

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
FINANCIAL STATEMENTS**

**AT 30 JUNE 2015**

**(ORIGINALLY ISSUED IN TURKISH)**

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY - 30 JUNE 2015**

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# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## BALANCE SHEET AS OF 30 JUNE 2015

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

	Notes	(Reviewed) 30 June 2015	(Audited) 31 December 2014
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	8.283.825	44.527.697
Trade receivables	7	307.347.163	268.230.380
<i>Due from related parties</i>	7, 21	59.163.525	50.877.972
<i>Due from other parties</i>	7	248.183.638	217.352.408
Other receivables		48.685	958
Inventories	8	336.978.652	264.162.428
Derivative financial instruments	6	972.168	1.726.888
Prepaid expenses	13	130.546.446	78.996.994
Current income tax assets	19	-	2.106.718
Other current assets	13	37.564.281	12.306.871
<b>Total current assets</b>		<b>821.741.220</b>	<b>672.058.934</b>
<b>Non-current assets</b>			
Trade receivables, third parties	7	119.110.789	140.255.060
Other receivables, third parties		58.950	101.585
Due from customers on contract works	9	161.496.733	129.854.389
Financial investments	4	239.280	239.280
Property, plant and equipment	10	108.311.698	112.260.055
Intangibles	11	145.143.650	141.447.509
Deferred tax asset	19	44.337.995	39.335.574
<b>Total non-current assets</b>		<b>578.699.095</b>	<b>563.493.452</b>
<b>Total assets</b>		<b>1.400.440.315</b>	<b>1.235.552.386</b>

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

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## BALANCE SHEET AS OF 30 JUNE 2015

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

	Notes	(Reviewed) 30 June 2015	(Audited) 31 December 2014
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short term financial liabilities	5	54.169.745	29.751.877
Short term portion of long term financial liabilities	5	152.718.426	45.915.500
Trade payables	7	142.318.756	81.523.996
<i>Due to related parties</i>	7, 21	4.620.174	10.320.537
<i>Due to others</i>	7	137.698.582	71.203.459
Employee benefit obligations	13	8.311.016	17.106.197
Other payables, third parties		31.707.242	16.383.024
Deferred income	13	311.298.823	263.802.421
Government grants		2.045.076	2.033.845
Short term provisions	12	206.771.207	181.758.643
<i>Provisions for employee benefits</i>	13	7.281.200	5.381.838
<i>Other provisions</i>	13	199.490.007	176.376.805
Other current liabilities		4.309.282	2.025.403
<b>Total current liabilities</b>		<b>913.649.573</b>	<b>640.300.906</b>
<b>Non-current liabilities</b>			
Financial liabilities	5	252.819.783	273.846.971
Government grants		6.335.529	7.162.947
Long term provisions	12	27.063.414	25.403.540
<i>Provision for employee benefits</i>	12	22.252.750	20.969.191
<i>Other provisions</i>	12	4.810.664	4.434.349
Deferred income	13	36.815.259	44.510.646
<b>Total non-current liabilities</b>		<b>323.033.985</b>	<b>350.924.104</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 share capital		52.743.030	52.743.030
Restricted reserves		46.838.147	38.958.147
Accumulated other comprehensive income and expense that will not be classified to statement of profit or loss		(5.839.313)	(5.264.855)
Retained earnings		46.011.054	61.119.856
Net income for the year		3.839	72.771.198
<b>Total Equity</b>		<b>163.756.757</b>	<b>244.327.376</b>
<b>Total Liabilities and Equity</b>		<b>1.400.440.315</b>	<b>1.235.552.386</b>

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

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 30 JUNE 2015

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

		Reviewed		Reviewed	
	Notes	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Net Sales	14	543.821.939	295.064.041	641.430.304	358.183.998
Cost of Sales (-)	14	(420.549.855)	(229.410.715)	(481.828.461)	(256.727.578)
<b>GROSS PROFIT</b>		<b>123.272.084</b>	<b>65.653.326</b>	<b>159.601.843</b>	<b>101.456.420</b>
Marketing expenses (-)		(74.311.613)	(39.795.986)	(56.230.214)	(31.669.433)
General administrative expenses (-)		(23.981.870)	(11.848.660)	(21.822.637)	(11.637.892)
Research and development expenses (-)		(17.196.785)	(9.039.885)	(15.204.683)	(7.495.305)
Other operating income	15	38.613.889	16.106.638	54.549.301	14.138.562
Other operating expenses (-)	16	(32.463.149)	(5.705.043)	(44.601.702)	(10.277.037)
<b>OPERATING PROFIT</b>		<b>13.932.556</b>	<b>15.370.390</b>	<b>76.291.908</b>	<b>54.515.315</b>
Income from investing activities		1.434.483	9.370	32.194	-
Expenses from investing activities (-)		-	-	-	(3.110)
<b>OPERATING INCOME BEFORE FINANCIAL EXPENSES</b>		<b>15.367.039</b>	<b>15.379.760</b>	<b>76.324.102</b>	<b>54.512.205</b>
Financial income	17	4.717.245	2.672.310	8.341.764	2.919.310
Financial expense (-)	18	(24.583.193)	(17.323.953)	(29.625.950)	(13.015.632)
<b>(LOSS) / INCOME BEFORE TAX</b>		<b>(4.498.909)</b>	<b>728.117</b>	<b>55.039.916</b>	<b>44.415.883</b>
Tax income/expense from continued operations					
Current tax (expense) / income	19	(356.058)	1.034.741	(7.922.283)	(4.869.891)
Deferred tax income / (expense)	19	4.858.806	461.846	(669.151)	(2.243.199)
<b>PROFIT FOR THE PERIOD</b>		<b>3.839</b>	<b>2.224.704</b>	<b>46.448.482</b>	<b>37.302.793</b>
Remeasurement (losses) / gains on defined benefit plans		(718.073)	217.746	(1.850.856)	22.402
Deferred tax income		143.615	(43.549)	370.171	(4.481)
<b>Other comprehensive (expense) / income</b>		<b>(574.458)</b>	<b>174.197</b>	<b>(1.480.685)</b>	<b>17.921</b>
<b>TOTAL COMPREHENSIVE (EXPENSE) / INCOME</b>		<b>(570.619)</b>	<b>2.398.901</b>	<b>44.967.797</b>	<b>37.320.714</b>
<b>Earnings per share</b>	20	<b>0,000</b>	<b>0,009</b>	<b>0,194</b>	<b>0,155</b>

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

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2015

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

	Paid in share capital	Inflation adjustments	Restricted reserves	Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss	Remeasurement losses on defined benefit plans	Retained earnings	Net income for the period	Total equity
<b>1 January 2014</b>	<b>24.000.000</b>	<b>52.743.030</b>	<b>29.078.147</b>		<b>(3.551.453)</b>	<b>74.438.113</b>	<b>96.561.743</b>	<b>273.269.580</b>
Transfers	-	-	9.880.000	-	-	86.681.743	(96.561.743)	-
Dividends paid	-	-	-	-	-	(100.000.000)	-	(100.000.000)
Total comprehensive income	-	-	-	(1.480.685)	-	-	46.448.482	44.967.797
<b>30 June 2014</b>	<b>24.000.000</b>	<b>52.743.030</b>	<b>38.958.147</b>		<b>(5.032.138)</b>	<b>61.119.856</b>	<b>46.448.482</b>	<b>218.237.377</b>
<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>
Transfers	-	-	7.880.000	-	-	64.891.198	(72.771.198)	-
Dividends paid	-	-	-	-	-	(80.000.000)	-	(80.000.000)
Total comprehensive income	-	-	-	(574.458)	-	-	3.839	(570.619)
<b>30 June 2015</b>	<b>24.000.000</b>	<b>52.743.030</b>	<b>46.838.147</b>		<b>(5.839.313)</b>	<b>46.011.054</b>	<b>3.839</b>	<b>163.756.757</b>

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

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## CONDENSED STATEMENT OF CASH FLOWS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2015

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

	Notes	(Reviewed) 30 June 2015	(Reviewed) 30 June 2014
<b>Cash flows from operating activities</b>			
(Loss)/income before taxes		(4.498.909)	55.039.916
<b>Adjustments to reconcile income before taxes to net cash flows from operating activities:</b>			
Depreciation and amortization	10,11	23.725.106	23.116.208
Provision for employee termination benefits	12	3.171.342	3.102.469
Provision for inventories	8	1.566.163	599.461
Warranty provision expenses	12	21.084.837	9.969.447
Gain on sale of property, plant and equipments		(1.434.483)	(32.194)
Interest expense on borrowings	18	14.464.832	18.563.925
Unrealised foreign exchange (losses/gain) on borrowings		734.200	(669.000)
Interest income on time deposits	17	(323.969)	(555.597)
Provision for doubtful receivables	7	1.821.576	(19.634)
Financial derivative transactions, net		(8.968.292)	(368.304)
<b>Changes in net working capital</b>		<b>51.342.403</b>	<b>108.746.697</b>
Trade and other receivables		(19.799.180)	97.156.223
Due from customers on contract works		(31.642.344)	(11.362.820)
Inventories		(74.382.387)	(35.262.041)
Other current assets		(74.700.144)	5.162.184
Trade payables		60.794.760	(10.258.285)
Other liabilities		67.784.956	(37.040.257)
Realized gains on derivative contracts		9.723.012	(60.334)
Income taxes paid		(356.058)	(9.742.755)
Warranties paid	12	(15.683.169)	(13.601.518)
Employee termination benefits paid	12	(2.605.856)	(1.584.768)
<b>Cash flows from investing activities</b>		<b>(29.524.007)</b>	<b>92.152.326</b>
<b>Investing activities</b>			
Purchase of tangible assets	10	(2.886.716)	(3.589.917)
Purchase of intangible assets	11	(21.623.182)	(20.907.171)
Proceeds from sale of property, plant and equipment		2.471.490	411.008
<b>Net cash used in investing activities</b>		<b>(22.038.408)</b>	<b>(24.086.080)</b>
<b>Financial activities</b>			
Proceeds from bank borrowings		375.005.533	310.894.626
Repayments of bank borrowings		(276.440.248)	(272.669.474)
Interest paid		(3.570.711)	(8.194.485)
Interest received		323.969	555.597
Dividends paid		(80.000.000)	(100.000.000)
<b>Net cash used in financing activities</b>		<b>15.318.543</b>	<b>(69.413.736)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(36.243.872)</b>	<b>(1.347.490)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	3	<b>44.527.697</b>	<b>8.884.174</b>
<b>Cash and cash equivalents at the end of the period</b>	3	<b>8.283.825</b>	<b>7.536.684</b>

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

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

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### NOTE 1 - COMPANY’S 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 2.414 (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).

Condensed interim financial statements for the six-month period ended 30 June 2015 were authorized for issue and signed with the approval of the Internal Audit Committee by the Board of Directors of the Company on 29 July 2015. The accompanying condensed interim 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 Istanbul (“BIST”), previously Istanbul Stock Exchange (“ISE”) since 1995. As of 30 June 2015 the shares listed on the BIST are 26,80% of the total shares.

As of 30 June 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>

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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 OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

AT 30 JUNE 2015

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

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### NOT 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/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 June 13, 2013 which is published on Official Gazette numbered 28676.

The condensed interim financial statements for the six-month period ended 30 June 2015 were prepared in accordance with TAS 34 Interim Financial Reporting. The condensed interim 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 condensed interim financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with TAS/TFRS 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 30 June 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 Significant Changes in the Accounting Policies

As at 30 June 2015, 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 TFRS and TFRIC 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.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

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

#### 2.2 Significant Changes in the Accounting Policies (Continued)

##### i) New standards, amendments and interpretations effective as of 30 June 2015:

**IAS 19, 'Employee benefits'**, effective annual periods on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

**Annual improvements 2012**, effective annual periods on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards:

IFRS 2, 'Share-based payment'

IFRS 3, 'Business Combinations'

IFRS 8, 'Operating segments'

IFRS 13, 'Fair value measurement'

IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets'

Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and

IAS 39, 'Financial instruments – Recognition and measurement'.

**Annual improvements 2013**, effective annual periods on or after 1 July 2014. The amendments include changes from the 2011-2-13 cycle of the annual improvements project that affect 4 standards:

IFRS 1, 'First time adoption'

IFRS 3, 'Business combinations'

IFRS 13, 'Fair value measurement' and

IAS 40, 'Investment property'

##### ii) Standards and amendments issued but not yet effective as of 30 June 2015:

**Amendment to IFRS 11, 'Joint arrangements'**, effective annual periods beginning on or after 1 January 2016 . It is about acquisition of an interest in a joint operation. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

**Amendments to IAS 16, 'Property, plant and equipment', and IAS 41, 'Agriculture'**, effective annual periods beginning on or after 1 January 2016 . These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

**Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets'**, effective annual periods beginning on or after 1 January 2016. In this amendment has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

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

#### 2.2 Significant Changes in the Accounting Policies (Continued)

##### ii) Standards and amendments issued but not yet effective as of 30 June 2015 (Continued):

**IFRS 14 ‘Regulatory deferral accounts’**, effective annual periods beginning on or after 1 January 2016. This standard permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

**Amendments to IAS 27, ‘Separate financial statements’**, effective annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

**Amendments to IFRS 10, ‘Consolidated financial statements’ and IAS 28, ‘Investments in associates and joint ventures’**, effective annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

**Annual improvements 2014**, effective annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:

IFRS 5, ‘Non-current assets held for sale and discontinued

IFRS 7, ‘Financial instruments: Disclosures’, (with consequential amendments to IFRS 1) regarding servicing contracts.

IAS 19, ‘Employee benefits’ regarding discount rates.

IAS 34, ‘Interim financial reporting’ regarding disclosure of information.

**Amendment to IAS 1, ‘Presentation of financial statements’**, effective annual periods beginning on or after 1 January 2016. These amendments are to improve presentation and disclosure in financial reports.

**Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception**, effective annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

**IFRS 15 ‘Revenue from contracts with customers’**, effective annual periods beginning on or after 1 January 2017. This standard is a converged standard from the IASB and FASB on revenue recognition which will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

**IFRS 9 ‘Financial instruments’**; effective annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

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

#### 2.3 Summary of significant accounting policies

The accounting policies used in the preparation of these condensed interim 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.

### NOTE - CASH AND CASH EQUIVALENTS

	30 June 2015	31 December 2014
Cash at banks		
- demand deposits	21.592	415.875
- time deposits	6.903.954	42.551.560
Cheques and notes receivable	1.273.019	1.519.333
Other	85.260	40.929
<b>Total</b>	<b>8.283.825</b>	<b>44.527.697</b>

As of 30 June 2015, TL 6.903.954 time deposits amounting to TL 1.766.954 is in foreign currency and annual effective interest rate is 0,25% and has the maturity of 1 day. Remaining balance is TL 5.137.000 and annual effective interest rate is 12% 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 30 June 2015, the Company has restricted bank deposit amounting to TL 796 (31 December 2014: TL 862).

### NOTE 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 OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 5 - FINANCIAL LIABILITIES

30 June 2015	Maturities	Interest rate(%)	TL
<b>Short term bank borrowings (*)</b>			
Denominated in TL	1 July 2015	0,00-5,41	3.472.433
Denominated in EUR	1 July 2015	4,14	50.697.312
<b>Total</b>			<b>54.169.745</b>
<b>Principals and interest accruals on the short-term portion of long-term borrowings (*)</b>			
Denominated in TL	3 April 2016- 22 June 2017	8,22-12,06	106.369.570
Denominated in EUR	29 June 2016	3,66	46.348.856
<b>Total</b>			<b>152.718.426</b>
<b>30 June 2015</b>			
	Maturities	Interest rate(%)	TL
<b>Long term bank borrowings (*)(**)</b>			
Denominated in TL	17 October 2016- 25 May 2018	11,55-12,60	237.862.664
Denominated in EUR	10 February 2017	2,72	14.957.119
<b>Total</b>			<b>252.819.783</b>
(*) Bearing fixed interest rate			
(**) Weighted average maturity days of long-term borrowings are 806 days.			
<b>31 December 2014</b>			
	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 EUR	2 January 2015	3,11-3,17	29.227.510
<b>Total</b>			<b>29.751.877</b>
<b>Principals and interest accruals on the short-term portion of long-term borrowings (*)</b>			
Denominated in TL	11 March 2016- 17 October 2016	8,05-11,73	2.375.726
Denominated in EUR	9 February 2015	2,04	43.539.774
<b>Total</b>			<b>45.915.500</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 5 - FINANCIAL LIABILITIES (Continued)

31 December 2014

	Maturities	Interest rate(%)	TL
<b>Long term bank borrowings (*)(**)</b>			
Denominated in TL	11 March2016- 29 September 2017	8,82-11,73	230.794.141
Denominated in EUR	29 June2016	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 Social Security Institution payments

As of 30 June 2015, the Company has not provided any guarantees for the borrowings. (31 December 2014: None).

### NOTE 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.

	Contract amount	Current period Contract maturity	Fair value Assets
30 June 2015:			
Forward transactions	112.085.900	9 July2015- 13 August 2015	972.168
Short-term derivative financial instruments	112.085.900		972.168
<b>Total derivative financial instruments</b>	<b>112.085.900</b>		<b>972.168</b>

	Contract amount	Perior period Contract maturity	Fair value Assets
31 December 2014:			
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>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 7 - TRADE RECEIVABLES AND PAYABLES

#### Trade receivables

	30 June 2015	31 December 2014
Trade receivables, net	132.956.772	132.684.387
Notes receivables, net	139.291.016	107.194.793
	<b>272.247.788</b>	<b>239.879.180</b>
Less: provision for doubtful receivables	(24.064.150)	(22.526.772)
<b>Short term trade receivables</b>	<b>248.183.638</b>	<b>217.352.408</b>
Trade receivables from related parties	59.163.525	50.877.972
<b>Short-term trade receivables</b>	<b>307.347.163</b>	<b>268.230.380</b>
Long-term trade receivables, net	106.642.712	125.884.462
Long-term notes receivable, net	12.468.077	14.370.598
<b>Long-term trade receivables</b>	<b>119.110.789</b>	<b>140.255.060</b>

#### 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 30 June 2015, the total trade receivable from dealers amounting to TL 119.199.698 (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 118.906.500 (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:

30 June 2015	Trade receivables
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	152
1- 5 year past due	257.897
Over 5 year past due	-
<b>Total</b>	<b>258.049</b>
<b>Amount secured with guarantee (1)</b>	<b>256.756</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 trailer vehicles.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

The movement of the provision for doubtful receivables for the six-month period ended 30 June 2015 and 30 June 2014 are as follows:

	1 January - 30 June 2015	1 January - 30 June 2014
1 January	22.526.772	21.961.122
Collection	(284.198)	(189)
Additional provisions	1.821.576	(19.634)
<b>Total</b>	<b>24.064.150</b>	<b>21.941.299</b>

As of 30 June 2015, average collection term for trade receivables is 60 - 90 days (31 December 2014: 60 - 90 days).

### Trade payables

	30 June 2015	31 December 2014
Trade payables, net	137.460.532	70.978.759
Notes payables, net	238.050	224.700
<b>Short-term other trade payables</b>	<b>137.698.582</b>	<b>71.203.459</b>
Trade payables to related parties	4.620.174	10.320.537
<b>Short-term trade payables</b>	<b>142.318.756</b>	<b>81.523.996</b>

As of 30 June 2015, average payment term for trade payables is 45-60 days (31 December 2014: 45-60 days).

### NOTE 8 - INVENTORIES

	30 June 2015	31 December 2014
Raw material	114.265.820	93.535.860
Semi-finished goods	41.444.605	16.423.428
Finished goods	47.240.697	33.518.461
Merchandise	54.452.680	50.425.115
Goods in transit	82.635.770	71.754.321
Impairment for inventories (*)	(3.060.920)	(1.494.757)
<b>Total</b>	<b>336.978.652</b>	<b>264.162.428</b>

(\*) TL 2.440.920 of impairment is related to finished goods (31 December 2014: TL 1.356.002) and TL 620.000 is related to merchandises (31 December 2014: TL 138.755). The impairment has been accounted for under cost of sales.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 9 - DUE FROM CUSTOMERS ON CONTRACTS WORKS

Receivable from uncompleted contracts is to TL 161.496.733 as of 30 June 2015 (31 December 2014: TL 129.854.389) after offsetting with short term advance taken.

As of 30 June 2015, the short term advances taken by the Company related with ongoing projects which amounts to TL 150.899.154 was included in deferred revenues in the financial statements (31 December 2014: TL 113.014.910). Rest of the amount TL 138.453.999 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 21.945.670 (31 December 2014: TL 19.854.068).

### NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

For the six-month periods ended 30 June 2015 and 2014, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	<b>1 January 2015</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>30 June 2015</b>
<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 and equipment	108.389.066	1.145.360	(6.405.949)	326.599	103.455.076
Motor vehicles	9.169.102	304.541	(333.796)	-	9.139.847
Furniture and fixtures	34.568.907	784.589	(1.980.423)	55.439	33.428.512
Leasehold improvements	2.841.765	18.975	-	-	2.860.740
Construction in process	2.355.130	633.251	-	(817.680)	2.170.701
	<b>266.573.250</b>	<b>2.886.716</b>	<b>(8.720.168)</b>	<b>(435.642)</b>	<b>260.304.156</b>
<b>Accumulated depreciation:</b>					
Land improvements	6.176.947	323.893	-	-	6.500.840
Buildings	31.891.231	1.409.005	-	-	33.300.236
Machinery and equipment	87.805.628	2.762.639	(6.405.949)	-	84.162.318
Motor vehicles	4.737.483	371.413	(102.335)	-	5.006.561
Furniture and fixtures	21.866.594	1.149.563	(1.980.423)	-	21.035.734
Leasehold improvements	1.835.312	151.457	-	-	1.986.769
	<b>154.313.195</b>	<b>6.167.970</b>	<b>(8.488.707)</b>	<b>-</b>	<b>151.992.458</b>
<b>Net book value</b>	<b>112.260.055</b>				<b>108.311.698</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2014	Additions	Disposals	Transfers	30 June 2014
<b>Cost:</b>					
Land	37.456.746	-	-	-	37.456.746
Land improvements	11.309.351	20.475	-	-	11.329.826
Buildings	60.170.668	-	-	-	60.170.668
Machinery and equipment	111.943.555	693.689	(204.669)	95.406	112.527.981
Motor vehicles	7.957.194	1.055.202	(448.192)	-	8.564.204
Furniture and fixtures	31.761.624	1.300.038	(23.060)	20.710	33.059.312
Leasehold improvements	2.734.585	13.500	-	60.599	2.808.684
Construction in process	1.778.321	507.013	-	(176.715)	2.108.619
	<b>265.112.044</b>	<b>3.589.917</b>	<b>(675.921)</b>	<b>-</b>	<b>268.026.040</b>
<b>Accumulated depreciation:</b>					
Land improvements	4.654.789	758.369	-	-	5.413.158
Buildings	29.073.222	1.409.005	-	-	30.482.227
Machinery and equipment	86.240.277	3.902.296	(204.157)	-	89.938.416
Motor vehicles	4.071.036	357.558	(86.379)	-	4.342.215
Furniture and fixtures	18.760.344	1.501.958	(6.572)	-	20.255.730
Leasehold improvements	1.469.753	178.902	-	-	1.648.655
	<b>144.269.421</b>	<b>8.108.088</b>	<b>(297.108)</b>	<b>-</b>	<b>152.080.401</b>
<b>Net book value</b>	<b>120.842.623</b>				<b>115.945.639</b>

For the six month periods ended 30 June 2015 and 2014, the allocation of depreciation and amortization expenses of property, plant and equipment and intangibles has been as follows:

	1 January - 30 June 2015	1 January - 30 June 2014
Research and development expenses	16.713.171	14.117.792
Costs related to uncompleted contracts	1.502.595	3.760.935
Cost of goods sold	2.450.395	2.492.384
Development projects in process	1.017.318	934.911
Depreciation on outstanding inventories	625.458	563.102
General administrative expenses	815.981	710.184
Selling and marketing expenses	600.188	536.900
<b>Total</b>	<b>23.725.106</b>	<b>23.116.208</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 11 - INTANGIBLE ASSETS

For the six month period ended 30 June 2015 and 2014, the movement of intangible assets and the accumulated amortisation is as follows:

	1 January 2015	Additions	Disposals	Transfers	30 June 2015
<b>Cost:</b>					
Other intangible assets	13.530.710	481.756	-	435.642	14.448.108
Development costs	186.078.994	-	(819.200)	16.324.516	201.584.310
Developments projects in progress	40.525.892	21.141.426	-	(16.324.516)	45.342.802
	<b>240.135.596</b>	<b>21.623.182</b>	<b>(819.200)</b>	<b>435.642</b>	<b>261.375.220</b>
<b>Accumulated amortization:</b>					
Other intangible assets	10.221.496	843.965	-	-	11.065.461
Development costs	88.466.591	16.713.171	(13.653)	-	105.166.109
	<b>98.688.087</b>	<b>17.557.136</b>	<b>(13.653)</b>	<b>-</b>	<b>116.231.570</b>
<b>Net book value</b>	<b>141.447.509</b>				<b>145.143.650</b>
	1 January 2014	Additions	Disposals	Transfers	30 June 2014
<b>Cost:</b>					
Other intangible assets	12.289.381	465.455	-	-	12.754.836
Development costs	147.369.338	-	-	4.143.717	151.513.055
Development projects in process	35.639.826	20.441.716	-	(4.143.717)	51.937.825
	<b>195.298.545</b>	<b>20.907.171</b>	<b>-</b>	<b>-</b>	<b>216.205.716</b>
<b>Accumulated amortization:</b>					
Other intangible assets	8.371.380	890.329	-	-	9.261.709
Development costs	60.634.428	14.117.791	-	-	74.752.219
	<b>69.005.808</b>	<b>15.008.120</b>	<b>-</b>	<b>-</b>	<b>84.013.928</b>
<b>Net book value</b>	<b>126.292.737</b>				<b>132.191.788</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

#### Provisions short term

	30 June 2015	31 December 2014
Provision for other costs (*)	164.973.858	153.473.113
Warranty provision	23.206.092	18.180.739
Provisions for employee benefits	7.281.200	5.381.838
Foundation employer’s share of social security premium	2.925.000	2.925.000
Provision for license costs	833.845	1.264.726
Provision for legal cases	100.000	100.000
Other	7.451.212	433.227
<b>Total</b>	<b>206.771.207</b>	<b>181.758.643</b>

(\*) Includes costs incurred by the Company in relation to 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

	30 June 2015	31 December 2014
Warranty provision	4.810.664	4.434.349
<b>Total</b>	<b>4.810.664</b>	<b>4.434.349</b>

#### Warranty provision

The movement of the warranty expense provision is as follows:

	1 January - 30 June 2015	1 January - 30 June 2014
1 January	22.615.088	25.256.158
Additional provision	21.084.837	9.969.447
Payments	(15.683.169)	(13.601.518)
<b>30 June</b>	<b>28.016.756</b>	<b>21.624.087</b>

#### Provision for employee benefits

	30 June 2015	31 December 2014
Provision for employment termination benefits	22.252.750	20.969.191
Provision for unused vacation	7.281.200	5.381.838
<b>Total</b>	<b>29.533.950</b>	<b>26.351.029</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

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

#### *Employment termination benefits*

The amount payable consists of one month’s salary limited to a maximum of TL 3.541 for each year of service as of 30 June 2015 (31 December 2014: TL 3.438).

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 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:

	30 June 2015	31 December 2014
Net discount rate (%)	3,50	3,50
Turnover rate to estimate the probability of retirement (%)	2,25	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:

	2015	2014
1 January	20.969.191	16.173.142
Interest expense	948.856	731.835
Current year charge	2.222.486	2.370.634
Remeasurement losses	718.073	1.850.856
Payments	(2.605.856)	(1.584.768)
<b>30 June</b>	<b>22.252.750</b>	<b>19.541.699</b>

#### **Provision for unused vacation**

The movements of reserve for vacation pay are as follows:

	2015	2014
1 January	5.381.838	4.443.081
Current year charge	1.899.362	1.834.222
<b>30 June</b>	<b>7.281.200</b>	<b>6.277.303</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

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

#### Commitments and contingencies

As of 30 June 2015 and 31 December 2014, the tables which represent the position of guarantees, pledges and mortgages are as follows:

#### Guarantees given by the Company

	30 June 2015	31 December 2014
a. Total amount of guarantees, pledges and mortgages given the name of legal entity	1.070.489.789	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>1.070.489.789</b>	<b>846.743.403</b>

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

	30 June 2015		31 December 2014	
	Original currency	TL equivalent	Original currency	TL equivalent
USD	288.128.061	773.998.410	236.106.385	547.507.096
EUR	38.162.232	113.807.409	38.486.835	108.559.815
TL	182.683.970	182.683.970	190.676.492	190.676.492
	<b>1.070.489.789</b>		<b>846.743.403</b>	

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

	30 June 2015	31 December 2014
<b>Verilen teminat mektupları</b>		
Under secretariat of Ministry of Defense	679.278.990	462.293.181
Other	391.210.799	384.450.222
<b>Total</b>	<b>1.070.489.789</b>	<b>846.743.403</b>

#### Guarantee Letters

a) Guarantees given as of 30 June 2015 and 31 December 2014 are as follows:

	30 June 2015	31 December 2014
Bank letters of guarantee (*)	1.070.489.789	846.743.403
	<b>1.070.489.789</b>	<b>846.743.403</b>

(\*) Bank letters of guarantee amounting to TL 668.470.260 are given to Secretariat of Ministry of Defense for Altay Project (31 December 2014: TL 458.062.131).

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

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

b) Guarantees received as of 30 June 2015 and 31 December 2014 are as follows:

	30 June 2015	31 December 2014
Bank letters of guarantee (**)	447.817.686	346.144.591
Guarantee notes	20.556.011	24.410.289
Mortgages received	582.000	842.000
Guarantee bills	-	6.548.000
	<b>468.955.697</b>	<b>377.944.880</b>

(\*\*) Bank letters of guarantee amounting to TL 219.605.961 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 was concluded in favor of the Company and TL 2.923.627 has been refunded to the Company. The same case for 2011-2012-2013 is still in progress at appeal phase. The Company has appealed for the same case of 2014 and it is still in progress. 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 6.821.730 and TL 20.922.191, respectively. Total amount of appealed case of 2014 is TL 4.461.395.

### NOTE 13 - PREPAID EXPENSES, DEFERRED REVENUE, OTHER ASSETS AND LIABILITIES

a) Prepaid expenses:

	30 June 2015	31 December 2014
Advances given	127.177.073	75.972.542
Prepaid expenses	3.369.373	3.024.452
<b>Total</b>	<b>130.546.446</b>	<b>78.996.994</b>

b) Other current assets:

	30 June 2015	31 December 2014
Value added tax receivables	36.718.488	11.466.073
Other	845.793	840.798
<b>Total</b>	<b>37.564.281</b>	<b>12.306.871</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 13 - PREPAID EXPENSES, DEFERRED REVENUE, OTHER ASSETS AND LIABILITIES (Continued)

#### c) Deferred revenues:

Deferred revenues – short term	30 June 2015	31 December 2014
Deferred maintenance revenues(*)	20.487.715	19.378.209
Other deferred revenues (**)	1.457.955	475.859
Advances received	289.353.153	243.948.353
<b>Total</b>	<b>311.298.823</b>	<b>263.802.421</b>

Deferred revenues - long term	30 June 2015	31 December 2014
Deferred maintenance revenues (*)	36.815.259	44.510.646
<b>Total</b>	<b>36.815.259</b>	<b>44.510.646</b>

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

(\*\*) Deferred revenues regarding the pendent invoices as of reporting date by matching principles.

#### d) Employee benefits obligation:

	30 June 2015	31 December 2014
Payables to employees	5.420.023	9.237.281
Social security payables	2.210.540	3.753.058
Taxes and funds payable	680.453	4.115.858
<b>Total</b>	<b>8.311.016</b>	<b>17.106.197</b>

#### e) Other current liabilities:

	30 June 2015	31 December 2014
Payable to personnel	229.117	1.544.485
Deferred special consumption tax	3.683.628	92.889
Other	396.537	388.029
<b>Total</b>	<b>4.309.282</b>	<b>2.025.403</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 14 - -SALES AND COST OF SALES

#### Net sales

	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>	<b>1 January - 30 June 2014</b>	<b>1 April - 30 June 2014</b>
Domestic sales	415.295.609	221.000.752	550.708.499	274.924.066
Export sales	129.559.482	74.516.548	91.760.287	83.918.891
<b>Gross sales</b>	<b>544.855.091</b>	<b>295.517.300</b>	<b>642.468.786</b>	<b>358.842.957</b>
Less: sales discounts and sales returns	(1.033.152)	(453.259)	(1.038.482)	(658.959)
<b>Net sales</b>	<b>543.821.939</b>	<b>295.064.041</b>	<b>641.430.304</b>	<b>358.183.998</b>

Sales of the Company for the period 1 January - 30 June 2015 and 2014 in terms of the products are as follows:

	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>	<b>1 January - 30 June 2014</b>	<b>1 April - 30 June 2014</b>
Commercial vehicle	312.106.685	179.285.761	319.529.442	161.875.799
Armored vehicle	68.265.571	39.443.231	186.586.331	130.702.331
Other (*)	163.449.683	76.335.049	135.314.531	65.605.868
	<b>543.821.939</b>	<b>295.064.041</b>	<b>641.430.304</b>	<b>358.183.998</b>

(\*) TL 86.096.579 of this amount is related to revenues of uncompleted contracts (30 June 2014: TL 89.354.129).

#### Cost of sales

	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>	<b>1 January - 30 June 2014</b>	<b>1 April - 30 June 2014</b>
Cost of finished goods sold	390.655.702	212.841.490	459.486.941	243.840.796
Cost of merchandise goods sold	29.894.153	16.569.225	22.341.520	12.886.782
	<b>420.549.855</b>	<b>229.410.715</b>	<b>481.828.461</b>	<b>256.727.578</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 15 - OTHER OPERATING INCOME

	1 January – 30 June 2015	1 April – 30 June 2015	1 January – 30 June 2014	1 April – 30 June 2014
<b>Other operating income</b>				
Foreign exchange gains on trade receivable/ payables	8.169.071	6.016.741	37.543.560	5.711.699
Forward transaction income	22.840.957	6.928.885	3.908.186	2.202.773
Maturity difference income	3.746.410	1.560.317	9.353.781	4.322.711
Incentive income	1.016.923	508.462	789.240	422.334
Other	2.840.528	1.092.233	2.954.534	1.479.045
<b>Total</b>	<b>38.613.889</b>	<b>16.106.638</b>	<b>54.549.301</b>	<b>14.138.562</b>

### NOTE 16 - -OTHER OPERATING EXPENSES

	1 January – 30 June 2015	1 April – 30 June 2015	1 January – 30 June 2014	1 April– 30 June 2014
<b>Other operating expense</b>				
Foreign exchange loss on trade receivable/ payables	(16.710.518)	3.416.067	(40.884.634)	(8.992.276)
Forward transaction expenses	(13.872.665)	(7.990.055)	(3.539.883)	(1.831.132)
Provision for doubtful receivables	(1.821.576)	(1.121.463)	19.634	644.722
Other	(58.390)	(9.592)	(196.819)	(98.351)
<b>Total</b>	<b>(32.463.149)</b>	<b>(5.705.043)</b>	<b>(44.601.702)</b>	<b>(10.277.037)</b>

### NOTE 17 - FINANCIAL INCOME

	1 January – 30 June 2015	1 April – 30 June 2015	1 January – 30 June 2014	1 April– 30 June 2014
Interest income from time deposits	323.969	97.732	555.597	115.769
Foreign exchange gains on deposits	2.862.251	1.228.828	1.256.067	384.541
Foreign exchange gains on bank borrowings	1.531.025	1.345.750	6.530.100	2.419.000
<b>Total</b>	<b>4.717.245</b>	<b>2.672.310</b>	<b>8.341.764</b>	<b>2.919.310</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 18 - FINANCIAL EXPENSE

	1 January – 30 June 2015	1 April – 30 June 2015	1 January – 30 June 2014	1 April– 30 June 2014
Interest expense on bank borrowings	(14.464.832)	(8.411.366)	(18.563.925)	(11.348.950)
Foreign exchange losses on deposits	(4.828.310)	(3.816.037)	(1.676.925)	(635.382)
Foreign exchange losses on bank borrowings	(5.290.051)	(5.096.550)	(9.385.100)	(1.031.300)
<b>Total</b>	<b>(24.583.193)</b>	<b>(17.323.953)</b>	<b>(29.625.950)</b>	<b>(13.015.632)</b>

### NOTE 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 30 June 2015 and 31 December 2014, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	30 June 2015	31 December 2014
Income tax payable	587.095	4.642.432
Less-prepaid tax	(587.095)	(6.749.150)
<b>Income tax asset</b>	<b>-</b>	<b>(2.106.718)</b>

The breakdown of total tax expense for the six-month period ended 30 June 2015 and 2014 are as follows:

	1 January – 30 June 2015	1 January – 30 June 2014
Current tax charge	(356.058)	(7.922.283)
<b>Deferred tax income charged to other comprehensive income</b>		
- Tax charged to profit for the period	4.858.806	(669.151)
- Tax charged to other comprehensive income/expense	143.615	370.171
<b>Total tax income/(expense)</b>	<b>4.646.363</b>	<b>(8.221.263)</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

As of 30 June 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 / (liabilities)	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Property, plant and equipment	(9.926.497)	(10.686.872)	1.495.995	1.343.920
Intangible assets	(21.688.833)	(24.037.595)	(4.337.767)	(4.807.519)
Deferred financial expense	(795.185)	(483.877)	(159.037)	(96.775)
Inventories	2.981.571	1.549.110	596.314	309.822
Warranty provision	28.016.757	22.615.088	5.603.351	4.523.018
Provision for employment termination benefits	22.252.750	20.969.191	4.450.550	4.193.838
Deferred financial income	13.936.045	14.148.535	2.787.209	2.829.707
Other provisions	18.116.328	9.358.416	3.623.266	1.871.684
Deferred maintenance income	57.302.973	63.888.855	11.460.595	12.777.771
Due from customers on contract works	87.511.798	73.915.663	17.502.360	14.783.133
Other	6.575.795	8.034.875	1.315.159	1.606.975
<b>Deferred tax asset</b>			<b>44.337.995</b>	<b>39.335.574</b>

The movement of deferred tax asset for the six-month period ended 30 June 2015 and 2014 are as follows:

	2015	2014
1 January	39.335.574	43.338.020
Deferred tax income charged to other comprehensive income		
- Tax charged to profit for the period	4.858.806	(669.151)
- Tax charged to other comprehensive income/expense	143.615	370.171
<b>30 June</b>	<b>44.337.995</b>	<b>43.039.040</b>

### NOTE 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.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 20 - EARNINGS PER SHARE (Continued)

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.

	30 June 2015	30 June 2014
Net income attributable to shareholders (TL)	3.839	46.448.482
Weighted average number of issued shares	24.000.000.000	24.000.000.000
Earnings per share (Piaster)	0,000	0,194

### NOTE 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:

Due from and due to related party balances as of 30 June 2015 and 31 December 2014:

Due from related parties	30 June 2015	31 December 2014
Ram Dış Ticaret A.Ş. (1) (*)	52.599.186	38.705.221
Otokar Europe SAS (3)	5.571.959	11.434.239
Aygaz A.Ş.(1)	349.242	-
Ford Otosan A.Ş. (2)	328.301	731.483
Other (1)	314.837	7.029
<b>Total</b>	<b>59.163.525</b>	<b>50.877.972</b>

(\*) The export registered sales to Ram Dış Ticaret A.Ş., comprise export sales made to third party customers.

Due to related parties	30 June 2015	31 December 2014
Ram Dış Ticaret A.Ş. (1)	1.386.528	3.472.371
Zer Merkezi Hizmetler A.Ş. (1) (“Zer”)	1.039.579	2.347.607
Setur Servis Turistik A.Ş. (1)	471.014	464.983
Eltek Elektrik Enerji İth. İhr. Top.Tic. A.Ş.(1)	457.845	392.345
Opet Fuchs Madeni Yağ A.Ş. (1)	429.894	408.031
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	242.611	200.402
Koç Holding A.Ş. (2)	231.418	1.571.510
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1) (“Koç Sistem”)	122.847	313.039
Opet Petrolcülük A.Ş. (1)	87.389	84.853
Ram Sigorta Aracılık Hz. A.Ş. (1)	83.109	342.279
Other (1)	67.940	723.117
<b>Total</b>	<b>4.620.174</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 OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

i) Major sales and purchase transactions with related parties as of 30 June 2015 and 31 December 2014 is as follows:

<b>Product sales and service revenue</b>	<b>1 January – 30 June 2015</b>	<b>1 April – 30 June 2015</b>	<b>1 January – 30 June 2014</b>	<b>1 April– 30 June 2014</b>
Ram Dış Ticaret A.Ş. (1) (*)	91.520.731	56.629.768	75.224.075	73.854.684
Otokar Europe SAS (3)	7.833.948	4.140.808	6.739.756	4.117.694
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	644.561	416.768	3.995.402	2.129.432
Aygaz A.Ş. (1)	307.596	307.596	17.041	14.909
Otokoç (1)	589	589	551	-
Ford Otosan (2)	266	190	180.152	180.000
RMK Marine Gemi Yap. San. İşl. A.Ş. (1)	-	-	485	485
<b>Total</b>	<b>100.307.691</b>	<b>61.495.719</b>	<b>86.157.462</b>	<b>80.297.204</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>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>	<b>1 January - 30 June 2014</b>	<b>1 April - 30 June 2014</b>
Koç Sistem (1)	507.669	301.739	640.040	222.857
Otokoç (1)	161.901	-	65.563	-
Zer (1)	64.951	41.243	12.776	12.207
Arçelik A.Ş. (1)	11.780	9.103	4.748	3.418
Koçtaş Yapı Marketleri A.Ş. (1)	-	-	12.045	2.662
<b>Total</b>	<b>746.301</b>	<b>352.085</b>	<b>735.172</b>	<b>241.144</b>

#### Inventories purchased

	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>	<b>1 January - 30 June 2014</b>	<b>1 April - 30 June 2014</b>
Zer Merkezi Hizmetler A.Ş. (1)	7.789.847	4.385.355	6.690.126	3.223.573
Ram Dış Ticaret A.Ş. (1)	2.543.568	1.634.032	2.461.506	782.777
Opet Fuchs Madeni Yağ A.Ş.(1)	1.156.922	618.716	1.470.733	719.887
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	1.102.339	626.925	1.159.660	660.887
Opet Petrolcülük A.Ş.(1)	878.149	463.834	883.308	416.400
Koçtaş Yapı Marketleri A.Ş.(1)	23.302	11.419	608.621	211.820
Ford Otosan A.Ş.(2)	2.752	911	205.737	110.409
Arçelik A.Ş. (1)	2.783	1.754	34.220	34.220
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	-	-	1.137	-
<b>Total</b>	<b>13.499.662</b>	<b>7.742.946</b>	<b>13.515.048</b>	<b>6.159.973</b>

- (1) Related parties of parent company  
(2) Shareholder  
(3) The Company’s subsidiary not in scope of consolidation

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
<b>Services purchased</b>				
Ram Dış Ticaret A.Ş.(1)	6.352.426	4.371.292	2.265.479	976.578
Otokar Europe SAS (3)	2.441.138	1.706.803	1.028.868	899.281
Eltek Elektrik Enerji İth.İhr.Top.Tic. A.Ş.(1)	2.372.597	1.163.672	2.134.929	1.018.835
Setur Servis Turistik A.Ş. (1)	2.293.611	1.381.575	1.899.214	951.360
Koç Holding A.Ş. (2)	1.325.280	733.611	1.051.140	582.274
Otokoç Otomotiv Tic. ve San. A.Ş.(1)	998.708	651.096	824.903	335.378
Koç Sistem Bilgi ve İlt. Hizm. A.Ş. (1)	521.532	213.385	518.995	258.116
Other (1)	275.574	123.672	173.167	135.787
<b>Total</b>	<b>16.580.866</b>	<b>10.345.106</b>	<b>9.896.695</b>	<b>5.157.609</b>

<b>Banks deposits</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
Yapı ve Kredi Bankası A.Ş. (1)		
- Vadesiz mevduatlar	3.814	78.461
- Vadeli mevduatlar	1.766.954	1.353.000
<b>Total</b>	<b>1.770.768</b>	<b>1.431.461</b>

<b>Checks and notes in collection</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
Yapı ve Kredi Bankası A.Ş. (1)	23.360.224	24.644.202
<b>Total</b>	<b>23.360.224</b>	<b>24.644.202</b>

<b>Borrowings</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
Yapı ve Kredi Bankası A.Ş. (1)	87.013.657	122.670.359
<b>Total</b>	<b>87.013.657</b>	<b>122.670.359</b>

- (1) Related parties of parent company  
(2) Shareholder  
(3) The Company's subsidiary not in scope of consolidation

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

For the six month period ended 30 June 2015 and 2014, other income and expense with related parties:

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
<b>Exchange gain from trade receivables and payables</b>				
Ram Dış Ticaret A.Ş.(1)	818.244	777.120	3.815.365	424.148
Otokar Europe SAS (3)	99.737	93.894	775.253	341.233
Other (1)	10.734	8.584	6.715	4.300
<b>Total</b>	<b>928.715</b>	<b>175.920</b>	<b>4.597.333</b>	<b>769.681</b>

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
<b>Exchange loss from trade receivables and payables</b>				
Ram Dış Ticaret A.Ş.(1)	945.241	272.210	271.627	115.378
Otokar Europe SAS (3)	144.206	12.630	121.203	121.203
Other(1)	47.861	39.660	14.635	814
<b>Total</b>	<b>1.137.308</b>	<b>324.500</b>	<b>407.465</b>	<b>237.395</b>

For the six month period ended 30 June 2015 and 2014, financial income and expense with related parties:

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
<b>Interest income</b>				
Yapı ve Kredi Bankası A.Ş. (1)	14.135	13.197	224.697	7.780
<b>Total</b>	<b>14.135</b>	<b>13.197</b>	<b>224.697</b>	<b>7.780</b>

(1) Related parties of parent company

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

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
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#### Interest expenses

Yapı ve Kredi Bankası A.Ş. (1)	3.526.134	1.849.964	837.615	600.656
<b>Total</b>	<b>3.526.134</b>	<b>1.849.964</b>	<b>837.615</b>	<b>600.656</b>

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
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#### Foreign exchange gains

Yapı ve Kredi Bankası A.Ş. (1)	2.903.725	246.336	2.428.549	4.146.738
<b>Total</b>	<b>2.903.725</b>	<b>246.336</b>	<b>2.428.549</b>	<b>4.146.738</b>

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
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#### Foreign exchange losses

Yapı ve Kredi Bankası A.Ş. (1)	4.935.104	2.712.035	3.405.102	735.323
<b>Total</b>	<b>4.935.104</b>	<b>2.712.035</b>	<b>3.405.102</b>	<b>735.323</b>

(1) Related parties of parent company

### Benefits to key management

Salaries and similar benefits provided to the executive management by the Company for the six month period ended 30 June 2015 amounted to TL 2.594.631 (30 June 2014: TL 1.886.571). Executives are composed of board of directors members, general manager and assistants of general manager.

### NOTE 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.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

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

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

30 June 2015	TL equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	162.386.965	4.592.620	50.345.948	(21.821)
2a. Monetary financial assets (including cash, bank accounts)	130.031.824	46.419.178	1.788.589	488
2b. Non-monetary financial assets	-	-	-	-
3. Other	29.082	4.304	5.875	-
<b>4. Current assets (1+2+3)</b>	<b>292.447.871</b>	<b>51.016.102</b>	<b>52.140.412</b>	<b>(21.333)</b>
5. Trade receivables	119.110.789	-	39.940.577	-
6a. Monetary financial assets	161.496.733	60.118.651	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	51.711	-	17.340	-
<b>8. Non-current assets (5+6+7)</b>	<b>280.659.233</b>	<b>60.118.651</b>	<b>39.957.917</b>	-
<b>9. Total assets (4+8)</b>	<b>573.107.104</b>	<b>111.134.753</b>	<b>92.098.329</b>	<b>(21.333)</b>
10. Trade payables	(42.306.204)	(4.781.214)	(4.648.368)	(3.705.127)
11. Financial liabilities	(97.046.167)	-	(32.541.804)	-
12a. Monetary other liabilities	(359.687.839)	(133.773.438)	(111.412)	-
12b. Non-monetary other liabilities	(21.945.670)	-	(7.358.886)	-
<b>13. Current liabilities (10+11+12)</b>	<b>(520.985.880)</b>	<b>(138.554.652)</b>	<b>(44.660.470)</b>	<b>(3.705.127)</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	(14.957.119)	-	(5.015.465)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	(36.815.259)	-	(12.345.000)	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>(51.772.378)</b>	-	<b>(17.360.465)</b>	-
<b>18. Total liabilities (13+17)</b>	<b>(572.758.258)</b>	<b>(138.554.652)</b>	<b>(62.020.935)</b>	<b>(3.705.127)</b>
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	2.641.068	31.577.325	(32.500.000)	3.500.000
19a. Hedged total assets amount	99.562.568	31.577.325	-	3.500.000
19b. Hedged total liabilities amount	(96.921.500)	-	(32.500.000)	-
<b>20. Net foreign currency asset/(liability) position (9+18+19)</b>	<b>2.989.914</b>	<b>4.157.426</b>	<b>(2.422.606)</b>	<b>(226.460)</b>
<b>21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>59.028.981</b>	<b>(27.424.203)</b>	<b>49.758.065</b>	<b>(3.726.460)</b>
22. Total fair value of financial instruments used for foreign currency hedging	2.641.068	31.577.325	(32.500.000)	3.500.000
23. Export (for the six month period ended 30 June 2015)	130.332.547	22.892.616	25.019.846	19.346
24. Import (for the six month period ended 30 June 2015)	196.584.605	36.949.332	30.797.211	3.386.189

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

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

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	-
<b>4. 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	-
<b>8. Non-current assets (5+6+7)</b>	<b>270.198.791</b>	<b>56.017.470</b>	<b>49.739.384</b>	<b>-</b>
<b>9. 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. Financial liabilities	(19.937.556)	(3.702.607)	(3.638.931)	(302.341)
11. Monetary other 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)	-
<b>13. 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)	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>(87.563.476)</b>	<b>-</b>	<b>(31.043.173)</b>	<b>-</b>
<b>18. 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)
<b>20. 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>
<b>21. 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 six month period ended 30 June 2014)	91.759.805	25.245.883	13.320.945	20.038
24. Import (for the six month period ended 30 June 2014)	203.090.332	50.900.469	30.466.276	670.480

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 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 30 June 2015 and 31 December 2014:

#### Table of foreign currency sensitivity analysis

<b>30 June 2015</b>	<b>Profit before tax Appreciation of foreign currency</b>	<b>Profit before tax Depreciation of Foreign currency</b>
<i>In case 10% appreciation of USD against TL</i>		
1- USD net asset/liability	<b>1.116.810</b>	<b>(1.116.810)</b>
2- Amount hedged for USD risk (-)	-	-
<b>3- USD net effect (1+2)</b>	<b>1.116.810</b>	<b>(1.116.810)</b>
<i>In case 10% appreciation of EUR against TL:</i>		
4- EUR net asset/liability	<b>(722.470)</b>	<b>722.470</b>
5- Amount hedged for EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>(722.470)</b>	<b>722.470</b>
<i>In case 10% appreciation of GBP against TL</i>		
7- GBP net asset/liability	<b>(95.349)</b>	<b>95.349</b>
8- Amount hedged for GBP risk (-)	-	-
<b>9- GBP net effect (7+8)</b>	<b>(95.349)</b>	<b>95.349</b>
<b>Total (3+6+9)</b>	<b>298.991</b>	<b>(298.991)</b>
<b>31 December 2014</b>	<b>Profit before tax Appreciation of foreign currency</b>	<b>Profit before tax Depreciation of foreing currency</b>
<i>In case 10% appreciation of USD against TL</i>		
1- USD net asset/liability	<b>352.012</b>	<b>(352.012)</b>
2- Amount hedged for USD risk (-)	-	-
<b>3- USD net effect (1+2)</b>	<b>352.012</b>	<b>(352.012)</b>
<i>In case 10% appreciation of EUR against TL</i>		
4- EUR net asset/liability	<b>(603.467)</b>	<b>603.467</b>
5- Amount hedged for EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>(603.467)</b>	<b>603.467</b>
<i>In case 10% appreciation of GBP against TL</i>		
7- GBP net asset/liability	<b>4.070</b>	<b>(4.070)</b>
8- Amount hedged for GBP risk (-)	-	-
<b>9- GBP net effect (7+8)</b>	<b>4.070</b>	<b>(4.070)</b>
<b>Total (3+6+9)</b>	<b>(247.385)</b>	<b>247.385</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

### NOTE 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 30 June 2015 and 31 December 2014:

#### 30 June 2015

Assets	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	972.168	-	972.168
<b>Total</b>	<b>-</b>	<b>972.168</b>	<b>-</b>	<b>972.168</b>

#### 31 December 2014

Assets	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	1.726.888	-	1.726.888
<b>Total</b>	<b>-</b>	<b>1.726.888</b>	<b>-</b>	<b>1.726.888</b>

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.

### NOTE 24 - SUBSEQUENT EVENTS

None.