

# **Otokar Otomotiv ve Savunma Sanayi Anonim Őirketi**

**Condensed financial statements for the interim  
period 1 January - 31 March 2015**

**(Convenience translation of financial statements  
originally issued in Turkish)**

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Content

	<b><u>Pages</u></b>
Interim condensed balance sheet	2 - 3
Interim condensed statement of profit or loss and other comprehensive income	4
Interim condensed statement of changes in equity	5
Interim condensed statement of cash flows	6
Notes to the interim condensed financial statements	7 - 38

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Balance sheet as of 31 March 2015

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

		Current period (Not reviewed)	Prior period (Audited)
	Notes	31 March 2015	31 December 2014
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	13.992.902	44.527.697
Trade receivables	7	232.801.211	268.230.380
- Due from related parties	7,21	48.109.716	50.877.972
- Trade receivables, third parties	7	184.691.495	217.352.408
Other receivables		80.478	958
Inventories	8	304.906.534	264.162.428
Derivative financial instruments	6	1.081.933	1.726.888
Prepaid expenses	13	90.235.039	78.996.994
Current income tax assets	19	-	2.106.718
Other current assets	13	17.494.696	12.306.871
<b>Total current assets</b>		<b>660.592.793</b>	<b>672.058.934</b>
<b>Non-current assets</b>			
Trade receivables	7	127.168.575	140.255.060
Other receivables		57.220	101.585
Estimated earnings in excess of billings on uncompleted contracts	9	152.063.046	129.854.389
Financial investments	4	239.280	239.280
Property, plant and equipment	10	108.751.087	112.260.055
Intangibles	11	143.830.898	141.447.509
Deferred tax asset	19	43.919.698	39.335.574
<b>Total non-current assets</b>		<b>576.029.804</b>	<b>563.493.452</b>
<b>Total assets</b>		<b>1.236.622.597</b>	<b>1.235.552.386</b>

The accompanying policies and explanatory notes on pages 7 through 38 form an integral part of these interim condensed financial statements.

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Balance sheet as of 31 March 2015

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

		Current period	Prior period
		(Not reviewed)	(Audited)
	Notes	31 March 2015	31 December 2014
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short term financial liabilities	5	43.713.958	29.751.877
Short term portion of long term financial liabilities	5	58.629.275	45.915.500
Trade payables	7	101.702.719	81.523.996
- Due to related parties	7, 21	3.923.315	10.320.537
- Trade payables, third parties	7	97.779.404	71.203.459
Employee benefit obligations	13	9.464.047	17.106.197
Other payables	13	24.869.708	16.383.024
Deferred income	13	241.226.270	263.802.421
Government incentives and grants		2.039.460	2.033.845
Short term provisions	12	223.185.795	176.376.805
Other current liabilities	13	80.733.233	2.025.403
<b>Total current liabilities</b>		<b>785.564.465</b>	<b>634.919.068</b>
<b>Non-current liabilities</b>			
Financial liabilities	5	209.551.430	273.846.971
Government incentives and grants		6.703.265	7.162.947
Long term provisions	12	33.636.050	30.785.378
- Provision for employee benefits	12	29.016.562	26.351.029
- Other provisions	12	4.619.488	4.434.349
Deferred income	13	39.809.531	44.510.646
<b>Total non-current liabilities</b>		<b>289.700.276</b>	<b>356.305.942</b>
<b>Equity</b>			
<b>Equity attributable to equity holders of the parent</b>			
Paid-in share capital		24.000.000	24.000.000
Inflation adjustment on equity items		52.743.030	52.743.030
Restricted reserves		46.838.147	38.958.147
Accumulated other comprehensive income and expense not to be reclassified to statement of profit or loss		(6.013.510)	(5.264.855)
Retained earnings		46.011.054	61.119.856
Net (loss)/income for the year		(2.220.865)	72.771.198
<b>Total equity</b>		<b>161.357.856</b>	<b>244.327.376</b>
<b>Total liabilities and equity</b>		<b>1.236.622.597</b>	<b>1.235.552.386</b>

The accompanying policies and explanatory notes on pages 7 through 38 form an integral part of these interim condensed financial statements.

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi****Condensed statement of profit or loss and other comprehensive income  
for the interim period 1 January - 31 March 2015**

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

		<b>Current period (Not reviewed)</b>	Prior period (Not reviewed)
	<b>Notes</b>	<b>31 March 2015</b>	31 March 2014
Net sales	14	<b>248.757.898</b>	283.246.306
Cost of sales (-)	14	<b>(191.139.140)</b>	(225.100.883)
<b>Gross profit</b>		<b>57.618.758</b>	58.145.423
Marketing, sales and distribution expenses (-)		<b>(34.515.627)</b>	(24.560.781)
General administrative expense (-)		<b>(12.133.210)</b>	(10.184.745)
Research and development expenses (-)		<b>(8.156.900)</b>	(7.709.378)
Other operating income	15	<b>22.507.251</b>	40.410.739
Other operating expense (-)	16	<b>(26.758.106)</b>	(34.324.665)
<b>Operating (loss)/profit</b>		<b>(1.437.834)</b>	21.776.593
Income from investing activities		<b>1.425.113</b>	35.304
Expenses from investing activities (-)		-	-
<b>Operating (expense)/income before financial expenses</b>		<b>(12.721)</b>	21.811.897
Financial income	17	<b>2.044.935</b>	5.422.454
Financial expense (-)	18	<b>(7.259.240)</b>	(16.610.318)
<b>(Loss)/income before tax</b>		<b>(5.227.026)</b>	10.624.033
<b>Tax (expense)/income</b>			
- Current tax expense (-)	19	<b>(1.390.799)</b>	(3.052.392)
- Deferred tax income	19	<b>4.396.960</b>	1.574.048
<b>Net (loss)/income</b>		<b>(2.220.865)</b>	9.145.689
Remeasurement gains/(losses) on defined benefit plans		<b>(935.819)</b>	(1.873.258)
Deferred tax effect		<b>187.164</b>	374.652
<b>Other comprehensive expense, after tax</b>		<b>(748.655)</b>	(1.498.606)
<b>Total comprehensive (expense)/income</b>		<b>(2.969.520)</b>	7.647.083
<b>(Loss)/earnings per share (kr)</b>	20	<b>(0,009)</b>	0,038

The accompanying policies and explanatory notes on pages 7 through 38 form an integral part of these interim condensed financial statements.

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Condensed statement of changes in equity for the interim period 1 January - 31 March 2015**

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

				Accumulated other comprehensive income and expense not to be reclassified to statement of profit or loss			
	Paid-in share capital	Inflation adjustment on equity items	Restricted reserves	Remeasurement gains/(losses) on defined benefit plans	Retained earnings	Net income/(loss) for the period	Total equity
<b>1 January 2014</b>	24.000.000	52.743.030	29.078.147	(3.551.453)	74.438.113	96.561.743	273.269.580
Transfer to retained earnings	-	-	-	-	96.561.743	(96.561.743)	-
Transfer to restricted reserves	-	-	9.880.000	-	(9.880.000)	-	-
Dividends paid	-	-	-	-	(100.000.000)	-	(100.000.000)
Net profit for the period	-	-	-	-	-	9.145.689	9.145.689
Other comprehensive income/(expense)	-	-	-	(1.498.606)	-	-	(1.498.606)
<b>Total comprehensive income</b>	-	-	-	(1.498.606)	-	9.145.689	7.647.083
<b>31 March 2014</b>	24.000.000	52.743.030	38.958.147	(5.050.059)	61.119.856	9.145.689	180.916.663
<b>1 January 2015</b>	<b>24.000.000</b>	<b>52.743.030</b>	<b>38.958.147</b>	<b>(5.264.855)</b>	<b>61.119.856</b>	<b>72.771.198</b>	<b>244.327.376</b>
Transfer to retained earnings	-	-	-	-	72.771.198	(72.771.198)	-
Transfer to restricted reserves	-	-	7.880.000	-	(7.880.000)	-	-
Dividends paid	-	-	-	-	(80.000.000)	-	(80.000.000)
Net profit for the period	-	-	-	-	-	(2.220.865)	(2.220.865)
Other comprehensive income/(expense)	-	-	-	(748.655)	-	-	(748.655)
<b>Total comprehensive expense</b>	-	-	-	(748.655)	-	(2.220.865)	(2.969.520)
<b>31 March 2015</b>	<b>24.000.000</b>	<b>52.743.030</b>	<b>46.838.147</b>	<b>(6.013.510)</b>	<b>46.011.054</b>	<b>(2.220.865)</b>	<b>161.357.856</b>

The accompanying policies and explanatory notes on pages 7 through 38 form an integral part of these interim condensed financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

**Condensed statement of cash flows  
for the interim period 1 January - 31 March 2015**

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

		Current period (Not reviewed)	Prior period (Not reviewed)
	Notes	31 March 2015	31 March 2014
<b>Cash flows from operating activities</b>			
(Loss)/income before taxes		(5.227.026)	10.624.033
<b>Adjustments to reconcile income before taxes to net cash flows from operating activities:</b>			
Depreciation and amortization	10,11	12.626.649	11.443.339
Provision for retirement pay liability		1.957.700	2.087.740
Warranty provision expenses	12	9.843.110	6.297.781
Gain on sale of property, plant and equipment		(1.425.113)	(35.304)
Loan interest expense	18	6.053.467	7.214.975
Unrealised foreign exchange loss incurred from borrowings		414.350	1.060.500
Demand deposit interest income	17	(226.237)	(439.828)
Provision for doubtful receivables	7,16	700.113	625.088
Forward transactions, net		(10.029.463)	3.338
<b>Operating profit before changes in operating asset and liabilities</b>		<b>14.687.550</b>	<b>38.881.662</b>
Trade and other receivables		47.780.386	108.369.362
Estimated earnings in excess of billings on uncompleted contracts		(22.208.657)	(5.611.868)
Inventories		(40.744.106)	(65.332.641)
Other current assets		(9.857.757)	50.046.220
Trade payables		20.178.723	68.692.092
Other liabilities, provisions and other current liabilities		18.182.579	104.455.463
Realized gain from forward transactions, net		10.674.418	(1.761.134)
Income taxes paid		(5.852.194)	(50.681.977)
Warranties paid	12	(7.787.248)	(6.206.203)
Employee termination benefits paid	12	(1.651.267)	(991.842)
<b>Net cash provided by operating activities</b>		<b>23.402.427</b>	<b>239.859.134</b>
<b>Cash flows from investing activities</b>			
Cash paid for acquisition of property, plant and equipment	10	(921.950)	(1.182.952)
Cash paid for acquisition of intangible assets	11	(11.532.769)	(9.378.869)
Proceeds from sale of property, plant and equipment		2.378.762	379.236
Interest received		226.237	439.828
<b>Net cash used in investing activities</b>		<b>(9.849.720)</b>	<b>(9.742.757)</b>
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings		98.503.745	176.557.936
Repayments of bank borrowings		(143.100.348)	(255.011.267)
Interest payments		509.101	391.692
Dividends paid		-	(100.000.000)
<b>Net cash used in financing activities</b>		<b>(44.087.502)</b>	<b>(178.061.639)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(30.534.795)</b>	<b>52.054.738</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>44.527.697</b>	<b>8.884.174</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>13.992.902</b>	<b>60.938.912</b>

The accompanying policies and explanatory notes on pages 7 through 38 form an integral part of these interim condensed financial statements.

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 1. Organization and nature of operations

Otokar Otomotiv ve Savunma Sanayi A.Ş. ("Otokar" or the "Company") was established in 1963 and is registered in Istanbul, Turkey and operating under the Turkish Commercial Code.

The Company operates in the automotive industry and off road vehicles, armored vehicles, minibuses, midibuses and autobuses, trailers, semi-trailers, light truck and cross-country comprises the majority of its production. The number of the personnel in the Company is 2.173. (31 December 2014: 2.054).

The registered addresses of the Company are as follows:

#### Headquarters:

Aydınevler Mahallesi, Dumlupınar Cad. No: 58 A Bl.  
34854 Küçükyalı / İstanbul

#### Factory:

Atatürk Cad. No: 6  
54580 Arifiye / Sakarya

The Company has a subsidiary named "Otokar Europe SAS" with a capital of Euro 100.000, established on 18 August 2011 for the purpose of organizing export activities and increasing export sales. Since "Otokar Europe SAS" operations does not materially affect the financial statements, it has not been subject to consolidation and has been presented at historical cost value. (Note 4)

Interim condensed financial statements for the three-month period ended 31 March 2015 were authorized for issue and signed with the approval of the Internal Audit Committee by and signed by the General Manager; Ahmet Serdar Görgüç and Financial Vice General Manager; Hüseyin Odabaş on behalf of the Board of Directors and approved by the Board of Directors of the Company on 22 April 2015. The accompanying interim condensed financial statements could be amended by the Board of Directors.

The Company conducts part of its business transactions with the Koç Holding A.Ş. and related parties. There are certain related parties which are both customers and vendors of the Company. The Company is registered to the Capital Market Board ("CMB") and its shares are listed on the Borsa İstanbul ("BIST"), previously Istanbul Stock Exchange ("ISE") since 1996. As of 31 March 2015 the shares listed on the BIST are 26,85% of the total shares.

As of 31 March 2015, the principal shareholders and their respective shareholding percentages are as follows:

	%
Koç Holding A.Ş.	44,68
Ünver Holding A.Ş.	24,81
Other	30,51
	<b>100,00</b>

The Parent Company (Koç Holding A.Ş.), is controlled by Koç Family and the companies owned by Koç Family.

The shareholder, Ünver Holding A.Ş., is controlled by Ünver Family.

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

## 2. Basis of presentation of financial statements

### 2.1 Basis of presentation

The financial statements of the Company have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, ("TAS/IFRS") 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 June 13, 2013 which is published on Official Gazette numbered 28676.

The interim condensed financial statements for the three month period ended 31 March 2015 were prepared in accordance with TAS 34 Interim Financial Reporting. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements at 31 December 2014.

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

The interim condensed financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with TAS/IFRS and interpretations regarding these POA.

### Functional and presentation currency

Functional and presentation currency of the Company is TL.

In accordance with the CMB's resolution dated 17 March 2005 and numbered 11/367, the financial statements were restated in accordance with International Accounting Standards (IAS) 29 (Financial Reporting in Hyperinflationary Economies) for the last time as of 31 December 2004, since the objective conditions which require the application of restatement of financial statements have not been realized and that based on the existing data CMB has foreseen that the indications whether such conditions are going to be realized in the future is no longer probable. Therefore, non-monetary assets, liabilities and equity items including the share capital as of 31 March 2015 and 31 December 2014 have been restated by applying the relevant conversion factors through 31 December 2004 and carrying additions after 31 December 2004 at their nominal values.

## 2.2 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at 31 December 2014 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2015. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

### i) The new standards, amendments and interpretations which are effective as at 1 January 2015 are as follows:

#### **TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)**

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the financial statements of the Company.

**Notes to the interim condensed financial statements at 31 March 2015**

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

**2.2 Basis of presentation of financial statements (continued)**

**TFRS Interpretation 21 Levies**

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

**TAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial assets**

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the financial statements of the Company.

**TAS 39 Financial Instruments: Recognition and Measurement (Amended)- Novation of Derivatives and Continuation of Hedge Accounting**

Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the financial statements of the Company.

**TFRS 10 Consolidated Financial Statements (Amendment)**

TFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with TFRS. This amendment does not have any impact on the financial position or performance of the Company.

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

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

**TFRS 9 Financial Instruments – Classification and measurement**

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

**Notes to the interim condensed financial statements at 31 March 2015**

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

**2.2 Basis of presentation of financial statements (continued)**

**TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)**

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position or performance of the Company.

**TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)**

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

**TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)**

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

**TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants**

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**Annual Improvements to TAS/TFRSs**

In September 2014, Public Oversight Authority (POA) has issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle". The changes are effective for annual reporting periods beginning on or after 1 July 2014.

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 2.2 Basis of presentation of financial statements (continued)

##### Annual Improvements - 2010–2012 Cycle

###### *TFRS 2 Share-based Payment:*

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

###### *TFRS 3 Business Combinations*

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

###### *TFRS 8 Operating Segments*

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

###### *TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets*

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

###### *TAS 24 Related Party Disclosures*

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

##### Annual Improvements – 2011–2013 Cycle

###### *TFRS 3 Business Combinations*

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

###### *Amendment to the Basis for Conclusions on TFRS 13 Fair Value Measurement*

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

###### *TAS 40 Investment Property*

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

**Notes to the interim condensed financial statements at 31 March 2015**

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

**2.2 Basis of presentation of financial statements (continued)**

**The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)**

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

**Annual Improvements – 2010–2012 Cycle**

*IFRS 13 Fair Value Measurement*

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

**Annual Improvements – 2011–2013 Cycle**

**IFRS 15 Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

**IFRS 9 Financial Instruments - Final standard (2014)**

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

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

**Notes to the interim condensed financial statements at 31 March 2015**

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

**2.2 Basis of presentation of financial statements (continued)**

**IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)**

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
  - In accordance with IFRS 9 (or IAS 39),
- Or
- Using the equity method

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**Annual Improvements to IFRSs - 2012-2014 Cycle**

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

**IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)**

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**Notes to the interim condensed financial statements at 31 March 2015**

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

**2.2 Basis of presentation of financial statements (continued)**

**IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)**

ALTERNATIVE 1: In December 2014, IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**IAS 1: Disclosure Initiative (Amendments to IAS 1)**

In December 2014, IASB issued amendments to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the financial statements of the Company.

**2.3 Summary of significant accounting policies**

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of annual financial statements for the year ended 31 December 2014.

**2.4 Segment reporting**

As stated in Note 4, "Otokar Europe SAS" operations does not materially affect the financial statements, it has not been subject to consolidation and has been presented at historical cost value. Since the Company does not have different geographical and operational units, the Company does not make segment reporting and follows financial statements by one segment.

**2.5 Convenience translation into English of financial statements originally issued in Turkish**

The accounting principles described in Note 2 (defined as TAS/IFRS) to the accompanying interim condensed financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosures requirement of the POA.

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 3. Cash and cash equivalents

	31 March 2015	31 December 2014
Cash at banks		
- Demand deposits	184.840	415.875
- Time deposits	13.173.765	42.551.560
Cheques and notes received	591.380	1.519.333
Other	42.917	40.929
<b>Total</b>	<b>13.992.902</b>	<b>44.527.697</b>

As of 31 March 2015, time deposits amounting to TL 13.173.765 is in foreign currency and annual effective interest rate is 0,5% and has the maturity of 1 day.

(As of 31 December 2014, TL 927.560 of total time deposits amounting to TL 42.551.560 is in foreign currency and effective interest rate of time deposits amounting to TL 927.560 that are in foreign currency is annually 0,5% and the maturity is 2 days. Effective interest rate of remaining time deposits which are originally amounting to TL 41.624.000 is annually 10,98% and the maturity is 2 day.)

Checks and notes received consist of checks and notes which are due as of balance sheet date and are given to banks for collections.

As of 31 March 2015, the Company has restricted bank deposit amounting to TL 796 (31 December 2014: TL 862).

#### 4. Financial investments

The Company has a subsidiary named "Otokar Europe SAS" with paid in capital of Euro 100.000 (TL 239.280), established on 18 August 2011, in France for the purpose of organizing export activities and increasing export sales. Since "Otokar Europe SAS" operations do not materially affect the financial statements, it has not been subject to consolidation and has been presented at historical cost value.

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 5. Financial liabilities

			31 March 2015
	Maturities	Interest rate (%)	TL
<b>Short-term bank borrowings (*)</b>			
Denominated in TL	1 April 2015	0,00-9,70	15.405.003
Denominated in Euro	1 April 2015	2,05	28.308.955
<b>Total</b>			<b>43.713.958</b>

<b>Payments of the long-term bank borrowings and interest accruals (*)</b>			
Denominated in TL	11 March 2016 – 31 March 2016	8,05-11,73	58.629.275
Denominated in Euro			
<b>Total</b>			<b>58.629.275</b>

			31 March 2015
	Maturities	Interest rate (%)	TL
<b>Long-term bank borrowings (*)(**)</b>			
Denominated in TL	4 April 2016 - 29 September 2017	8,09-12,33	151.757.730
Denominated in Euro	29 June 2016 - 10 February 2017	2,72-3,68	57.793.700
<b>Total</b>			<b>209.551.430</b>

(\*) Bearing fixed interest rate  
(\*\*) Weighted average maturity days of long-term borrowings are 698.

			31 December 2014
	Maturities	Interest rate (%)	TL
<b>Short-term bank borrowings (*)</b>			
Denominated in TL (***)	2 January 2015 - 5 January 2015	0,00	524.367
Denominated in Euro	2 January 2015	3,11-3,17	29.227.510
<b>Total</b>			<b>29.751.877</b>

<b>Payments of the long-term bank borrowings and interest accruals (*)</b>			
Denominated in TL	11 March 2016 – 17 October 2016	8,05-11,73	2.375.726
Denominated in Euro	9 February 2015	2,04	43.539.774
<b>Total</b>			<b>45.915.500</b>

			31 December 2014
	Maturities	Interest rate (%)	TL
<b>Long-term bank borrowings (*)(**)</b>			
Denominated in TL	11 March 2016 - 29 September 2017	8,82-11,73	230.794.141
Denominated in Euro	29 June 2016	3,66	43.052.830
<b>Total</b>			<b>273.846.971</b>

(\*) Bearing fixed interest rate  
(\*\*) Weighted average maturity days of long-term borrowings are 828.  
(\*\*\*) Interest free loan for the SSI payment

As of 31 March 2015, the Company has not provided any guarantees for the borrowings received (31 December 2014: None).

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 6. Derivative financial instruments

Derivative financial instruments consist of the forward contracts which are entered in order to hedge foreign currency risk arising from Company's foreign currency sales.

		Current period	Fair value
	Contract amount	Contract maturity	Assets
<b>31 March 2015:</b>			
Forward transactions	114.264.000	1 April 2015 - 7 May 2015	1.081.933
Short-term derivative financial instruments	114.264.000		1.081.933
<b>Total derivative financial instruments</b>	<b>114.264.000</b>		<b>1.081.933</b>

		Prior period	Fair value
		Contract maturity	Assets
<b>31 December 2014:</b>			
Forward transactions	137.947.680	8 January 2015 – 5 February 2015	1.726.888
Short-term derivative financial instruments	137.947.680		1.726.888
<b>Total derivative financial instruments</b>	<b>137.947.680</b>		<b>1.726.888</b>

#### 7. Trade receivables and payables

##### Trade receivables

	31 March 2015	31 December 2014
Trade receivables, net	78.694.730	132.684.387
Notes receivables, net	128.940.064	107.194.793
	<b>207.634.794</b>	239.879.180
Less: provision for doubtful receivables	(22.943.299)	(22.526.772)
<b>Other short-term trade receivables</b>	<b>184.691.495</b>	217.352.408
Trade receivables from related parties	48.109.716	50.877.972
<b>Short-term trade receivables</b>	<b>232.801.211</b>	268.230.380
Long-term trade receivables, net	113.362.640	125.884.462
Long-term notes receivable, net	13.805.935	14.370.598
<b>Long-term trade receivables</b>	<b>127.168.575</b>	140.255.060

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 7. Trade receivables and payables (Continued)

##### Guarantees received for trade receivables

Receivables of the Company are mainly composed of minibus and bus sales to dealers and trailer sales made in notes. As of 31 March 2015, the total trade receivable from dealers amounting to TL 103.558.709 (31 December 2014: TL 60.016.673), after provision reserved for doubtful receivables, has been secured by mortgages and guarantees at the amount of TL 133.343.500 (31 December 2014: TL 126.993.500).

##### Aging analysis of trade receivables

The aging of the past due but not impaired receivables is as follows:

<b>31 March 2015</b>	<b>Trade receivables</b>
1- 30 day past due	-
1- 3 month past due	13.068
3- 12 month past due	152
1- 5 year past due	174.353
Over 5 year past due	-
<b>Total</b>	<b>187.573</b>
<b>Amount secured with guarantee (1)</b>	<b>186.280</b>

<b>31 December 2014</b>	<b>Trade receivables</b>
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	152
1- 5 year past due	174.176
Over 5 year past due	-
<b>Total</b>	<b>174.328</b>
<b>Amount secured with guarantee (1)</b>	<b>173.035</b>

(1) Pledges on trailers.

The movement of the provision for doubtful receivables for the period ended 31 March 2015 and 31 March 2014 are as follows:

	<b>31 March 2015</b>	<b>31 March 2014</b>
January 1	<b>22.526.772</b>	21.961.122
Collections	<b>(283.586)</b>	(189)
Additional provision	<b>700.113</b>	625.088
<b>Total</b>	<b>22.943.299</b>	<b>22.586.021</b>

As of 31 March 2015, average collection term for trade receivables is 60 - 90 days (31 December 2014: 60 - 90 days).

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 7. Trade receivables and payables (Continued)

##### Trade payables

	31 March 2015	31 December 2014
Trade payables, net	97.548.104	70.978.759
Notes payables, net	231.300	224.700
<b>Short-term trade payables</b>	<b>97.779.404</b>	<b>71.203.459</b>
Trade payables to related parties	3.923.315	10.320.537
<b>Short-term trade payables</b>	<b>101.702.719</b>	<b>81.523.996</b>

As of 31 March 2015, average payment term for trade payables is 45-60 days (31 December 2014: 45-60 days).

#### 8. Inventories

	31 March 2015	31 December 2014
Raw material	106.654.450	93.535.860
Work-in-process	21.539.204	16.423.428
Finished goods	44.958.035	33.518.461
Merchandise	51.401.902	50.425.115
Goods in transit	81.847.700	71.754.321
(* Impairment for inventories (-))	(1.494.757)	(1.494.757)
<b>Total</b>	<b>304.906.534</b>	<b>264.162.428</b>

(\*) TL 1.356.002 of impairment is related to finished goods (31 December 2014: TL 1.356.002) and TL 138.755 is related to merchandises (31 December 2014: TL 254.972). The impairment has been accounted for under cost of sales.

#### 9. Costs and billings on uncompleted contracts and other payables

Receivable from uncompleted contracts is to TL 152.063.046 as of 31 March 2015 (31 December 2014: TL 129.854.827) after offsetting with short term advance taken.

As of 31 March 2015, the short term advances taken by the Company related with ongoing projects which amounts to TL 93.799.127 was included in deferred revenues in the financial statements (31 December 2014: TL 113.014.910). Rest of the amount TL 127.978.860 which is included in deferred income is composed of other advance taken from customer (31 December 2014: TL 130.933.443) and other payables as amounting to TL 19.448.283 (31 December 2014: TL 19.854.068).

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 10. Property, plant and equipment

For the periods ended 31 March 2015 and 2014, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	1 January 2015	Additions	Disposals	Transfers	31 March 2015
<b>Cost:</b>					
Land	37.456.746	-	-	-	37.456.746
Land improvements	11.621.866	-	-	-	11.621.866
Buildings	60.170.668	-	-	-	60.170.668
Machinery, equipment and installations	108.389.066	312.946	(6.405.949)	65.008	102.361.071
Motor vehicles	9.169.102	161.901	(228.500)	-	9.102.503
Furniture and fixtures	34.568.907	199.322	(1.980.423)	-	32.787.806
Leasehold improvements	2.841.765	18.975	-	-	2.860.740
Construction in process	2.355.130	228.806	-	(65.008)	2.518.928
	<b>266.573.250</b>	<b>921.950</b>	<b>(8.614.872)</b>	<b>-</b>	<b>258.880.328</b>
<b>Accumulated depreciation:</b>					
Land improvements	6.176.947	381.723	-	-	6.558.670
Buildings	31.891.231	704.502	-	-	32.595.733
Machinery, equipment and installations	87.805.628	1.978.855	(6.405.949)	-	83.378.534
Motor vehicles	4.737.483	205.173	(80.398)	-	4.862.258
Furniture and fixtures	21.866.594	917.603	(1.980.423)	-	20.803.774
Leasehold improvements	1.835.312	94.960	-	-	1.930.272
	<b>154.313.195</b>	<b>4.282.816</b>	<b>(8.466.770)</b>	<b>-</b>	<b>150.129.241</b>
<b>Net book value</b>	<b>112.260.055</b>		<b>(148.102)</b>		<b>108.751.087</b>
	1 January 2014	Additions	Disposals	Transfers	31 March 2014
<b>Cost:</b>					
Land	37.456.746	-	-	-	37.456.746
Land improvements	11.309.351	1.977	-	-	11.311.328
Buildings	60.170.668	-	-	-	60.170.668
Machinery, equipment and installations	111.943.555	300.944	(3.417)	9.390	112.250.472
Motor vehicles	7.957.194	209.209	(423.997)	-	7.742.406
Furniture and fixtures	31.761.624	433.178	(1.730)	8.020	32.201.092
Leasehold improvements	2.734.585	-	-	60.599	2.795.184
Construction in progress	1.778.321	237.644	-	(78.009)	1.937.956
	<b>265.112.044</b>	<b>1.182.952</b>	<b>(429.144)</b>	<b>-</b>	<b>265.865.852</b>
<b>Accumulated depreciation:</b>					
Land improvements	4.654.789	379.130	-	-	5.033.919
Buildings	29.073.222	704.502	-	-	29.777.724
Machinery, equipment and installations	86.240.277	1.943.620	(3.416)	-	88.180.481
Motor vehicles	4.071.036	171.452	(80.556)	-	4.161.932
Furniture and fixtures	18.760.344	732.595	(1.240)	-	19.491.699
Leasehold improvements	1.469.753	88.066	-	-	1.557.819
	<b>144.269.421</b>	<b>4.019.365</b>	<b>(85.212)</b>	<b>-</b>	<b>148.203.574</b>
<b>Net book value</b>	<b>120.842.623</b>		<b>(343.932)</b>		<b>117.662.278</b>

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 10. Property, plant and equipment (Continued)

For the three month period ended 31 March 2015 and 2014, the allocation of depreciation and amortization expenses of property, plant and equipment and intangibles has been as follows:

	31 March 2015	31 March 2014
Research and development expenses	7.839.293	6.992.930
Costs related to uncompleted contracts	2.068.309	1.849.672
Cost of goods sold	946.420	1.351.982
Development projects in process	499.220	463.933
Depreciation on outstanding inventories	580.391	175.847
General administrative expenses	392.846	351.810
Selling and marketing expenses	300.170	257.165
<b>Total</b>	<b>12.626.649</b>	<b>11.443.339</b>

#### 11. Intangible assets

For the periods ended 31 March 2015 and 2014, the movement of intangible assets and the accumulated amortisation is as follows:

	1 January 2015	Additions	Disposals	31 March 2015
<b>Cost:</b>				
Other intangible assets	13.530.710	353.950	-	13.884.660
Development costs	186.078.994	-	(819.200)	185.259.794
Development projects in process	40.525.892	11.178.819	-	51.704.711
	<b>240.135.596</b>	<b>11.532.769</b>	<b>(819.200)</b>	<b>250.849.165</b>
<b>Accumulated amortization:</b>				
Other intangible assets	10.221.496	504.540	-	10.726.036
Development costs	88.466.591	7.839.293	(13.653)	96.292.231
	<b>98.688.087</b>	<b>8.343.833</b>	<b>(13.653)</b>	<b>107.018.267</b>
<b>Net book value</b>	<b>141.447.509</b>			<b>143.830.898</b>
	1 January 2014	Additions	Transfers	31 March 2014
<b>Cost:</b>				
Other intangible assets	12.289.381	150.757	-	12.440.138
Development costs	147.369.338	-	-	147.369.338
Development projects in process	35.639.826	9.228.112	-	44.867.938
	<b>195.298.545</b>	<b>9.378.869</b>	<b>-</b>	<b>204.677.414</b>
<b>Accumulated amortization:</b>				
Other intangible assets	8.371.380	431.044	-	8.802.424
Development costs	60.634.428	6.992.930	-	67.627.358
	<b>69.005.808</b>	<b>7.423.974</b>	<b>-</b>	<b>76.429.782</b>
<b>Net book value</b>	<b>126.292.737</b>			<b>128.247.632</b>

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 12. Provisions, contingent assets and liabilities

##### Provisions - short term

	31 March 2015	31 December 2014
Provision for other costs (*)	193.167.872	153.473.113
Warranty provision	20.051.462	18.180.739
Foundation employer's share of social security premium	2.925.000	2.925.000
Provision for license costs	474.662	1.264.726
Provision for sales commissions	5.310.457	-
Provision for legal cases	100.000	100.000
Provision for other costs	1.156.342	433.227
<b>Total</b>	<b>223.185.795</b>	<b>176.376.805</b>

(\*) Includes costs incurred by the Company related with tank project, which were not charged yet, and costs incurred by the subcontractors that will be invoiced to the Company at the end of the project, which were computed according to the estimated percentage of completion by the subcontractors.

##### Provisions - long term

	31 March 2015	31 December 2014
Warranty provision	4.619.488	4.434.349
<b>Total</b>	<b>4.619.488</b>	<b>4.434.349</b>

##### Warranty provision

The movement of the warranty expense provision is as follows.

	31 March 2015	31 March 2014
1 January	22.615.088	25.256.158
Additional provision	9.843.110	6.297.781
Payments	(7.787.248)	(6.206.203)
<b>31 March</b>	<b>24.670.950</b>	<b>25.347.736</b>

##### Provision for employee benefits

	31 March 2015	31 December 2014
Provision for retirement pay liability	22.211.443	20.969.191
Provision for vacation pay liability	6.805.119	5.381.838
<b>Total</b>	<b>29.016.562</b>	<b>26.351.029</b>

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 12. Provisions, contingent assets and liabilities (Continued)

##### *Provision for employment termination benefits*

There are no agreements for pension commitments other than the legal requirements as 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.

The amount payable consists of one month's salary limited to a maximum of TL 3.541 for each year of service as of 31 March 2015 (31 December 2014: TL 3.438).

The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

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

	31 March 2015	31 December 2014
Net discount rate (%)	3,50	3,50
Turnover rate to estimate the probability of retirement (%)	2,14	2,59

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 movements of provision for employment termination benefits are as follows:

	31 March 2015	31 March 2014
1 January	20.969.191	16.173.142
Interest expense	474.428	365.918
Current year provision	1.483.272	1.721.822
Remeasurement losses	935.819	1.873.258
Payments	(1.651.267)	(991.842)
<b>As of 31 March</b>	<b>22.211.443</b>	<b>19.142.298</b>

##### **Provision for vacation pay liability**

The movements of reserve for vacation pay are as follows:

	31 March 2015	31 March 2014
1 January	5.381.838	4.443.081
Net increase	1.423.281	1.171.072
<b>As of 31 March</b>	<b>6.805.119</b>	<b>5.614.153</b>

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

## 12. Provisions, contingent assets and liabilities (Continued)

### Commitments and contingencies

As of 31 March 2015 and 31 December 2014, the tables which represent the position of guarantees, pledges and mortgages are as follow:

<b>Guarantees given by the Company</b>	<b>31 March 2015</b>	<b>31 December 2014</b>
a. Total amount of guarantees, pledges and mortgages given in the name of legal entity	<b>909.655.672</b>	846.743.403
b. Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation.	-	-
c. Total amount of guarantees, pledges and mortgages given to third parties for their liabilities in the purpose of conducting the ordinary operations	-	-
d. Total amount of other guarantees, pledges and mortgages	-	-
<b>Total</b>	<b>909.655.672</b>	<b>846.743.403</b>

The details of guarantees, pledges and mortgages in terms of currency are as follows:

	<b>31 March 2015</b>		<b>31 December 2014</b>	
	<b>Original currency</b>	<b>TL</b>	<b>Original currency</b>	<b>TL</b>
USD	<b>236.369.011</b>	<b>616.970.393</b>	236.106.385	547.507.096
EUR	<b>38.715.511</b>	<b>109.599.739</b>	38.486.835	108.559.815
TL	<b>183.085.540</b>	<b>183.085.540</b>	190.676.492	190.676.492
		<b>909.655.672</b>		<b>846.743.403</b>

The details of guarantees, pledges and mortgages in terms of company/institution are as follows:

	<b>31 March 2015</b>	<b>31 December 2014</b>
<b>Guarantee letters given</b>		
Under secretariat of Ministry of Defense	<b>515.603.852</b>	462.293.181
Other	<b>394.051.820</b>	384.450.222
<b>Total</b>	<b>909.655.672</b>	<b>846.743.403</b>

### Guarantee Letters

a) Guarantees given as of 31 March 2015 and 31 December 2014 is as follows:

	<b>31 March 2015</b>	<b>31 December 2014</b>
Bank letters of guarantee (*)	<b>909.655.672</b>	846.743.403
	<b>909.655.672</b>	<b>846.743.403</b>

(\*) Bank letters of guarantee amounting to TL 515.603.852 are given to Secretariat of Ministry of Defense for Altay Project (31 December 2014: TL 458.062.131)

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 12. Provisions, contingent assets and liabilities (Continued)

b) Guarantees received as of 31 March 2015 and 31 December 2014 is as follows:

	31 March 2015	31 December 2014
Bank letters of guarantee (**)	382.434.733	346.144.591
Guarantee notes	24.494.184	24.410.289
Mortgages received	842.000	842.000
Guarantee bills	6.548.000	6.548.000
<b>Total</b>	<b>414.318.917</b>	<b>377.944.880</b>

(\*\*) Bank letters of guarantee amounting to TL 177.689.269 are obtained from the sub-contractors for Altay Project (31 December 2014: TL 156.811.967).

#### Contingent asset

The legal case related to tax deduction for the R&D activities in 2010 has concluded in favor of the Company and TL 2.923.627 has been refunded to the Company. The same case of 2011 is still in progress at appeal phase. The expected refund amount for 2011 is TL 3.963.320. Also cases have been filed for the years 2012 and 2013 and the expected refunds are TL 6.851.730 and TL 20.922.191, respectively.

#### 13. Prepaid expenses, deferred revenue, other assets and liabilities

a) Prepaid expenses:

	31 March 2015	31 December 2014
Advances given	87.360.306	75.972.542
Prepaid expenses	2.874.733	3.024.452
<b>Total</b>	<b>90.235.039</b>	<b>78.996.994</b>

b) Other current assets:

	31 March 2015	31 December 2014
Value added tax receivables	17.182.052	11.466.073
Other	312.644	840.798
<b>Total</b>	<b>17.494.696</b>	<b>12.306.871</b>

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 13. Prepaid expenses, deferred revenue, other assets and liabilities (Continued)

##### c) Deferred revenues:

<b>Deferred revenues – short term</b>	<b>31 March 2015</b>	<b>31 December 2014</b>
Deferred maintenance revenues (*)	<b>19.448.283</b>	19.378.209
Other deferred revenues (**)	-	475.859
Advance taken	<b>221.777.987</b>	243.948.353
<b>Total</b>	<b>241.226.270</b>	263.802.421

  

<b>Deferred revenues – long term</b>	<b>31 March 2015</b>	<b>31 December 2014</b>
Deferred maintenance revenues (*)	<b>39.809.531</b>	44.510.646
<b>Total</b>	<b>39.809.531</b>	44.510.646

(\*) Deferred repair maintenance income for sold vehicles via agreements signed.

(\*\*) Deferred revenues regarding the goods sold invoices having shipment date of 2015.

##### d) Employee benefits obligation:

	<b>31 March 2015</b>	<b>31 December 2014</b>
Payable to personnel	<b>5.010.663</b>	9.237.281
Social security premium payables	<b>3.420.410</b>	3.753.058
Taxes and funds payable	<b>1.032.974</b>	4.115.858
<b>Total</b>	<b>9.464.047</b>	17.106.197

##### e) Other short-term liabilities:

	<b>31 March 2015</b>	<b>31 December 2014</b>
Due to shareholders (*)	<b>80.000.000</b>	-
Taxes and funds payables	<b>241.120</b>	1.544.485
Deferred special consumption tax	<b>103.852</b>	92.889
Other	<b>388.261</b>	388.029
<b>Total</b>	<b>80.733.233</b>	2.025.403

(\*) Composed of dividends payable in relation to 2014 and was paid on 2 April 2015.

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 14. Sales and cost of sales

##### Net sales

	1 January – 31 March 2015	1 January – 31 March 2014
Domestic sales	194.294.857	275.784.433
Export sales	55.042.934	7.841.396
Gross sales	249.337.791	283.625.829
Less: sales discounts and sales returns	(579.893)	(379.523)
<b>Net sales</b>	<b>248.757.898</b>	<b>283.246.306</b>

Sales of the Company for the period 1 January - 31 March 2015 and 2014 in terms of the products are as follows:

	1 January – 31 March 2015	1 January – 31 March 2014
Commercial vehicle	141.276.019	157.653.643
Armored vehicle	28.822.340	55.884.000
Other sales (*)	78.659.539	69.708.663
	<b>248.757.898</b>	<b>283.246.306</b>

(\*) TL 43.055.548 of this amount is related to revenues of uncompleted contracts (31 March 2014: TL 45.168.750).

##### Cost of sales

	1 January – 31 March 2015	1 January – 31 March 2014
Cost of finished goods sold	177.814.212	215.646.145
Cost of merchandise sold	13.324.928	9.454.738
<b>Cost of sales</b>	<b>191.139.140</b>	<b>225.100.883</b>

#### 15. Other operating income

Other operating income	1 January – 31 March 2015	1 January – 31 March 2014
Foreign exchange gain from trade receivable/ payables	2.152.330	31.831.861
Forward transaction income	15.912.072	1.705.413
Maturity difference income	2.186.093	5.031.070
Incentive income	508.461	366.906
Other	1.748.295	1.475.489
<b>Total</b>	<b>22.507.251</b>	<b>40.410.739</b>

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 16. Other operating expenses

Other operating expense	1 January – 31 March 2015	1 January – 31 March 2014
Foreign exchange loss from trade receivable/ payables	(20.126.585)	(31.892.358)
Forward transaction expenses	(5.882.610)	(1.708.751)
Provision for doubtful receivables	(700.113)	(625.088)
Other	(48.798)	(98.468)
<b>Total</b>	<b>(26.758.106)</b>	<b>(34.324.665)</b>

#### 17. Financial income

	1 January – 31 March 2015	1 January – 31 March 2014
Interest income from time deposits	226.237	439.828
Foreign exchange gains on deposits	1.633.423	871.526
Foreign exchange gains on bank borrowings	185.275	4.111.100
<b>Total</b>	<b>2.044.935</b>	<b>5.422.454</b>

#### 18. Financial expense

	1 January – 31 March 2015	1 January – 31 March 2014
Interest expense on bank borrowings	(6.053.467)	(7.214.975)
Foreign exchange losses on deposits	(1.012.273)	(1.041.543)
Foreign exchange losses on bank borrowings	(193.500)	(8.353.800)
<b>Total</b>	<b>(7.259.240)</b>	<b>(16.610.318)</b>

#### 19. Tax assets and liabilities

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

In Turkey, the corporation tax rate is 20% (2014: 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

As of 31 March 2015 and 31 December 2014, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	31 March 2015	31 December 2014
Income tax payable	1.571.836	4.642.432
(-) Prepaid tax	(1.571.836)	(6.749.150)
<b>Income tax payable/ (receivable), net</b>	<b>-</b>	<b>(2.106.718)</b>

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 19. Tax assets and liabilities (Continued)

The breakdown of total tax expense for the three month period ended 31 March 2015 and 2014 are as follows:

	1 January – 31 March 2015	1 January – 31 March 2014
Current tax charge	(1.390.799)	(3.052.392)
Deferred tax income		
Tax charged to profit for the period	4.396.960	1.574.048
Tax charged to other comprehensive income/expense	187.164	374.652
<b>Total tax income/(expense)</b>	<b>3.193.325</b>	<b>(1.103.692)</b>

As of 31 March 2015 and 31 December 2014, the breakdown of deferred tax bases and deferred tax liability computed using the current effective tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/(liability)	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Property, plant and equipment	(8.901.387)	(10.686.872)	1.701.017	1.343.920
Intangibles	(22.356.139)	(24.037.595)	(4.471.228)	(4.807.519)
Deferred financial expense	(393.917)	(483.877)	(78.783)	(96.775)
Inventories	1.382.788	1.549.110	276.558	309.822
Warranty provision	24.670.950	22.615.088	4.934.190	4.523.018
Reserve for retirement pay	22.211.443	20.969.191	4.442.289	4.193.838
Deferred financial income	12.825.438	14.148.535	2.565.088	2.829.707
Other provisions	15.789.060	9.358.416	3.157.813	1.871.684
Deferred maintenance income	59.257.814	63.888.855	11.851.563	12.777.771
Adjustment for percentage of completion method on construction projects	89.931.556	73.915.663	17.986.311	14.783.133
Other	7.774.400	8.034.875	1.554.880	1.606.975
<b>Deferred tax asset</b>			<b>43.919.698</b>	<b>39.335.574</b>

The movement of deferred tax asset for the three month period ended 31 March 2015 and 2014 are as follows:

	31 March 2015	31 March 2014
January 1	39.335.574	43.338.020
Deferred tax income		
Tax charged to profit for the period	4.396.960	1.574.048
Tax charged to other comprehensive income/expense	187.164	374.652
<b>Total</b>	<b>43.919.698</b>	<b>45.286.720</b>

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 20. Earnings per share

Earnings per share are calculated by dividing net profit by the weighted average number of shares that have been outstanding during the period concerned.

Companies can increase their share capital by making a pro rata distribution of shares to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the earnings per share calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly.

Earnings per main share are determined by dividing net income of the shareholders by the weighted average number of shares that have been outstanding during the related year concerned.

	31 March 2015	31 March 2014
Net income attributable to shareholders (TL)	(2.220.865)	9.145.689
Weighted average number of issued shares	24.000.000.000	24.000.000.000
(Loss) / Earnings per share (kuruş)	(0,009)	0,038

#### 21. Related party disclosures

Due from and due to the related parties at the period end and transactions with related parties during the periods are as follows:

(i) Due from and due to related party balances as of 31 March 2015 and 31 December 2014:

Due from related parties	31 March 2015	31 December 2014
Ram Dış Ticaret A.Ş. (1) (*)	40.506.340	38.705.221
Otokar Europe SAS (3)	6.809.181	11.434.239
Ford Otosan A.Ş. (2)	794.195	731.483
Other (1)	-	7.029
<b>Total</b>	<b>48.109.716</b>	<b>50.877.972</b>

(\*) Certain portion of export sales are realized through Ram Dış Ticaret A.Ş. as export registered sales, accordingly the amount composed of accounts receivables arising on these transactions.

Due to related parties	31 March 2015	31 December 2014
Zer Merkezi Hizmetler A.Ş. (1)	1.290.612	2.347.607
Ram Dış Ticaret A.Ş. (1)	1.069.844	3.472.371
Ram Sigorta Aracılık Hz. A.Ş. (1)	563.084	342.279
Opet Fuchs Madeni Yağ A.Ş. (1)	467.889	408.031
Setur Servis Turistik A.Ş.(1)	211.923	464.983
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	187.785	200.402
Opet Petrolcülük A.Ş. (1)	82.112	84.853
KoçSistem Bilgi ve İletişim Hizm. A.Ş. (1)	28.717	313.039
Other (1)	21.349	2.686.972
<b>Total</b>	<b>3.923.315</b>	<b>10.320.537</b>

(1) Related parties of parent company

(2) Shareholder

(3) The Company's subsidiary not in scope of consolidation

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 21. Related party disclosures (Continued)

ii) Major sales and purchase transactions with related parties:

<b>Product sales and service revenue</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
Ram Dış Ticaret A.Ş.(1) (*)	<b>34.890.963</b>	1.369.391
Otokar Europe SAS (3)	<b>3.693.140</b>	2.622.062
Türk Traktör ve Ziraat Makineleri A.Ş.(1)	<b>227.793</b>	1.865.970
Ford Otosan A.Ş.(2)	<b>76</b>	152
Aygaz A.Ş.(1)	-	2.132
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	-	551
<b>Total</b>	<b>38.811.972</b>	<b>5.860.258</b>

(\*) Certain portion of export sales are realized through Ram Dış Ticaret A.Ş. as export registered sales, accordingly the amount composed of accounts receivables arising on these transactions.

<b>Purchase of property, plant and equipment</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
Koç Sistem Bilgi ve İletişim Hizm. A.Ş. (1)	<b>205.930</b>	417.183
Otokoç Otomotiv Tic.ve San. A.Ş.(1)	<b>161.901</b>	65.563
Zer Merkezi Hizmetler A.Ş. (1)	<b>23.708</b>	569
Arçelik A.Ş. (1))	<b>2.677</b>	1.330
Koçtaş Yapı Marketleri A.Ş. (1)	-	9.383
<b>Total</b>	<b>394.216</b>	<b>494.028</b>

<b>Inventories purchased</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
Zer Merkezi Hizmetler A.Ş. (1)	<b>3.404.492</b>	3.467.122
Ram Dış Ticaret A.Ş. (1)	<b>909.536</b>	1.678.729
Opet Fuchs Madeni Yağ A.Ş.(1)	<b>538.206</b>	498.773
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	<b>475.414</b>	750.846
Opet Petrolcülük A.Ş.(1)	<b>414.315</b>	466.908
Koçtaş Yapı Marketleri A.Ş.(1)	<b>11.883</b>	406.184
Ford Otosan A.Ş.(2)	<b>1.841</b>	-
Arçelik A.Ş. (1)	<b>1.029</b>	2.466
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	-	95.328
<b>Total</b>	<b>5.756.716</b>	<b>7.366.356</b>

(1) Related parties of parent company

(2) Shareholder

(3) The Company's subsidiary not in scope of consolidation

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi****Notes to the interim condensed financial statements at 31 March 2015**

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

**21. Related party disclosures (Continued)**

<b>Services purchased</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
Ram Dış Ticaret A.Ş. (1)	<b>1.981.134</b>	1.288.901
Eltek Elektrik Enerji İth.İhr.Top.Tic. A.Ş.(1)	<b>1.208.925</b>	1.116.094
Setur Servis Turistik A.Ş. (1)	<b>912.036</b>	947.854
Otokar Europe SAS (3)	<b>734.335</b>	129.587
Koç Holding A.Ş. (2)	<b>591.669</b>	468.866
Otokoç Otomotiv Tic. ve San. A.Ş.(1)	<b>347.612</b>	555.088
KoçSistem Bilgi ve İletişim Hizm. A.Ş. (1)	<b>308.147</b>	678.062
Moment Eğitim Araş.Sağ. Hiz.ve Tic. A.Ş. (1)	<b>131.137</b>	4.296
Koç Topluluğu Spor Kul. Der. İkt. İşl. (1)	<b>7.604</b>	-
Divan Turizm İşletmeleri A.Ş. (1)	<b>4.878</b>	3.248
Koç Üniversitesi (1)	<b>4.350</b>	27.814
Setair Hava Taşımacılığı ve Hizm. A.Ş. (1)	<b>3.933</b>	-
Ram Sigorta Aracılık Hz. A.Ş. (1) (*)	-	2.022
<b>Total</b>	<b>6.235.760</b>	5.221.832

(\*) It includes paid and accrued premium as of 31 March 2015 in accordance with insurance policies signed between unrelated insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is an insurance agency.

<b>Bank deposits</b>	<b>31 March 2015</b>	<b>31 December 2014</b>
Yapı ve Kredi Bankası A.Ş. (1)		
- Demand deposits	<b>134.937</b>	78.461
- Time deposits	<b>1.384.777</b>	1.353.000
<b>Total</b>	<b>1.519.714</b>	1.431.461

<b>Checks and notes in collection</b>	<b>31 March 2015</b>	<b>31 December 2014</b>
Yapı ve Kredi Bankası A.Ş. (1)	<b>13.503.034</b>	24.644.202
<b>Total</b>	<b>13.503.034</b>	24.644.202

<b>Borrowings</b>	<b>31 March 2015</b>	<b>31 December 2014</b>
Yapı ve Kredi Bankası A.Ş. (1)	<b>92.755.620</b>	122.670.359
<b>Total</b>	<b>92.755.620</b>	122.670.359

(1) Related parties of parent company

(2) Shareholder

(3) The Company's subsidiary not in scope of consolidation

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi****Notes to the interim condensed financial statements at 31 March 2015**

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

**21. Related party disclosures (Continued)**

For the three month period ended 31 March 2015 and 2014, other income and expense with related parties:

<b>Exchange gain from trade receivables and payables</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
Ram Dış Ticaret A.Ş.(1)	<b>41.124</b>	3.391.217
Otokar Europe SAS (3)	<b>5.843</b>	434.020
Other (1)	<b>2.150</b>	2.415
<b>Total</b>	<b>49.117</b>	<b>3.827.652</b>

  

<b>Exchange loss from trade receivables and payables</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
Ram Dış Ticaret A.Ş.(1)	<b>673.031</b>	156.249
Otokar Europe SAS (3)	<b>131.576</b>	-
Other (1)	<b>8.201</b>	13.821
<b>Total</b>	<b>812.808</b>	<b>170.070</b>

For the three month period ended 31 March 2015 and 2014, financial income and expense with related parties:

<b>Interest income</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
Yapı ve Kredi Bankası A.Ş. (1)	<b>938</b>	216.917
<b>Total</b>	<b>938</b>	<b>216.917</b>

  

<b>Interest expense</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
Yapı ve Kredi Bankası A.Ş. (1)	<b>1.676.170</b>	236.959
<b>Total</b>	<b>1.676.170</b>	<b>236.959</b>

  

<b>Foreign exchange gains</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
Yapı ve Kredi Bankası A.Ş. (1)	<b>2.657.389</b>	1.718.189
<b>Total</b>	<b>2.657.389</b>	<b>1.718.189</b>

  

<b>Foreign exchange losses</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
Yapı ve Kredi Bankası A.Ş. (1)	<b>2.223.069</b>	2.669.779
<b>Total</b>	<b>2.223.069</b>	<b>2.669.779</b>

(1) Related parties of parent company

(3) The Company's subsidiary not in scope of consolidation

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 21. Related party disclosures (Continued)

##### Benefits to key management

Salaries and similar benefits provided to the executive management by the Company for the three month period ended 31 March 2015 amounted to TL 1.093.746 (31 March 2014: TL 907.286). Executives are composed of board of directors members, general manager and assistants of general manager.

#### 22. Nature and level of risks arising from financial instruments

##### Foreign currency risk and related sensitivity analysis

The Company is exposed to the foreign exchange risk through the rate changes at the translation of foreign currency denominated liabilities to local currency. These risks are monitored and limited by analyzing the foreign currency position. Currency risk is monitored and limited by analyzing the foreign currency position. The Company follows a policy of diversifying its foreign currency position in order to manage the foreign currency risk that may arise due to future operations and recognized assets and liabilities.

The accompanying table represents the foreign currency risk of the assets and liabilities of the Company in the original currencies:

Table of foreign currency position					
31 March 2015					
	TL equivalent (functional currency)	USD	EUR	GBP	
1. Trade receivables	133.459.216	8.701.507	39.154.012	(24.488)	
2a. Monetary financial assets (including cash, bank accounts)	101.163.908	33.510.589	4.834.752	2.038	
2b. Non-monetary financial assets	-	-	-	-	
3. Other	27.865	4.304	5.875	-	
<b>4. Current assets (1+2+3)</b>	<b>234.650.989</b>	<b>42.216.400</b>	<b>43.994.639</b>	<b>(22.450)</b>	
5. Trade receivables	127.166.932	-	44.921.026	-	
6a. Monetary financial assets	152.063.046	58.257.239	-	-	
6b. Non-monetary financial assets	-	-	-	-	
7. Other	49.088	-	17.340	-	
<b>8. Non-current assets (5+6+7)</b>	<b>279.279.066</b>	<b>58.257.239</b>	<b>44.938.366</b>	-	
<b>9. Total assets (4+8)</b>	<b>513.930.055</b>	<b>100.473.639</b>	<b>88.933.005</b>	<b>(22.450)</b>	
10. Trade payables	(26.572.712)	(3.015.409)	(5.762.847)	(618.438)	
11. Financial liabilities	(28.308.955)	-	(9.999.984)	-	
12a. Monetary other liabilities	(321.245.991)	(122.853.364)	(202.812)	-	
12b. Non-monetary other liabilities	(19.448.283)	-	(6.870.000)	-	
<b>13. Current liabilities (10+11+12)</b>	<b>(395.575.941)</b>	<b>(125.868.773)</b>	<b>(22.835.643)</b>	<b>(618.438)</b>	
14. Trade payables	-	-	-	-	
15. Financial liabilities	(57.793.701)	-	(20.415.310)	-	
16a. Monetary other liabilities	-	-	-	-	
16b. Non-monetary other liabilities	(39.809.531)	-	(14.062.500)	-	
<b>17. Non-current liabilities (14+15+16)</b>	<b>(97.603.232)</b>	-	<b>(34.477.810)</b>	-	
<b>18. Total liabilities (13+17)</b>	<b>(493.179.173)</b>	<b>(125.868.773)</b>	<b>(57.313.453)</b>	<b>(618.438)</b>	
19. Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	(17.667.166)	27.542.500	(33.000.000)	1.000.000	
19a. Hedged total assets amount	92.718.834	34.042.500	-	1.000.000	
19b. Hedged total liabilities amount	(110.386.000)	(6.500.000)	(33.000.000)	-	
<b>20. Net foreign currency asset/(liability) position (9+18+19)</b>	<b>3.083.716</b>	<b>2.147.366</b>	<b>(1.380.448)</b>	<b>359.112</b>	
<b>21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>79.931.743</b>	<b>(25.399.438)</b>	<b>52.528.837</b>	<b>(640.888)</b>	
22. Total fair value of financial instruments used for foreign currency hedging	(17.667.166)	27.542.500	(33.000.000)	1.000.000	
23. Export (for the three month period ended 31 March 2015)	55.042.568	14.266.104	6.990.742	3.578	
24. Import (for the three month period ended 31 March 2015)	86.093.239	17.108.235	14.633.352	827.194	

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 22. Nature and level of risks arising from financial instruments (Continued)

		Table of foreign currency position			
		31 December			
		2014			
		TL equivalent (functional currency)	USD	EUR	GBP
1.	Trade receivables	157.673.175	1.490.821	53.636.019	813.379
2a.	Monetary financial assets (including cash, bank accounts)	78.275.263	32.100.834	1.359.816	280
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	26.552	4.304	5.875	-
4.	<b>Current assets (1+2+3)</b>	<b>235.974.990</b>	<b>33.595.959</b>	<b>55.001.710</b>	<b>813.659</b>
5.	Trade receivables	140.250.969	-	49.722.044	-
6a.	Monetary financial assets	129.854.389	55.998.270	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	93.433	19.200	17.340	-
8.	<b>Non-current assets (5+6+7)</b>	<b>270.198.791</b>	<b>56.017.470</b>	<b>49.739.384</b>	<b>-</b>
9.	<b>Total assets(4+8)</b>	<b>506.173.781</b>	<b>89.613.429</b>	<b>104.741.094</b>	<b>813.659</b>
10.	Trade payables	(19.937.556)	(3.702.607)	(3.638.931)	(302.341)
11.	Financial liabilities	(72.767.284)	-	(25.797.598)	-
12a.	Monetary other liabilities	(303.024.062)	(129.627.109)	(862.112)	-
12b.	Non-monetary other liabilities	(19.854.068)	-	(7.038.702)	-
13.	<b>Current liabilities (10+11+12)</b>	<b>(415.582.970)</b>	<b>(133.329.716)</b>	<b>(37.337.343)</b>	<b>(302.341)</b>
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(43.052.830)	-	(15.263.173)	-
16a.	Monetary other liabilities	-	-	-	-
16b.	Non-monetary other liabilities	(44.510.646)	-	(15.780.000)	-
17.	<b>Non-current liabilities (14+15+16)</b>	<b>(87.563.476)</b>	<b>-</b>	<b>(31.043.173)</b>	<b>-</b>
18.	<b>Total liabilities (13+17)</b>	<b>(503.146.446)</b>	<b>(133.329.716)</b>	<b>(68.380.516)</b>	<b>(302.341)</b>
19.	Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	(5.501.182)	45.234.300	(38.500.000)	(500.000)
19a.	Hedged total assets amount	104.893.818	45.234.300	-	-
19b.	Hedged total liabilities amount	(110.395.000)	-	(38.500.000)	(500.000)
20.	<b>Net foreign currency asset/(liability) position (9+18+19)</b>	<b>(2.473.847)</b>	<b>1.518.013</b>	<b>(2.139.422)</b>	<b>11.318</b>
21.	<b>Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>67.272.064</b>	<b>(43.739.791)</b>	<b>59.156.065</b>	<b>511.318</b>
22.	Total fair value of financial instruments used for foreign currency hedging	1.726.888	45.234.300	(38.500.000)	(500.000)
23.	Export (for the three month period ended 31 March 2014)	7.841.397	145.786	2.620.391	9.512
24.	Import (for the three month period ended 31 March 2014)	107.299.476	23.833.479	17.534.563	346.311

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 22. Nature and level of risks arising from financial instruments (Continued)

The following table demonstrates the sensitivity to a possible change of 10% in the USD, Euro and GBP exchange rates, with all other variables held constant, on the Company's income before tax as of 31 March 2015 and 31 December 2014:

	Exchange rate sensitivity analysis table	
	31 March 2015	
	Profit before tax Appreciation of foreign currency	Profit before tax Depreciation of foreign currency
<i>In case 10% appreciation of USD against TL:</i>		
1- USD net asset/liability	560.506	(560.506)
2- Amount hedged for USD risk (-)	-	-
3- <b>USD net effect (1+2)</b>	560.506	(560.506)
<i>In case 10% appreciation of EUR against TL:</i>		
4- EUR net asset/liability	(390.791)	390.791
5- Amount hedged for EUR risk (-)	-	-
6- <b>EUR net effect (4+5)</b>	(390.791)	390.791
<i>In case 10% appreciation of GBP against TL:</i>		
7- GBP net asset/liability	138.657	(138.657)
8- Amount hedged for GBP risk (-)	-	-
9- <b>GBP net effect (7+8)</b>	138.657	(138.657)
<b>Total (3+6+9)</b>	<b>308.372</b>	<b>(308.372)</b>

	Exchange rate sensitivity analysis table	
	31 December 2014	
	Profit before tax Appreciation of foreign currency	Profit before tax Depreciation of foreign currency
<i>In case 10% appreciation of USD against TL:</i>		
1- USD net asset/liability	352.012	(352.012)
2- Amount hedged for USD risk (-)	-	-
3- <b>USD net effect (1+2)</b>	352.012	(352.012)
<i>In case 10% appreciation of EUR against TL:</i>		
4- EUR net asset/liability	(603.467)	603.467
5- Amount hedged for EUR risk (-)	-	-
6- <b>EUR net effect (4+5)</b>	(603.467)	603.467
<i>In case 10% appreciation of GBP against TL:</i>		
7- GBP net asset/liability	4.070	(4.070)
8- Amount hedged for GBP risk (-)	-	-
9- <b>GBP net effect (7+8)</b>	4.070	(4.070)
<b>Total (3+6+9)</b>	<b>(247.385)</b>	<b>247.385</b>

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

### Notes to the interim condensed financial statements at 31 March 2015

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

#### 23. Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's assets that are measured at fair value at 31 March 2015 and 31 December 2014:

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 March 2015</b>				
Derivative financial instruments	-	1.081.933	-	1.081.933
<b>Total</b>	-	1.081.933	-	1.081.933
<b>31 December 2014</b>				
Derivative financial instruments	-	1.726.888	-	1.726.888
<b>Total</b>	-	1.726.888	-	1.726.888

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, judgment 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 realize in a current market exchange. Company considers that carrying amounts reflect fair values of the financial instruments.

*Monetary assets* - Short term monetary assets are considered to approximate their respective carrying values due to their short-term nature and low level of credit risk.

*Monetary liabilities* –Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The fair values of long-term bank borrowings with fixed interest rates are noted that it is close to approximate their respective carrying values, since the interest rate as of balance sheet date is used. The fair values of short-term bank borrowings are considered to approximate their respective carrying values due to their short-term nature.

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Notes to the interim condensed financial statements at 31 March 2015**

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

**24. Subsequent events**

The Company has paid the dividend related to 2014 to its shareholders as noted in Note 13 (TL 80.000.000) on 2 April 2015.

**25. Other matters which are significant to the financial statements or which should be disclosed for the purpose of true and fair interpretation of the financial statements**

None.