long-term bank borrowings

	Original currency		Weighted average effective interest rate p.a. (%)		TRY equivalent	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020
EUR borrowings	7,195,765	12,833,333	2.24	2.06	74,580,505	115,601,383
TRY borrowings	505,917,608	911,324,194	9.33	8.94	505,917,608	911,324,194
Prepaid borrowing commissions for borrowings (*)					(13,676)	(27,353)
Total					580,484,437	1,026,898,224

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 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 June 2021 and 31 December 2020 are as follows:

Year	2021	2020
2022	82,665,807	449,754,502
2023	491,543,703	571,661,313
2024	6,274,927	5,482,409
	580,484,437	1,026,898,224

As of 30 June 2020; the Company has an investment loan with fixed interest rate amounting to EUR8,749,999.80, an operating loan with fixed interest rate amounting to EUR9,600,000. The EUR8,749,999.80 loan's maturity is 6 years (maturity date of 15 July 2022), with an interest and principal payment of every 6 months and with an interest rate of 0.95%. The 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 EUR3,600,000 loan's maturity is 5 years (maturity date of 29 March 2024), with principal and interest payment of every 6 months and with an interest rate of 3.50%. In accordance with the agreement signed with respect to the investment loan used by the Company, there is an obligation of not exceeding the below mentioned rate calculated over the financial statements prepared in accordance with the Turkish Financial Reporting Standards. There is no guarantees or mortgages given for the financial liabilities obtained.

Obligation rate is;

- Net financial liability (*) / Earnings before interest, taxes, depreciation and amortization should be lower than 3.75%.

(*) Net financial liability is calculated by deducting the 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 June 2021	31 December 2020	30 June 2021	31 December 2020
Bank borrowings	1,102,228,811	1,264,752,187	1,031,505,183	1,210,797,953

As of 30 June 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%).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2021**

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

NOTE 4 - FINANCIAL LIABILITIES (Continued)

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

	2021	2020
1 January	1,294,290,367	1,396,509,527
Borrowing received during the period	-	1,044,500,000
Cash outflows related to debt payments arising from lease agreements	(10,122,621)	(7,764,292)
Effect of new lease contracts	2,957,437	9,927,996
Principal payments	(190,587,861)	(1,134,888,158)
Change of interest accruals	(585,999)	(15,236,759)
Change of exchange rates	30,182,726	39,652,296
30 June	1,126,134,049	1,332,700,610

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

	30 June 2021	31 December 2020
Short-term trade receivables:		
Trade receivables	718,778,199	649,155,148
Notes receivables	10,061,974	4,868,452
	728,840,173	654,023,600
Less: Provision for doubtful receivables	(51,178,864)	(50,870,754)
Unearned financial income	(8,617,919)	(7,610,011)
Short-term trade receivables	669,043,390	595,542,835
Due from related parties (Note 21)	334,566,348	200,103,564
Total short-term trade receivables	1,003,609,738	795,646,399

As of 30 June 2021, the average maturity of trade receivables and payables are not longer than one year and weighted average effective annual interest rates for discount of TRY, USD and EUR are 19.00%, 0.13% and 0.56% (31 December 2020: 17.10%, 0.19% and 0.56%).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 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 interim period ended 30 June 2021 and 2020 are as shown below:

	2021	2020
1 January	(50,870,754)	(50,117,763)
Cancelled/received during the year (Note 16)	849,340	560,987
Charge during the year (Note 16)	(1,157,450)	(1,437,604)
30 June	(51,178,864)	(50,994,380)

30 June 2021 31 December 2020**Long - term trade receivables:**

Notes receivables	109,458	109,458
	109,458	109,458

30 June 2021 31 December 2020**Trade payables:**

Trade payables	1,712,444,692	1,431,333,592
Less: Unincurred financial expense	(47,793,108)	(33,397,797)
Trade payables	1,664,651,584	1,397,935,795
Due to related parties (Note 21)	90,406,558	80,229,217
Total trade payables	1,755,058,142	1,478,165,012

NOTE 6 - INVENTORIES

	30 June 2021	31 December 2020
Raw materials	583,770,817	453,966,371
Work in progress	24,728,937	15,965,272
Finished goods	121,382,542	119,210,355
Commercial goods	95,926,169	64,380,548
Spare parts	106,063,084	84,134,244
Goods in transit (*)	146,099,915	163,198,728
Provision for impairment of inventory (-)	(28,408,298)	(29,991,790)
Inventories	1,049,563,166	870,863,728

The cost of inventories recognised as expense in the current period is amounting to TRY4,234,760,895 (30 June 2020: TRY1,622,272,872).

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 6 - INVENTORIES (Continued)

Movements of provision for impairment of inventory for the interim period ended 30 June 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	1,583,492	(2,931,608)
30 June	(28,408,298)	(33,697,515)

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

	2021	2020
Raw materials	(24,346,642)	(27,276,099)
Commercial goods	(2,127,797)	(5,220,937)
Spare parts	(1,933,859)	(1,200,479)
30 June	(28,408,298)	(33,697,515)

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2020	Additions	Disposals	Transfers	30 June 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	308,889	-	1,756,968	246,942,570
Machinery and equipment	759,230,922	5,587,274	(487,704)	-	764,330,492
Special costs	6,664,109	-	-	-	6,664,109
Motor vehicles	10,402,866	-	(2,599,945)	-	7,802,921
Furniture and fixtures	99,378,769	884,766	(154,575)	-	100,108,960
Construction in progress	6,423,547	1,261,246	-	(1,756,968)	5,927,825
	1,197,932,114	8,170,382	(3,242,224)	-	1,202,860,272
<u>Accumulated depreciation</u>					
Land improvements	5,912,064	294,861	-	-	6,206,925
Buildings	66,063,267	2,660,197	-	-	68,723,464
Machinery and equipment	457,986,162	25,014,233	(343,274)	-	482,657,121
Special costs	5,150,356	294,004	-	-	5,444,360
Motor vehicles	2,888,376	764,487	(319,768)	-	3,333,095
Furniture and fixtures	75,255,515	5,787,965	(150,894)	-	80,892,586
	613,255,740	34,815,747	(813,936)	-	647,257,551
Net book value	584,676,374				555,602,721

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

	30 June 2021	30 June 2020
Cost of sales	29,029,597	24,030,449
General administrative expenses	7,302,160	6,794,796
Marketing, sales and distribution expenses	2,771,566	2,092,807
Research and development expenses	2,225,758	1,897,695
	41,329,081	34,815,747

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 June 2021 (31 December 2020: None).

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 8 - RIGHT OF USE ASSETS

	1 January 2021	Additions	Disposals (*)	30 June 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	2,097,425	-	7,651,591
Machinery	8,489,837	1,758,308	(478,128)	9,770,017
Vehicles	9,377,241	2,857,669	(264,117)	11,970,793
	23,421,244	6,713,402	(742,245)	29,392,401
Net book value -	25,528,912			21,772,947

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

	1 January 2020	Additions	Disposals	30 June 2020
Cost				
Land and buildings	12,790,937	5,215,952	(4,154,607)	13,852,282
Machinery	14,078,774	-	(217,701)	13,861,073
Vehicles	12,725,125	4,712,044	-	17,437,169
	39,594,836	9,927,996	(4,372,308)	45,150,524
Accumulated amortization				
Land and buildings	4,333,770	3,111,234	(1,749,308)	5,695,696
Machinery	4,679,223	1,832,165	(56,270)	6,455,118
Vehicles	4,703,443	2,703,372	-	7,406,815
	13,716,436	7,646,771	(1,805,578)	19,557,629
Net book value-	25,878,400			25,592,895

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

	30 June 2021	30 June 2020
Marketing, sales and distribution expenses	3,609,014	3,770,239
Cost of sales	2,037,629	2,821,384
General and administrative expenses	593,192	552,652
Research and development expenses	473,567	502,496
	6,713,402	7,646,771

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 9 - INTANGIBLE ASSETS

	1 January 2021	Additions	Disposals	Transfers	30 June 2021
<u>Cost</u>					
Rights	126,703,178	7,550,598	-	173,967	134,427,743
Development costs	326,384,464	-	-	9,733,960	336,118,424
Development costs in progress	92,216,127	37,802,080	-	(9,733,960)	120,284,247
	545,303,769	45,352,678	-	173,967	590,830,414
<u>Accumulated amortization</u>					
Rights	63,225,818	10,001,131	-	-	73,226,949
Development costs	145,332,436	21,746,326	-	-	167,078,762
	208,558,254	31,747,457	-	-	240,305,711
Net book value	336,745,515				350,524,703

	1 January 2020	Additions	Disposals	Transfers	30 June 2020
<u>Cost</u>					
Rights	103,908,396	3,453,978	-	-	107,362,374
Development costs	294,798,630	-	-	14,003,644	308,802,274
Development costs in progress	51,580,173	28,243,176	-	(14,003,644)	65,819,705
	450,287,199	31,697,154	-	-	481,984,353
<u>Accumulated amortization</u>					
Rights	47,586,598	7,293,690	-	-	54,880,288
Development costs	106,982,391	20,084,771	-	-	127,067,162
	154,568,989	27,378,461	-	-	181,947,450
Net book value	295,718,210				300,036,903

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

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 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 June 2021 and 2020 is as follows:

	30 June 2021	30 June 2020
Research and development expenses	19,047,001	17,808,545
Cost of sales	7,311,345	5,332,066
Construction in progress	3,154,734	2,608,350
General administrative expenses	1,780,665	1,298,615
Marketing, selling and distribution expenses	453,712	330,885
	31,747,457	27,378,461

NOTE 10 - OTHER ASSETS AND LIABILITIES

	30 June 2021	31 December 2020
a) Other current assets:		
Deferred value added tax ("VAT")	92,183,561	65,093,377
Reclaimed VAT	81,360,095	45,821,989
	173,543,656	110,915,366

	30 June 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 June 2021	31 December 2020
a) Prepaid expenses:		
Prepaid expenses for future months	3,781,179	893,204
	3,781,179	893,204

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2021**

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

NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME (Continued)

	30 June 2021	31 December 2020
b) Long-term prepaid expenses		
Advances given for purchases of fixed assets	13,666,658	2,249,848
	13,666,658	2,249,848

	30 June 2021	31 December 2020
c) Deferred income:		
Advances received (*)	166,407,841	143,628,518
Deferred income (**)	51,921,100	13,508,053
	218,328,941	157,136,571

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

(**) Deferred income represents the sales amount of the tractors for which the invoices were issued as of 30 June 2021 and 31 December 2020, but the delivery of the risk and responsibility has not yet been transferred to the customers after 90 days from the invoice date.

NOTE 12 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**a) Short - term provisions****Short - term provision for employee benefits**

	30 June 2021	31 December 2020
Provision for unused vacation	9,518,093	4,645,214
	9,518,093	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 period, net	4,872,879	4,795,437
30 June	9,518,093	6,483,565

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2021**

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

**NOTE 12 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS
(Continued)****a) Short - term provisions (Continued)****Other short-term provisions**

	30 June 2021	31 December 2020
Warranty expense provisions	31,514,965	22,754,191
Provision for legal cases	13,741,801	12,696,101
	45,256,766	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)	7,609,678	3,726,520
Cancelled provision for the period (Note 16)	(6,563,978)	(2,893,900)
30 June	13,741,801	10,081,435

b) Long-term provisions**Long-term provision for employee benefits**

	30 June 2021	31 December 2020
Provision for employee termination benefits	56,238,128	50,255,628
	56,238,128	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 TRY7,638.96 (1 January 2020: TRY7,117.17) which is effective from 1 July 2021 has been taken into consideration in calculating the provision for employee termination benefits of the Company.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 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 June 2021	31 December 2020
Inflation rate (%)	8.00	8.00
Interest rate (%)	13.00	13.00
Turnover rate to estimate the probability of retirement (%)	92.44	92.94

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The 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	3,266,616	2,396,799
Service cost	2,352,300	1,821,452
Paid during the period	(2,265,448)	(1,206,340)
Actuarial loss	2,629,032	1,030,726
30 June	56,238,128	43,989,286

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

Sensitivity level	Net discount rate		Turnover related to the probability of retirement	
	0,5% decrease	0,5% increase	0,5% decrease	0,5% increase
Rate	(4.13) %	(5.13) %	(91.94) %	(92.94) %
Change in employee benefits liability	(2,956,083)	2,688,280	744,928	(774,665)

Other long-term provisions

	30 June 2021	31 December 2020
Warranty provision	46,484,308	33,750,677
	46,484,308	33,750,677

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 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	(2,964,825)	(7,550,272)
Charge for the period	24,459,230	9,820,869
30 June	77,999,273	35,339,278

e) Contingent liabilities

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

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

	30 June 2021	31 December 2020
A. The total amount of collaterals given on behalf of its own legal entity	219,330,722	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	-	-
	219,330,722	188,074,388

As at 30 June 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 JUNE 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 June 2021			31 December 2020			30 June 2021	31 December 2020
	EUR	USD	TRY	EUR	USD	TRY		
Letters of guarantees received	-	270,000	616,885,672	-	270,000	552,671,672	619,236,076	554,653,607
Direct debit	-	-	1,008,272,013	-	-	778,466,671	1,008,272,013	778,466,671
Mortgages	-	-	438,714	-	-	438,714	438,714	438,714
Cash TL guarantees	-	-	2,445,441	-	-	1,140,874	2,445,441	1,140,874
Guarantee bonds	-	-	591,683	-	-	1,560,000	591,683	1,560,000
							1,630,983,927	1,336,259,866

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 13- PROVISION FOR EMPLOYEE BENEFITS

Liabilities for employee benefits

	30 June 2021	31 December 2020
Accrued premiums and liabilities to personnel	23,483,607	28,700,281
Taxes payable and liabilities (*)	11,835,908	16,257,262
	35,319,515	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 June 2021 and 31 December 2020 are as follows:

	30 June 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 June 2021, 25% of the Company shares are quoted at BIST (31 December 2020: 25%).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 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 arised due to implementing the communique (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.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

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").

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 15 - SALES AND COST OF SALES

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Domestic sales	4,708,368,396	2,376,493,130	1,458,089,619	677,325,414
Export sales	1,650,215,632	916,327,240	953,050,613	423,182,554
Sales income (gross)	6,358,584,028	3,292,820,370	2,411,140,232	1,100,507,968
Less: Discount and returns	(782,164,047)	(400,331,169)	(232,540,702)	(112,509,660)
Sales income (net)	5,576,419,981	2,892,489,201	2,178,599,530	987,998,308
Cost of sales	(4,541,690,859)	(2,359,379,592)	(1,799,070,032)	(809,908,979)
Gross profit	1,034,729,122	533,109,609	379,529,498	178,089,329

Sales volume:

	1 January - 30 June 2021			1 January - 30 June 2020		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Tractor	17,896	7,577	25,473	7,326	5,786	13,112
Harvester	306	-	306	81	-	81
	18,202	7,577	25,779	7,407	5,786	13,193

NOTE 16 - OTHER OPERATING INCOME/ (EXPENSES)

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Foreign exchange gain from trade receivable/ payables	557,277,056	359,710,843	153,169,962	39,009,784
Financial income from credit sales	123,436,558	75,912,675	19,642,808	6,074,987
Reversal of provision for doubtful receivables (Note 5)	849,340	764,471	560,987	15,849
Reversal of provision for litigation expenses (Note 12)	6,563,978	4,553,711	2,893,900	2,692,844
Other income	27,373,180	2,288,074	17,582,460	9,391,811
Other operating income	715,500,112	443,229,774	193,850,117	57,185,275
Foreign exchange loss from trade receivable/ payables	(576,220,675)	(366,099,903)	(156,845,324)	(38,514,294)
Financial expense on credit purchases	(180,057,633)	(112,794,197)	(22,826,041)	(9,349,894)
Provision for litigation expenses (Note 12)	(7,609,678)	(3,599,411)	(3,726,520)	(3,721,879)
Provision for doubtful receivables (Note 5)	(1,157,450)	(211,486)	(1,437,604)	(999,619)
Other expenses	(1,625,035)	-	-	-
Other operating expenses	(766,670,471)	(482,704,998)	(184,835,489)	(52,585,686)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 17 - FINANCIAL INCOME

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Interest income	103,615,216	36,630,587	35,937,002	19,205,039
Foreign exchange gain	80,180,583	32,503,866	26,754,502	13,254,963
Financial income	183,795,799	69,134,453	62,691,504	32,460,002

NOTE 18 - FINANCIAL EXPENSE

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Foreign exchange loss	(61,027,978)	(26,315,687)	(43,706,709)	(19,852,531)
Interest expenses of bank loans	(58,187,854)	(29,037,000)	(71,568,737)	(33,752,151)
Other	(1,133,903)	(629,765)	(4,068,288)	(2,049,813)
Financial expenses	(120,349,735)	(55,982,452)	(119,343,734)	(55,654,495)

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 JUNE 2021

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

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 June 2021 and 31 December 2020, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	30 June 2021	31 December 2020
Corporate tax expenses	275,501,897	30,299,815
Less: Prepaid taxes	(105,333,380)	(10,907,403)
Tax liability	170,168,517	19,392,412

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

	1 January - 30 June 2021	1 January - 30 June 2020
Corporate tax expense	(275,501,897)	(1,321,556)
Deferred tax income/(expense)	85,495,786	(2,428,120)
Total tax expense	(190,006,111)	(3,749,676)

Deferred taxes

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) at 30 June 2021 and 31 December 2020 are as follows:

	Temporary differences		Deferred tax assets/ (liabilities)	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Property, plant and equipment and intangible assets, restatement and useful life differences	313,842,103	331,074,341	(62,768,421)	(72,836,355)
Provision for employee termination benefits	(56,238,128)	(50,255,628)	11,247,626	11,056,238
Warranty provision	(77,999,273)	(56,504,868)	15,599,855	12,431,071
Provision for lawsuits	(13,741,801)	(12,696,101)	2,748,360	2,793,142
Unearned finance income/ expenses on trade receivables, payables and due from related parties, net	7,765,895	23,895,808	(1,941,474)	(5,257,078)
Provision for doubtful receivables	(308,110)	(752,991)	61,622	165,658
Provision for inventories	(28,408,298)	(29,991,790)	5,681,660	6,598,194
Sales premium accrued	(294,748,910)	(24,615,876)	73,687,228	5,415,493
Other expense provisions	(24,845,676)	(4,645,214)	4,969,135	1,021,947
Investment incentive tax assets	76,616,603	131,541,901	22,984,981	39,462,570
Deferred income	(66,481,361)	(13,363,814)	13,296,272	2,940,039
Other	3,671,623	(1,663,253)	(734,325)	365,915
Deferred tax assets			84,832,519	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	85,495,786	(2,428,120)
Charged to other comprehensive income/(expense)	(4,820,101)	123,643
30 June	84,832,519	69,020,166

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

	1 January - 30 June 2021	1 January - 30 June 2020
Profit before tax	798,467,011	164,311,306
Tax calculated at enacted tax rate	199,616,753	36,148,487
Investment incentives	(4,678,945)	(27,371,825)
Research and development incentives	(9,075,520)	(6,925,219)
Disallowable expenses	2,146,712	17,159
Other	1,997,111	1,881,074
Total tax expense	190,006,111	3,749,676

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

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 June 2021	1 January - 30 June 2020
Net profit for the period	608,460,900	160,561,630
Weighted average number of the ordinary shares	5,336,900,000	5,336,900,000
Earnings per share (TRY)	0.1140	0.0301

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 Österreich. Related party balances and transaction disclosure are grouped by joint venture companies and group companies of joint venture companies.

Summary of the intercompany balances as of 30 June 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
FOR THE INTERIM PERIOD ENDED 30 JUNE 2021**

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

NOTE 21 - RELATED PARTY DISCLOSURES (Continued)**i) Balances with related parties as of 30 June 2021 and 31 December 2020:****a) Bank deposits and borrowings**

	30 June 2021	31 December 2020
Due from group companies		
CNHI International SA		
("CNHI International") (*)	283,517,618	173,147,157
CNH Industrial Argentina SA	36,222,365	15,853,074
CNHI Italia SPA ("CNHI Italia")	9,015,370	6,145,363
CNH Industrial Brasil Ltda	3,428,130	2,055,259
CNH Industrial (India) Pvt. Ltd.	743,977	1,015,602
Other	1,638,888	1,887,109
	334,566,348	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 June 2021	31 December 2020
Koç Holding	829,716	2,510,006
Due to shareholders	829,716	2,510,006
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. ("Opet Fuchs")	41,641,968	13,823,295
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer")	41,482,007	45,530,678
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ("Koç Sistem")	4,219,926	3,982,201
Otokoç Otomotiv San. ve Tic. A.Ş. ("Otokoç")	2,022,559	2,852,476
Ram Sigorta Aracılık Hizmetleri A.Ş. ("Ram Sigorta")	292,330	35,220
Divan Turizm İşletmeleri ("Divan")	272,541	13,499
Opet Petrolcülük A.Ş. ("Opet")	205,451	309,537
Setur Servis Turistik A.Ş. ("Setur")	175,882	1,022,137
Koçtaş Yapı Marketleri A.Ş. ("Koçtaş")	48,269	2,364,267
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Paz. A.Ş. ("Akpa")	25,449	777,728
Fpt Industrial Powertrain Technology	-	4,754,639
Koç Digital Çözümler A.Ş.	-	1,284,536
Other	864,999	1,809,363
Due to group companies	91,251,381	78,559,576
Less: Unincurred financial expenses	(1,674,539)	(840,365)
	90,406,558	80,229,217

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

c) Lease liabilities to related parties

	30 June 2021	31 December 2020
Zer	11,147,527	12,279,314
Otokoç	10,111,472	13,144,302
Other	84,429	398,426
	21,343,428	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 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Grup şirketlerine yapılan ürün satışları				
CNHI International (*)	1,577,825,276	856,451,950	938,325,195	416,326,578
CNH Industrial Argentina SA	46,544,268	21,242,237	-	-
Yapı Kredi Finansal Kiralama A.O.	29,425,270	29,425,270	705,000	235,000
CNHI Italy	17,110,530	9,431,550	5,791,070	3,290,621
CNHI Brasil	6,927,664	3,852,815	2,178,848	1,102,507
Other	4,030,142	2,643,597	4,700,538	2,544,418
	1,681,863,150	923,047,419	951,700,651	423,499,124

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

b) Service sales to related parties

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Service sales to group companies				
CNHI International (1)	1,000,865	244,683	1,258,173	1,258,173
CNHI Italy (2)	357,105	(22,384)	4,113,172	3,135,102
CNH Industrial (India) PRI	17,349	-	643,582	-
	1,375,319	222,299	6,014,927	4,393,275

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

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 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 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Product purchases from group companies				
CNHI International (1)	954,880,306	464,753,708	172,091,023	118,722,566
Opet Fuchs (2)	69,604,658	37,739,491	32,204,438	15,596,022
Zer (3)	9,753,198	7,481,243	3,387,186	2,090,731
Cnh Industrial Italia S.p.A (1)	7,531,617	1,613,647	701,011	278,041
Koç Sistem	6,258,282	4,336,376	3,123,154	1,651,504
Akpa	2,802,508	1,693,431	1,425,092	489,107
Opet (2)	1,285,891	797,378	944,434	310,801
CNHI India	217,870	174,393	113,403	44,067
Other	631,290	407,727	256,786	9,940
	1,052,965,620	518,997,394	214,246,527	139,192,779

(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
FOR THE INTERIM PERIOD ENDED 30 JUNE 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):**

d) **Service purchases from related parties**

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Service purchases from shareholders				
Koç Holding (1)	4,186,250	2,906,250	3,065,703	1,723,203
	4,186,250	2,906,250	3,065,703	1,723,203
Service purchase from group companies				
Zer (2)	139,664,666	72,257,783	46,360,616	21,953,781
Eltek (3)	13,185,476	6,890,214	6,347,548	2,223,376
Ram Sigorta (4)	4,583,931	771,253	2,750,916	646,002
Otokoç (5)	4,424,569	2,405,493	3,571,193	1,826,440
CNHI International (6)	1,917,982	1,095,487	2,290,171	2,290,171
Setur (7)	843,006	499,805	4,248,370	263,835
Koç Sistem (8)	706,340	660,147	1,154,781	1,080,742
Diğer	2,613,775	2,224,291	3,322,772	2,449,829
	167,939,745	86,804,473	70,046,367	32,734,176
	172,125,995	89,710,723	73,112,070	34,457,379

- (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 is related with electricity expenses.
- (4) Insurance service purchased from Ram Sigorta Aracılık Hizmetleri A.Ş. is related interim period include premium amounts paid and accrued ended on 30 June 2020.
- (5) Service purchased from Otokoç is related with motor vehicles leasing services.
- (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 JUNE 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 June 2021 and 2020:

Financial income and expense from group companies

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Interest income				
Yapı Kredi	2,476,412	-	5,621,891	4,750,536
	2,476,412	-	5,621,891	4,750,536

iv) Dividends paid to shareholders:

	1 January - 30 June 2021	1 January - 30 June 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 June 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 June 2021, the Company paid TRY8,579,718 benefits to the key management personnel (30 June 2020: TRY6,844,229). 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 JUNE 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 June 2021 is EUR14,750,000. Another hedging instrument subject to cash flow hedge accounting is imported tractor orders and the exchange rate effect of the amount kept in the bank based on these orders. Türk Traktör imports and sells tractors in Euro. With the application put into use in 2021, the TRY price list for imported tractors was introduced. In this case, hedging started to be applied as of 1 January 2021 in order to eliminate the exchange rate risk at the time of payment on the date of sale of the Euro amount put in the cash register at the date of order. The total amount of foreign exchange losses recognized after tax in equity is TRY26,814,124 (30 June 2020: TRY46,654,042).

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

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

	30 June 2021					
	TRY Equivalent	USD	EUR	GBP	CHF	YEN
1. Trade receivables	363,642,504	198,877	34,918,350	-	-	-
2. Monetary financial assets (including banks accounts) (Note 3)	469,756,395	117,556	45,218,279	3,477	2,331	55,550
3. Other	-	-	-	-	-	-
4. Current assets (1+2+3)	833,398,899	316,433	80,136,629	3,477	2,331	55,550
5. Trade receivables	-	-	-	-	-	-
6. Other	-	-	-	-	-	-
7. Non-current assets (5+6)	-	-	-	-	-	-
8. Total assets (4+7)	833,398,899	316,433	80,136,629	3,477	2,331	55,550
9. Trade payables	253,260,586	3,750,014	17,470,756	26,701	-	499,503,151
10. Financial liabilities	123,604,665	-	11,925,772	-	-	-
11. Other monetary liabilities	55,555,016	-	5,360,125	-	-	-
12. Current liabilities (9+10+11)	432,420,266	3,750,014	34,756,653	26,701	-	499,503,151
13. Financial liabilities	81,960,053	-	7,907,767	-	-	-
14. Non-current liabilities (13)	81,960,053	-	7,907,767	-	-	-
15. Total liabilities (12+14)	514,380,319	3,750,014	42,664,420	26,701	-	499,503,151
16. Cash flow hedge accounting amounts	152,876,375	-	14,750,000	-	-	-
17. Fair value of hedged funds of foreign currency (16+18)	471,894,955	(3,433,581)	52,222,209	(23,224)	2,331	(499,447,601)
18. Net monetary foreign currency asset/ (liability) position (8-15)	319,018,580	(3,433,581)	37,472,209	(23,224)	2,331	(499,447,601)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

	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
FOR THE INTERIM PERIOD ENDED 30 JUNE 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)**

The import and export amounts of the Company for the periods ended 30 June 2021 and 2020 are as follows:

	1 January 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Total export amount	1,650,215,632	916,327,240	953,050,613	423,182,554
Total import amount	1,909,533,370	992,907,672	528,098,555	278,737,226

The Company is exposed to foreign exchange risk primarily with respect to EUR and USD. The effect of the Company's EUR and USD foreign currency position as of 30 June 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 June 2021			
	Profit/ Loss		Shareholders' equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Had TRY appreciate/ (depreciate) by 10% against USD				
Profit/(loss) from USD net asset position	(2,989,001)	2,989,001	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	(2,989,001)	2,989,001	-	-
Had TRY appreciate/ (depreciate) by 10% against EUR				
Profit/ (loss) from EUR net liability position	38,838,072	(38,838,072)	11,465,728	(11,465,728)
Hedged amount against EUR risk (-)	858,310	(858,310)	10,607,418	(10,607,418)
Net Effect of EUR	39,696,382	(39,696,382)	22,073,146	(22,073,146)
Had TRY appreciate/ (depreciate) by 10% against other				
Profit/(loss) from other net liability position	(4,341,933)	4,341,933	-	-
Hedged amount against other (-)	-	-	-	-
Net effect of other	(4,341,933)	4,341,933	-	-
Total net effect	32,365,449	(32,365,449)	22,073,146	(22,073,146)

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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

	31 December 2020			
	Profit/ Loss		Shareholders' equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Had TRY appreciate/ (depreciate) by 10% against USD				
Profit/(loss) from USD net asset position	(2,586,695)	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 June 2021	31 December 2020
Time deposits (Note 3)	1,393,460,796	1,851,337,730
Financial liabilities (Note 4)	1,102,228,811	1,234,725,848
Lease liabilities (Note 4)	23,905,238	29,538,180

Financial instruments with floating interest rate

	30 June 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 JUNE 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)**

As of 30 June 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 FOR THE INTERIM PERIOD ENDED 30 JUNE 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)

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

	30 June 2021					
	Trade receivables		Other receivables			
	Related party	Third party	Related party	Third party	Banks deposits	Derivative instruments
Vadesi geçmemiş ya da değer düşüklüğüne uğramamış finansal						
Net book value of financial assets which are undue and not impaired	334,566,348	666,624,162	-	384,463	1,446,478,495	-
Net book value of restructured financial assets, otherwise that will be considered as due dated or impaired	-	2,528,686	-	-	-	-
Net book value of impaired assets	-	51,178,864	-	-	-	-
- Due dated (gross book value)	-	(51,178,864)	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
Off-balance sheet items exposed to credit risk	334,566,348	669,152,848	-	384,463	1,446,478,495	-

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

As of 30 June 2021, the guarantee amount of the maximum exposure to credit risk is TRY1,606,942,518. 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
FOR THE INTERIM PERIOD ENDED 30 JUNE 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)

	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 and are impaired are guaranteed.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 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. This ratio is calculated as net financial debt divided by total shareholders' equity.

	30 June 2021	31 December 2020
Total Financial Liabilities	1,126,134,049	1,294,290,367
Less: Cash and cash equivalents (Note 3)	(1,446,478,495)	(1,890,430,861)
Net financial debt	(320,344,446)	(596,140,494)
Total shareholders' equity	1,213,561,833	1,441,166,437
Total liabilities	893,217,387	845,025,943
Net financial debt/ shareholders' equity	%(35.86)	%(70.55)

Fair value of financial assets

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

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

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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