

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 MARCH 2019**

(ORIGINALLY ISSUED IN TURKISH)

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2019

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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2019

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

	Notes	31 March 2019	(Audited) 31 December 2018
Assets			
Current assets			
Cash and cash equivalents	4	154.023	173.017
Trade receivables	8	1.059.852	870.457
<i>Due from related parties</i>	21	277.397	399.044
<i>Due from other parties</i>	8	782.455	471.413
Other receivables		450	304
Inventories	9	829.482	690.013
Derivative financial instruments	7	6.393	297
Prepaid expenses	13	9.949	7.470
Other current assets	13	83.523	60.923
Total current assets		2.143.672	1.802.481
Non-current assets			
Trade receivables	8	4.161	7.930
Other receivables		807	707
Investments accounted for using the equity method	5	12.961	13.305
Property, plant and equipment	10	106.499	107.603
Right of use assets	10	15.583	-
Intangible assets	11	294.207	280.656
Deferred income tax asset	19	98.589	90.064
Total non-current assets		532.807	500.265
Total assets		2.676.479	2.302.746

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2019

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

	Notes	31 March 2019	(Audited) 31 December 2018
Liabilities			
Current liabilities			
Short-term borrowings	6	309.472	-
<i>Bank borrowings</i>	6	293.765	-
<i>Lease liabilities</i>		15.707	-
Short-term portion of long-term borrowings	6	348.915	207.281
<i>Bank borrowings</i>	6	348.915	207.281
Trade payables	8	367.033	269.459
<i>Due to related parties</i>	21	16.329	25.346
<i>Due to other parties</i>	8	350.704	244.113
Employee benefit obligations	13	21.789	30.344
Other payables, third parties		45.772	43.292
Deferred income	13	212.598	196.791
Government grants		1.186	1.283
Short-term provisions	12	107.399	104.281
<i>Provisions for employee benefits</i>	12	13.097	10.443
<i>Other provisions</i>	12	94.302	93.838
Other current liabilities	13	14.716	15.409
Total current liabilities		1.428.880	868.140
Non-current liabilities			
Long-term borrowings	6	310.000	500.266
<i>Bank borrowings</i>	6	310.000	500.266
Government grants		852	1.124
Long-term provisions	12	41.758	38.235
<i>Provisions for employee benefits</i>	12	41.758	38.235
Deferred income	13	596.838	505.395
Total non-current liabilities		949.448	1.045.020
Total liabilities		2.378.328	1.913.160
Equity			
Paid-in share capital		24.000	24.000
Inflation adjustment on share capital		52.743	52.743
Restricted reserves		66.678	66.678
Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss		(7.809)	(3.586)
<i>Defined benefit plans remeasurement losses</i>		(7.809)	(3.586)
Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss		8.737	12.997
<i>Currency translation differences</i>		8.737	12.997
Retained earnings		164.754	72.418
Net (loss)/profit for the period		(10.952)	164.336
Total equity		298.151	389.586
Total liabilities and equity		2.676.479	2.302.746

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED AT 31 MARCH 2019 AND 2018

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

	Notes	1 January – 31 March 2019	1 January – 31 March 2018
Net sales	14	419.070	252.385
Cost of sales (-)	14	(315.459)	(197.323)
GROSS PROFIT		103.611	55.062
Marketing expenses (-)	15	(71.901)	(42.301)
General administrative expenses (-)	15	(25.222)	(18.144)
Research and development expenses (-)	15	(13.965)	(12.302)
Other operating income	16	84.106	147.258
Other operating expenses (-)	16	(55.445)	(139.862)
OPERATING PROFIT		21.184	(10.289)
Income from investing activities		111	-
Share of profit/loss of investments accounted for using the equity method, net	5	(1.037)	-
OPERATING INCOME BEFORE FINANCIAL EXPENSES		20.258	(10.289)
Financial income	17	13.130	8.897
Financial expense (-)	18	(51.675)	(29.513)
PROFIT BEFORE TAX		(18.287)	(30.905)
Tax income/(expense) from continued operations			
Current tax expense (-)	19	-	-
Deferred tax income	19	7.335	3.180
PROFIT FOR THE PERIOD		(10.952)	(27.725)
Items that will not be reclassified to statement of profit or loss			
Remeasurement (losses)/gains		(5.414)	(1.512)
Deferred tax income/(expense)		1.191	333
Items that may be reclassified to statement of profit or loss			
Currency translation differences of investments accounted for using the equity method		693	-
Currency translation differences		(4.953)	398
Other comprehensive income		(8.483)	(781)
TOTAL COMPREHENSIVE INCOME		(19.435)	(28.506)
Earnings per share (Kr)	20	(0,046)	(0,116)

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED AT 31 MARCH 2019 AND 2018

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

					Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss	Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss			
		Paid in share capital	Inflation adjustments	Restricted reserves	Remeasurement losses on defined benefit plans	Currency translation differences	Retained earnings	Net income for the period	Total equity r
31 March 2018	Opening balances	24.000	52.743	59.798	(4.880)	2.396	50.074	99.423	283.554
	Transfers	-	-	6.880	-	-	92.543	(99.423)	-
	Dividends paid	-	-	-	-	-	(70.000)	-	(70.000)
	Total comprehensive income	-	-	-	(1.179)	398	-	(27.725)	(28.506)
	Closing balances	24.000	52.743	66.678	(6.059)	2.794	72.617	(27.725)	185.048
31 March 2019	Opening balances	24.000	52.743	66.678	(3.586)	12.997	72.418	164.336	389.586
	Transfers	-	-	-	-	-	164.336	(164.336)	-
	Dividends paid	-	-	-	-	-	(72.000)	-	(72.000)
	Total comprehensive income	-	-	-	(4.223)	(4.260)	-	(10.952)	(19.435)
	Closing balances	24.000	52.743	66.678	(7.809)	8.737	164.754	(10.952)	298.151

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS 31 MARCH 2019 AND 2018

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

	Notes	1 January – 31 March 2019	1 January– 31 March 2018
CASH FLOWS FROM OPERATING ACTIVITIES		(103.183)	8.541
Net profit for the period		(10.952)	(27.725)
Adjustments to reconcile income before taxes to net cash flows from operating activities:		68.675	64.318
Depreciation and amortization	10	17.421	15.161
Adjustments in relation to impairment:		2.346	2.635
- Provision for doubtful receivables	8	1.871	2.208
- Provision for inventories	9	475	427
Adjustments in relation to provision:		18.944	15.418
- Provision for employee benefits	12	830	2.664
- Warranty provision expenses	12	18.114	12.754
Adjustments in relation to interest income and expenses:		34.281	23.360
- Interest income on time deposits	17	(632)	(1.691)
- Interest expense on borrowings	18	34.913	25.051
Adjustments in relation to unrealised foreign exchange gains and losses		4.940	1.519
Adjustments in relation to fair value gains and losses		(9.490)	6.225
- Fair value losses/(gains) on financial derivative instruments, net		(9.490)	6.225
Adjustments for undistributed profits of investments accounted for using Equity method		344	-
- Adjustments for undistributed profits of joint ventures		344	-
Adjustments in relation to gains or losses on sales of property, plant and ile equipment		(111)	-
- Gain on sale of property, plant and equipments		(111)	-
Changes in net working capital		(146.764)	(8.532)
Change in trade receivables		(187.743)	39.878
Change in due from customers on contract works		-	(39.233)
Change in inventories		(139.944)	(88.110)
Change in trade payables		97.574	83.294
Other changes		83.349	(4.361)
- Changes in other operating assets		(9.496)	(9.081)
- Changes in other operating liabilities		92.845	4.720
Cash flows from operations		(89.041)	28.061
Payments in relation to employee benefits	12	(2.721)	(1.786)
Payments in relation to other provisions	12	(14.815)	(12.428)
Other cash collections/(payments)		3.394	(5.306)
CASH FLOWS FROM INVESTING ACTIVITIES		(29.757)	(19.390)
Proceeds from sale of property, plant and equipment and intangible assets		132	6
- Proceeds from sale of property, plant and equipment		132	6
Cash outflows due to purchase of property, plant and equipment and intangible assets		(29.889)	(19.396)
- Purchase of property, plant and equipment	10	(2.016)	(2.102)
- Purchase of intangible assets	11	(27.873)	(17.294)
CASH FLOWS FROM FINANCING ACTIVITIES		118.206	(178.020)
Cash inflow from to borrowings		817.764	542.806
- Proceeds from bank borrowings		817.764	542.806
Cash outflow due to repayment of borrowings		(599.104)	(632.396)
- Repayments of borrowings		(583.397)	(632.396)
- Cashoutflows on debt payments from leasing agreements		(15.707)	-
Dividends paid		(72.000)	(70.000)
Interest paid		(29.086)	(20.121)
Interest received		632	1.691
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION DIFFERENCES		(14.734)	(188.869)
Currency translation difference on cash and cash equivalents		(4.260)	398
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(18.994)	(188.471)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	173.017	228.958
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	154.023	40.487

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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

NOTE 1 - GROUP’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 registered addresses of the Company are as follows:

Headquarters:

Aydınevler Mahallesi. Saygı Cad. No: 58 A Bl.
34854 Maltepe/İstanbul

Plant:

Atatürk Cad. No: 6
54580 Arifiye / Sakarya

Information related to subsidiary of the Company subject to consolidation is as follows:

Subsidiaries	Country	Main activity	Field of activity
Otokar Europe SAS	France	Sales and marketing	Automotive
Otokar Land Systems Limited	United Arab Emirates	Sales and marketing	Automotive
Otokar Europe Filiala Bucuresti SRL	Romania	Sales and marketing	Automotive

Joint Ventures	Country	Main activity	Field of activity
Al Jasoor Heavy Vehicles Industry	United Arab Emirates	Sales and marketing	Automotive

Otokar and its subsidiaries will be referred as the “Group” for the purpose of the preparation of this consolidated financial statements.

The end-period and the average number of personnel employed in the Group are as follows:

	2018		2017	
	Period end	Average	Period end	Average
Total personnel number	2,035	2,041	1,966	2,044

The consolidated financial statements for the year ended 31 March 2019 were authorized for issue and signed by the Board of Directors of Otokar on 7 May 2019. The accompanying consolidated financial statements may be amended by the General Assembly.

Otokar is registered to the Capital Market Board (“CMB”) and its shares are listed on the Borsa Istanbul A.Ş. (“BIST”) since 1995. As of 31 March 2019, 27.45% of the shares are quoted on the BIST.

As of 31 March 2019, the principal shareholders and their respective shareholding percentages are as follows:

	(%)
Koç Holding A.Ş.	44.68
Ünver Holding A.Ş.	24.81
Publicly traded	27.45
Other	3.06
	100.00

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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

NOTE 1 - GROUP’S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Otokar Otomotiv ve Savunma Sanayi A.Ş. is controlled by Koç Holding A.Ş.

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.

The Group 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 Group.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation of consolidated financial statements

The consolidated financial statements of the Group 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 13 June 2013 which is published on Official Gazette numbered 28676.

The Group 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 consolidated financial statements have been prepared from statutory financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with Turkish Accounting Standards as prescribed by POA. The adjustments are mainly related with deferred taxation, retirement pay liability, prorate and useful life depreciation adjustment of fixed assets, accounting of provisions, construction accounting for tank project and discount of receivables and payables.

The consolidated financial statements have been prepared under the historical cost convention, except derivative financial assets and liabilities carried at fair value.

Functional and presentation currency

Items included in the consolidated financial statements of the Subsidiaries and Joint Ventures of the Group are measured using the currency of the primary economic environment in the entity operates (“the functional currency”). The consolidated financial statements are presented in TL, which is the Company’s functional and presentation currency.

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 2019 and 31 December 2018 have been restated by applying the relevant conversion factors through carrying additions after 31 December 2004 at their nominal values.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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

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

2.2 Accounting policies and changes and errors in accounting estimates

The Group has applied accounting policy changes resulting from the first time adoption of “IFRS 16 – Leases” effective from 1 January 2019, in accordance with the transition requirements of the related standard.

The impacts of the accounting policy changes and first time adoption are as follows:

IFRS 16 “Leases”

The Group as the lessee

At inception of a contract, the Group assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group considers the following matters when assessing whether the agreement transfers the right to control the use of an identified asset for a limited period of time:

- the contract contains an identified asset: – this may be specified explicitly or implicitly.,
- the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
- the Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- the Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
 - i. the Group has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
 - ii. the customer designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

At the commencement date, the Group recognize a right-of-use asset and a lease liability in financial statements.

Right of use asset

The cost of the right-of-use asset shall comprise:

- a) the amount of the initial measurement of lease liability,
- b) any lease payments made at or before the commencement date, less any lease incentives received,
- c) any initial direct costs incurred by the lessee., and
- d) costs incurred by the Group relating to the restoration of the underlying asset so that it is required by the terms and conditions of the lease (excluding costs incurred for inventory production)

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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

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

2.2 Accounting policies and changes and errors in accounting estimates (Continued)

To apply a cost model, the Group measure the right-of-use asset at cost:

- a) less any accumulated depreciation and any accumulated impairment losses; and
- b) adjusted for any remeasurement of the lease liability

The Group apply the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, subject to the requirements.

The Group apply IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease liability

At the commencement date, The Group measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group use the lessee’s incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) fixed payments, less any lease incentives receivable;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, the Group measure the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability;
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. The Group reflects the restatement amount of the lease liability to the financial statements as revised in the presence of the right of use.

Extension and termination options

Lease liability is determined considering the extension and termination options in the agreements. The majority of extension and termination options held are by the Group and by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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

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

2.2 Accounting policies and changes and errors in accounting estimates (Continued)

Variable lease payments

Some property leases of the Group contain variable payments. Variable lease payments which are not in TFRS 16 are recognised in profit or loss in the period.

Exemptions and simplifications

Short-term lease payments and payments for leases of low-value assets like IT equipments (mainly printers, laptops and mobile phones etc.) are not included in the measurement of the lease liabilities in the scope of TFRS 16. Lease payments of these contracts are continued to be recognised in profit or loss in the related period.

The Group’s leasing activities

All the leasings of the Group as lessor are operational leasings. For operational leasings, leased assets are classified under investment properties, tangible assets or other current assets in the consolidated balance sheet and rental income is accounted in the consolidated income statement in equal amounts for the leasing period. Rental income is accounted in the consolidated income statement for the leasing period on a straight-line basis.

Transition to TFRS 16 “Leases”

The Company applied TFRS 16, “Leases”, which superseded TAS 17, “Leases”, and accounted in the consolidated financial statements by using “cumulative effect method” on the transition date of 1 January 2019. In accordance with the simplified transition method defined in standard, no restatement has been required in the comparative information of the financial statement and has no impact on retained earnings.

On first time adoption of TFRS 16 “Leases”, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of TAS 17 “Leases” before 1 January 2019. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of the transition date. The right to use assets are accounted for at an amount equal to the lease obligations (adjusted for the amount of prepaid or accrued lease payments) within the scope of simplified transition application in the related standard.

The reconciliation of the operating lease agreements followed under TAS 17 prior to the first application date and the lease liabilities recognized under TFRS 16 in the financial statements as of 1 January 2019 is as follows

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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

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

2.2 Accounting policies and changes and errors in accounting estimates (Continued)

	1 January 2019
Operating lease commitments within the scope TAS 17	20.548
- Short-term leases (-)	-
- Low-value leases (-)	(71)
- Contracts reassessed as service agreements (-)	-
- Adjustments as a result of a different treatment of extension and termination options	-
Total lease liability recognised under TFRS 16 (non- discounted)	20.477
Total lease liability recognised under TFRS 16 (discounted)	17.855
- Short-term lease liability	7.647
- Long-term lease liability	10.208

The weighted average Group’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6% for Euro and 25% for TL.

The details of the right-of-use assets recognised by each asset type in financial statements as of 31 March 2019 and 1 January 2019 are as follows:

	31 March 2019	1 January 2019
Building	8.660	9.633
Vehicles	6.495	7.801
Furniture and fixtures	428	421
Total right-of-use assets	15.583	17.855

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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

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

2.2 Accounting policies and changes and errors in accounting estimates (Continued)

The practical expedients applied in transition

Within the scope of the transition, the following practices defined in TFRS 16 are adopted within the scope of the Company policies.

- a) The leases which have a lease term of 12 months or less are exempted. Although the rental period is 1 year or less; The Company has an option to extend the lease and is reasonably certain that it will use the extension right option (for example, if there is a significant amount of private cost investment related to the asset subject to the leasing and that the investment has been amortized for more than 1 year). the agreement is included in the scope of TFRS 16.
- b) Low value leases mainly printer, laptop, mobile phone, etc. information technology equipment) are excluded.
- c) A single discount rate has been applied to a portfolio of leases with reasonably similar characteristics (such as leases with similar lease term for a similar class of assets in a similar economic environment).

New and revised Turkish Accounting Standards

- a) **New standards, amendments and interpretations to existing standards as of 31 March 2019:**
 - **Amendment to IFRS 9, ‘Financial instruments’;** effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.
 - **Amendment to IAS 28, ‘Investments in associates and joint venture’;** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

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

2.2 Accounting policies and changes and errors in accounting estimates (Continued)

- **IFRS 16, ‘Leases’;** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15 ‘Revenue from Contracts with Customers’ is also applied. This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **IFRIC 23, ‘Uncertainty over income tax treatments’;** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.
- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - IFRS 3, ‘Business combinations’, – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - IFRS 11, ‘Joint arrangements’, – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12, ‘Income taxes’ – a company accounts for all income tax consequences of dividend payments in the same way.
 - IAS 23, ‘Borrowing costs’ – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

2.2 Accounting policies and changes and errors in accounting estimates (Continued)

- **Amendments to IAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement’;** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
 - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
 - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.
- b) ***Standards, amendments and interpretations that are issued but not effective as at 31 March 2019:***
 - **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:
 - i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in IAS 1 about immaterial information.
 - **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
 - **IFRS 17, ‘Insurance contracts’;** effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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

2.3 Summary of significant accounting policies

Group accounting

The consolidated financial statements include the accounts of the parent company, Otokar and its subsidiaries on the basis set out in sections below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with TFRS. The results of subsidiaries are included or excluded from their effective dates of acquisition or disposal, respectively.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group combines individual income and expenses, assets and liabilities and cash flows of subsidiaries on a line-by-line basis with similar items in the consolidated financial statements. Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

Disposal of a subsidiary

If the Group loses control of a subsidiary, it recognizes any investment retained in the former subsidiary at its fair value when control is lost and any difference between the fair value and net book value of investment is accounted for as gain or loss. That fair value shall be regarded as the fair value on initial recognition of a financial asset, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. Additionally, assets and liabilities that were previously recognized as other comprehensive income attributable to that subsidiary are accounted for as if those were disposed the Group. This may result in a fact that these amounts previously recognized as other comprehensive income may be classified to profit or loss.

The table below sets out the subsidiaries of the Company and shows the total interest of the Company in these companies at 31 March 2019 and 31 December 2018:

Subsidiaries	2019		2018	
	Direct and indirect ownership (%)	Proportion of effective interest (%)	Direct and indirect ownership (%)	Proportion of effective interest (%)
Otokar Europe SAS	100	100	100	100
Otokar Land Systems Limited	100	100	100	100
Otokar Europe Filiala Bucuresti SRL	100	100	-	-
Joint ventures	Direct and indirect ownership (%)	Proportion of effective interest (%)	Direct and indirect ownership (%)	Proportion of effective interest (%)
Al Jasoor Heavy Vehicle Industry LLC	49.00	49.00	49.00	49.00

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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NOTE 3 - SEGMENT REPORTING

The Group does not prepare segment reporting and follows financial statements by one operating unit.

Since Chief Executive Decision Makers (composed of key management, board members, general manager and assistant general managers) do not monitor cost of sales, operating expenses and financial expenses, the products are only monitored based on revenue (Note 19). Thus, segment reporting is not performed.

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 March 2019	31 December 2018
Bankalar		
- Time deposits	94.364	134.463
- Demand deposits	59.515	37.799
Cheques and notes receivable	-	596
Other	144	159
	154.023	173.017

As of 31 March 2019, TRY93,564 thousand of the total amount of time deposits amounting to TRY94,364 thousand is denominated in foreign currency and the annual effective interest rate is 1.19% and has a maturity of 3 days. The annual effective interest rate of the remaining TRY800 thousand is 15% and has a maturity of 3 days.

(As of 31 December 2018, TRY120,917 thousand of the total amount of time deposits amounting to TRY134,463 thousand is denominated in foreign currency and the annual effective interest rate is 0.24% and has a maturity of 2 days. The annual effective interest rate of the remaining TRY13,546 thousand is 21.75% and has a maturity of 2 days.)

Cheques and notes received consist of cheques and notes which are due as of balance sheet date and were sent to banks for collection.

As of 31 March 2019, the Group has no restricted bank deposits (31 December 2018: TRY450 thousand).

NOTE 5 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The details of carrying value and consolidation rate subject to equity accounting of joint venture is as follows :

Joint ventures	2019	
	(%)	Amount
AlJasoor	49,00	12.961

The movement of joint venture as of 31 March 2019 and 2018 is as follows:

	2019	2018
1 January	13.305	-
Shares of profit/(loss)	(1.037)	-
Currency translation differences	693	-
31 March	12.961	-

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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NOTE 5 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

The summary of the financial statements of Al Jasoor, valued by the equity method, as of 31 March 2019 is as follows:

	31 March 2019	31 December 2018
Total assets	1.215.759	1.547.656
Total liabilities	1.189.200	1.520.502
Currency translation differences	(107)	-
Net assets	26.558	27.154
Ownership of the Group	%49	%49
Net asset share of the Group	12.961	13.305

NOTE 6 - BORROWINGS

Short term borrowings (*)

31 March 2019	Maturities	Annual effective interest rate (%)	TRY
Bank borrowings			
Denominated in TRY	1 April 2019	0,00-22,00	30.850
Denominated in EUR	1-29 April 2019	2,00-3,50	262.915
Total			293.765
Lease liabilities			
Denominated in TRY	1 April 2019	25,00	2.985
Denominated in EUR	1 April 2019	6,00	12.511
Denominated in USD	1 April 2019	6,00	209
Total			15.707
Total short term borrowings			309.472

Principals and interest accruals on the short-term portion of long-term borrowings (*)

Bank borrowings	Maturities	Annual effective interest rate (%)	TRY
Denominated in EUR	6 January 2020	3,85	63.783
Denominated in TRY	9-23 March 2020	12,60-16,80	285.132
			348.915

(*) Bearing fixed interest rate.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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

NOTE 6 - BORROWINGS (Continued)

31 March 2019	Maturities	Annual effective interest rate (%)	TRY
Long-term bank borrowings (*)			
Bank borrowings			
Denominated in TL	19 June 2020-5 February 2021	23,15-33,55	310.000
			310.000

(*) Bearing fixed interest rate.

31 December 2018	Maturities	Annual effective interest rate (%)	TRY
Principals and interest accruals on the short-term portion of long-term borrowings			
Denominated in TL		14,27-14,44	207.281
			207.281

31 December 2018	Maturities	Annual effective interest rate (%)	TRY
Long-term bank borrowings (*)			
Denominated in TL	9 March 2020 - 7 January 2021	16,28-33,55	440.000
Denominated in EUR	6 January 2020	3,85	60.266
			500.266

(*) Bearing fixed interest rate.

As of 31 March 2019, the Group has not provided any guarantees for the borrowings (31 December 2018: None).

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

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

	Contract amount	Current period contract maturity	Fair value assets
31 March 2019:			
Forward transactions	999,403	11 April 2019-16 May 2019	6,393
Short-term derivative financial instruments	999,403		6,393
Total derivative financial instruments	999,403		6,393

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	Contract amount	Current period contract maturity	Fair value assets
31 December 2018:			
Forward transactions	940,306	10 January 2019- 7 February 2019	297
Short-term derivative financial instruments	940,306		297
Total derivative financial instruments	940,306		297

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

	31 March 2019	31 December 2018
Trade receivables, net	754.341	426.547
Notes receivables, net	73.497	88.378
	827.838	514.925
Less: provision for doubtful receivables	(45.383)	(43.512)
Short-term trade receivables	782.455	471.413
Trade receivables from related parties (Note 27)	277.397	399.044
Short-term trade receivables	1.059.852	870.457
Long-term notes receivable, net	4.161	7.930
Long-term trade receivables	4.161	7.930

As of 31 March 2019, the average maturity of trade receivables is between 60-90 days (excluding notes receivables) (31 December 2018 60-90 days).

As of 31 March 2019 and 31 December 2018 the fair values of trade receivables approximate to their carrying values due to short term maturity of those receivables.

Guarantees received for trade receivables

Receivables of the Group are mainly composed of minibus and bus sales to dealers and trailer and armored vehicle sales. As of 31 December 2018, the total trade receivable from dealers amounting to TRY50,695 thousand (31 December 2018: TRY59,217 thousand), after provision provided for doubtful receivables, has been secured by mortgages and guarantees at the amount of TRY50,781 thousand (31 December 2018: TRY59,635 thousand).

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

31 March 2019	Trade receivables
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	262
Over 5 years past due	-
Total	262
Amount secured with guarantees	262
31 December 2018	Trade receivables
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	255
Over 5 years past due	-
Total	255
Amount secured with guarantees	255

Legal follow up has been started for trade receivable balances which are overdue for 1-5 years.

The movement of the provision for doubtful receivables for the periods ended 31 March 2019 and 31 December 2018 are as follows:

	2019	2018
As of 1 January	43.512	33.985
Collections r	-	(362)
Currency translation differences	84	101
Increase during the year	1.787	2.107
31 March	45.383	35.831

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

Trade payables

	31 March 2019	31 December 2018
Trade payables, net	350.263	243.707
Notes payables, net	441	406
Short-term other trade payables	350.704	244.113
Trade payables to related parties (Not 21)	16.329	25.346
Short-term trade payables	367.033	269.459

As of 31 March 2019, average payment term for trade payables is 45-60 days (31 December 2018: 45-60 days).

As of 31 March 2019 and 2018, the fair values of trade payables approximate to their carrying values due to short-term maturity of those payables.

NOTE 9 - INVENTORIES

	31 March 2019	31 December 2018
Raw material	306.417	295.244
Semi-finished goods	71.796	23.747
Finished goods	225.494	168.122
Merchandise goods	124.858	111.391
Goods in transit	107.384	97.501
Impairment for inventories (*)	(6.467)	(5.992)
Total	829.482	690.013

(*) TL405 thousand of impairment is related to semi-finished goods (31 December 2018: TL126 thousand), TL757 thousand is related to merchandises (31 December 2018: TL562 thousand) and TL5.305 thousand is related to raw materials (31 December 2018: TL5.304 thousand). The impairment has been accounted for under cost of sales.

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment and related accumulated depreciation for the periods ended 31 March 2019 and 31 March 2018:

	1 January 2019	Additions	Currency translation differences	Disposal	Transfers	31 March 2019
Cost:						
Land	37.457	-	-	(20)	-	37.437
Land improvements	8.583	-	-	-	-	8.583
Buildings	58.489	-	-	-	-	58.489
Machinery and equipment	106.570	680	56	-	-	107.306
Motor vehicles	9.345	135	-	-	-	9.480
Furniture and fixtures	38.143	1.016	37	(2)	-	39.194
Leasehold improvements	1.089	-	-	-	-	1.089
Construction in process	4	92	-	-	-	96
	259.680	1.923	93	(22)	-	261.674
Accumulated depreciation						
	(4.432)	(76)	-	-	-	(4.508)
Land improvements	(44.870)	(646)	-	-	-	(45.516)
Buildings	(81.205)	(1.355)	(35)	-	-	(82.595)
Machinery and equipment	(5.483)	(172)	-	-	-	(5.655)
Motor vehicles	(15.245)	(777)	(19)	1	-	(16.040)
Furniture and fixtures	(842)	(19)	-	-	-	(861)
	(152.077)	(3.045)	(54)	(1)	-	(155.175)
Net book value	107.603					106.499
	1 January 2018	Additions	Currency translation differences	Disposal	Transfers	31 March 2018
Cost						
Land	37.457	-	-	-	-	37.457
Land improvements	12.355	-	-	-	-	12.355
Buildings	60.729	-	-	-	-	60.729
Machinery and equipment	110.616	790	60	-	-	111.466
Motor vehicles	9.608	257	-	-	-	9.865
Furniture and fixtures	38.938	429	25	(107)	-	39.285
Leasehold improvements	2.131	146	-	-	-	2.277
Construction in process	1.454	395	-	-	-	1.849
	273.288	2.017	85	(107)	-	275.283
Accumulated depreciation						
	(7.962)	(76)	-	-	-	(8.038)
Land improvements	(44.651)	(644)	-	-	-	(45.295)
Buildings	(90.556)	(1.177)	(36)	-	-	(91.769)
Machinery and equipment	(5.403)	(177)	-	-	-	(5.580)
Motor vehicles	(21.911)	(585)	(19)	101	-	(22.414)
Furniture and fixtures	(1.796)	(61)	-	-	-	(1.857)
	(172.279)	(2.720)	(55)	101	-	(174.953)
Net book value	101.009					100.330

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The distribution of depreciation and amortization expenses of tangible and intangible assets for the periods ended 31 March 2019 and 2018 are as follows:

	31 March 2019	31 March 2018
Research and development expenses	13.855	12.037
Cost of sales	1.385	899
Depreciation on inventories	584	861
Activities under development	725	528
General administrative expenses	586	446
Selling and marketing expenses	232	318
Currency translation differences	54	55
Costs related to uncompleted contracts	-	17
Total	17.421	15.161

RIGHTS OF USE ASSETS

During the period, the Group has capitalized on the right of use assets of TL 17.784. As of 31 March 2019, net book value of the right of use assets is TL 15.583. As of 31 March 2019, assets and accumulated depreciation amounts are as follows:

As of 31 March 2019	Buildings	Vehicles	Furniture and fixtures	Total
Costs	9.497	7.801	486	17.784
Accumulated depreciation	(837)	(1.306)	(58)	(2.201)
	8.660	6.495	428	15.583

NOTE 11 - INTANGIBLE ASSETS

Movements of intangible assets and related accumulated amortisation for the periods ended 31 March 2019 and 31 March 2018:

	1 January 2019	Additions	Currency translation differences	Disposals	Transfers	31 March 2019
Cost						
Other intangible assets	18.249	908	-	-	-	19.157
Development costs	427.570	167	-	-	-	427.737
Development projects in progress	92.439	26.798	-	-	-	119.237
	538.258	27.873	-	-	-	566.131
Accumulated amortization:						
Other intangible	(13.017)	(467)	-	-	-	(13.484)
Development costs	(244.585)	(13.855)	-	-	-	(258.440)
	(257.602)	(14.322)	-	-	-	(271.924)
Net book value	280.656					294.207

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NOTE 11 - INTANGIBLE ASSETS (Continued)

Movements of intangible assets and related accumulated amortisation for the periods ended 31 December 2018

	1 January 2018	Additions	Currency differences	Disposals	Tranfers	31 March 2018
Cost						
Other intangible assets	20.231	66	-	=	-	20.297
Development costs	345.703	167	-	-	2.617	348.487
Developments projects in progress	66.683	17.061	-	-	(2.617)	81.127
	432,617	17.294	-	-	-	449.911
Accumulated amortization						
Other intangible assets	(15,965)	(349)	-	-	-	(16.314)
Development costs	(196,788)	(12.037)	-	-	-	(208.825)
	(212,753)	(12.386)	-	-	-	(225.139)
Net book value	219,864					224.772

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions

	31 March 2019	31 December 2018
Provision for warranty expenses	47.077	43.778
Employee benefits		
short-term provisions	13.097	10.443
Other	47.225	50.060
	107.399	104.281

Warranty provision

The Group covers the vehicles it has sold for a period of 2 years.

Accordingly, as of the balance sheet date, a provision is provided for the warranty expenses for the vehicles under warranty.

As of 31 March 2019 and 2018, the tables which represent the position of guarantees, pledges and mortgages are as follows:

	2019	2018
1 January	43.778	53.065
Exchange differences	18.114	12.754
Disposals/payments	(14.815)	(12.428)
31 March	47.077	53.391

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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

Provisions for employee benefits

	31 March 2019	31 December 2018
Provision for employment termination benefits	41.758	38.235
Provision for unused vacation	13.097	10.443
	54.855	48.678

Employment termination benefits

The amount payable consists of one month’s salary limited to a maximum of TRY6,017.60 in full for each year of service as of 31 March 2019 (31 December 2018: TRY5,434.42 in full).

The reserve for employment termination benefits is not legally subject to any funding and there are no funding requirements.

The provision has been calculated by estimating the present value of the future probable obligation of the Group 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 2019	31 December 2018
Net discount rate (%)	5,65	5,65
Turnover rate to estimate the probability of retirement (%)	96,76	96,76

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.

As of 31 March 2019 and 2018, the movements of provision for employment termination benefits are as follows:

	2019	2018
1 January	38.235	31.693
Interest expense	865	717
Charge for the period	(35)	1.947
Remeasurement differences	5.414	1.512
Payments	(2.721)	(1.786)
31 March	41.758	34.083

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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

Provision for unused vacation

As of 31 March 2019 and 2018, the tables which represent the position of guarantees, pledges and mortgages are as follows:

	2019	2018
1 January	10.443	9.286
Charge for the period, net	2.654	1.825
31 March	13.097	11.111

Commitments and contingencies

As of 31 March 2019 and 31 December 2018, the tables which represent the position of guarantees, pledges and mortgages are as follows:

	31 March 2019	31 December 2018
a. Total amount of guarantees, pledges and mortgages given the name of legal entity	1.247.466	1.379.859
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	-	-
. Total amount of other guarantees, pledges and mortgages	-	-
	1.247.466	1.379.859

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

	31 March 2019		31 December 2018	
	Original currency	TRY equivalent	Original currency	TRY equivalent
USD	161.292	907.817	201.235	1.058.679
EUR	44.195	279.256	46.295	279.068
TRY	60.393	60.393	42.112	42.112
British pound	-	-	-	-
		1.247.466		1.379.859

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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

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

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

	31 March 2019	31 December 2018
Guarantee letters given		
Under secretariat of Ministry of Defense	98.405	251.984
Other	1.149.061	1.127.875
	1.247.466	1.379.859

Guarantee letters

a) Guarantees given as of 31 March 2019 and 31 December 2018 are as follows:

	31 March 2019	31 December 2018
Bank letters of guarantee	1.247.466	1.379.859
	1.247.466	1.379.859

b) Guarantees received as of 31 March 2019 and 31 December 2018 are as follows:

	31 March 2019	31 December 2018
Bank letters of guarantee	261.975	336.045
Guarantee notes	21.125	20.195
Mortgages received	20	20
	283.120	356.260

Contingent asset

The legal case related to tax deduction for the research and development activities in 2011-2012-2013-2014 and 2015 was concluded in favor of the Group and the same cases is still in progress at appeal phase. The decisions related with the cases at the appeal phase for 2011, 2012 and 2013 were in favor but revision of decision was requested by oversight. The appeal stages for 2014 and 2015 still continues.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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

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

a) Prepaid expenses:

	31 March 2019	31 December 2018
Prepaid expenses	9.949	7.470
Total	9.949	7.470

b) Other current assets

	31 March 2019	31 December 2018
Value added tax receivables	77.200	57.546
Other	6.323	3.377
Total	83.523	60.923

c) Deferred revenues:

Other current assets	31 March 2019	31 December 2018
Advances received	198.593	191.607
Deferred maintenance revenues	14.005	5.184
Total	212.598	196.791

Deferred revenues - long term	31 March 2019	31 December 2018
Advance received	502.694	469.884
Deferred maintenance revenues	94.144	35.511
Total	596.838	505.395

d) Employee benefits obligation

	31 March 2019	31 December 2018
Payables to employees	6.456	14.520
Social security payables	13.000	8.014
Taxes and funds payable	2.333	7.810
Total	21.789	30.344

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

e) Other current liabilities:

	31 March 2019	31 December 2018
Taxes and funds payable	9.286	13.688
Deferred special consumption tax	2.125	911
Payables to shareholders	2.448	105
Other	857	705
Total	14.716	15.409

NOTE 14 - REVENUE AND COST OF SALES

Net sales

	1 January - 31 March 2019	1 January - 31 March 2018
Domestic sales	115.926	186.024
Export sales	307.635	68.499
Gross Sales	423.561	254.523
Less: sales discounts and returns	(4.491)	(2.138)
Net sales	419.070	252.385

Sales of the Group for the periods ended 31 March 2019 and 31 December 2018 in terms of the products are as follows:

	1 January - 31 March 2019	1 January - 31 March 2018
Commercial vehicle	333.752	147.246
Armored vehicle	28.768	38.874
Accrued earnings related to construction contracts	-	23.896
Other sales (*)	56.550	42.369
Total	419.070	252.385

(*) Consists of spare parts, service and other sales income.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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NOTE 14 - REVENUE AND COST OF SALES (Continued)

Cost of sales

	1 January - 31 March 2019	1 January - 31 March 2018
Cost of finished goods sold	(286.955)	(176.749)
Cost of merchandise goods sold	(28.504)	(20.574)
Total	(315.459)	(197.323)

NOTE 15 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 March 2019	1 January - 31 March 2018
Sales and marketing expenses	(71.901)	(42.301)
General administrative expenses	(25.222)	(18.144)
Research and development expenses	(13.965)	(12.302)
Total	(111.088)	(72.747)

NOTE 16 - OTHER OPERATING INCOME AND EXPENSES

	1 January - 31 March 2019	1 January - 31 March 2018
Other operating income		
Foreign exchange gains on operating activities	48.459	132.821
Gain on forward transactions	9.607	6.238
Revenue from charge of due date receivables	15.855	3.055
Incentives income	369	485
Other income	9.816	4.659
Total	84.106	147.258

	1 January - 31 March 2019	1 January - 31 March 2018
Other operating expenses		
Foreign exchange loss on operating activities	(47.293)	(128.265)
Loss on forward transactions	(6.365)	(9.280)
Provision for doubtful receivables	(1.787)	(2.107)
Other expenses	-	(210)
Total	(55.445)	(139.862)

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NOTE 17 – FINANCIAL INCOME

	1 January - 31 March 2019	1 January - 31 March 2018
Interest income from time deposits	7.605	7.206
Foreign exchange gains on deposits	632	1.691
Foreign exchange gains on bank borrowings	4.893	-
Total	13.130	8.897

NOTE 18 - FINANCIAL EXPENSES

	1 January - 31 March 2019	1 January - 31 March 2018
Interest expense on bank borrowings	(34.913)	(25.051)
Foreign exchange losses on bank borrowings	(6.457)	(2.793)
Foreign exchange losses on deposits	(9.833)	(1.519)
Other	(472)	(150)
Total	(51.675)	(29.513)

NOTE 19 - TAX ASSETS AND LIABILITIES

In Turkey, the corporation tax rate between 2018 – 2020 is 22%. 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 22% 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 2019 and 31 December 2018, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	31 March 2019	31 December 2018
Income tax payable	-	632
Prepaid taxes (-)	(51)	(65)
Current period tax liability/asset	(51)	567

The breakdown of total tax expense for the periods ended 31 March 2019 and 31 December 2018 are as follows:

	1 January - 31 March 2019	1 January - 31 March 2018
Current period tax charge	-	-
Deferred tax income/expense reflected in profit or loss		
Charged to profit for the period	7.335	3.180
Charged to other comprehensive income	1.191	333
Total	8.526	3.513

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

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NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

As of 31 March 2019 and 31 December 2018, 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 2019	31 December 2018	31 March 2019	31 December 2018
Incentives from research and development activities (*)	325.719	334.643	71.658	73.621
Property, plant and equipment	(19.483)	(19.389)	(415)	(396)
Intangible assets	(69.175)	(71.733)	(13.835)	(14.347)
Deferred financial expenses	(2.918)	(1.410)	(642)	(310)
Inventories	6.472	6.519	1.424	1.424
Warranty provision	47.077	43.778	10.063	9.403
Provision for employment	41.758	38.235	8.352	7.647
Deferred financial income	1.000	880	220	194
Other provisions	53.249	54.726	10.956	11.198
Deferred maintenance income	82.570	41.876	17.362	6.511
Due from customers on contract works	-	-	-	-
Other	(23.015)	(24.019)	(6.554)	(4.881)
Deferred tax assets, net			98.589	90.064

(*) The Company's incentive income from investments with incentive certificate are subject to corporate income tax exemption tax at reduced rates being effective starting from the period that investment is partially or entirely operated and till the period that investment reaches the contribution amount. In this context, as of 31 March 2019, the tax advantage of TRY325.719 (31 December 2018: TRY334,643), which the Company will use in the foreseeable future, has been recognized in the financial statements as deferred tax asset. The deferred tax asset on tax advantage carried from 2015 and before was not been calculated since the case regarding the use of tax benefit of TRY164,801 for aforementioned years is still going on.

The movement of deferred tax asset for the periods ended 31 March 2019 and 2018 are as follows:

	1 January - 31 March 2019	1 January - 31 March 2018
1 January	90.064	46.606
Deferred tax income:		
- Charged to profit for the period	7.334	3.180
- Charged to other comprehensive income	1.191	333
31 March	98.589	50.119

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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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.

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 2019	31 March 2018
Net income attributable to shareholders (TRY)	(10.952)	(27.725)
Weighted average number of issued shares	24.000.000.000	24.000.000.000
Earnings per share (Piastre)	(0,046)	(0,116)

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:

i) Due from and due to related party balances as of 31 March 2019 and 31 December 2018:

Due from related parties	31 March 2019	31 December 2018
Ram Dış Ticaret A.Ş. (1) (*)	137.827	271.758
Ford Otosan A.Ş. (1), (2)	555	464
Al Jasoor Heavy Vehicle Industry LLC (3) (**)	138.960	126.822
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	55	-
Total	277.397	399.044

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

(**) This amount consists of the trade receivables due to the sales to Al Jasoor Heavy Vehicles Industry LLC,

Due to related parties	31 March 2019	31 December 2018
Ram Dış Ticaret A.Ş. (1)	9.129	6.916
Ram Sigorta Aracılık Hz. A.Ş.(1)	2.471	184
Zer Merkezi Hizmetler A.Ş. (1)	1.345	5.836
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	1.150	931
Setur Servis Turistik A.Ş. (1)	633	1.245
Koç Holding A.Ş. (2)	324	7.083
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	61	788
Türk Traktör ve Ziraat Makineleri A.Ş.(1)	-	707
Other (1)	1.216	1.656
Total	16.329	25.346

(1) Related parties of the parent company

(2) Shareholder

(3) Joint venture

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

Advances received from related parties	31 March 2019	31 December 2018
Al Jasoor Heavy Vehicle Industry LLC (3) (*)	698.186	652.617
	698.186	652.617

(*) These are the advances received due to sales to Al Jasoor Heavy Vehicles Industry LLC, which is a Joint Venture of the Group.

ii) Significant sales to related parties and significant purchases from related parties :

Sales of products and services	1 January - 31 March 2019	1 January - 31 March 2018
Ram Dış Ticaret A.Ş. (1) (*)	24.579	21.268
Other (1)	161	5
Total	24.740	21.273

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

Fixed asset purchases	1 January - 31 March 2019	1 January - 31 March 2018
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	1.480	397
Other (1)	-	12
Total	1.480	409

Inventory purchases	1 January - 31 March 2019	1 January - 31 March 2018
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	10.044	6.076
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	1.081	-
Opet Petrolcülük A.Ş.(1)	770	926
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	742	474
Opet Fuchs Madeni Yağ A.Ş. (1)	735	701
Ram Dış Ticaret A.Ş. (1)	480	1.953
Other (1)	2	7
Total	13.854	10.137

- (1) Related parties of the parent company
(2) Shareholder
(3) Joint venture

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

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NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

Service purchases	1 January – 31 March 2019	1 January – 31 March 2018
Ram Dış Ticaret A.Ş.(1)	11.172	8.041
Ram Sigorta Aracılık Hz. A.Ş.(1)(**)	4.708	3.648
Setur Servis Turistik A.Ş.(1)	2.320	1.514
Otokoç Otomotiv Tic. ve San. A.Ş.(1)	1.002	1.325
Koç Holding A.Ş. (2) (*)	895	830
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	598	4.857
Other (1)	427	1.393
Total	21.122	21.608

(*) It includes service cost that are based on finance, law, planning, tax and management provided by Koç Holding A.Ş. to the companies within the group organization, invoiced to Company with the contest of “11-Intercompany Services” in numbered 1 General Communiqué about Concealed Gain Distribution by Transfer Pricing.

(**) It includes paid and accrued premium as of 31 March 2019 and 31 March 2018 in accordance with insurance policies signed between insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is an insurance agency.

Banks deposits	31 March 2019	31 December 2018
Yapı ve Kredi Bankası A.Ş. (1)		
- Time deposits	627	15.631
- Deposit deposits	79	471
Total	706	16.102

Checks and notes in collection	31 March 2019	31 December 2018
Yapı ve Kredi Bankası A.Ş. (1)	1.068	2.662
Total	1.068	2.662

(1) Related parties of the parent company

(2) Shareholder

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NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

For the periods ended 31 March 2019 and 2018, financial income and expense with related parties:

	1 January - 31 March 2019	1 January - 31 March 2018
Trade receivables and payables foreign exchange gains		
Ram Dış Ticaret A.Ş. (1)	4.297	5.728
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	42	3
Total	4.339	5.731

	1 January - 31 March 2019	1 January - 31 March 2018
Trade receivables and payables foreign exchange gains		
Ram Dış Ticaret A.Ş. (1)	6.085	98
Other (1)	214	90
Total	6.299	188

For the periods ended 31 March 2019 and 2018, financial income and expense with related parties:

	1 January - 31 March 2019	1 January - 31 March 2018
Interest income		
Yapı ve Kredi Bankası A.Ş. (1)	117	7
Total	117	7

	1 January - 31 March 2019	1 January - 31 March 2018
Interest expense		
Yapı ve Kredi Bankası A.Ş. (1)	4.020	23
Total	4.020	23

(1) Related parties of the parent company

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NOT 21 - RELATED PARTY DISCLOSURES (Continued)

For the periods ended 31 March 2019 and 2018, financial income and expense with related parties:

	1 January - 31 March 2019	1 January - 31 March 2018
Interest income		
Yapı ve Kredi Bankası A.Ş. (1)	2.489	577
Total	2.489	577
	1 January - 31 March 2019	1 January - 31 March 2018
Interest expense		
Yapı ve Kredi Bankası A.Ş. (1)	1.895	683
Total	1.895	683

(1) Related parties of the parent company

Benefits provided to senior executives

For the year ended 31 March 2019, the total amount of benefits provided to senior management is TRY2,290 thousand (31 March 2018: TRY2,253 thousand). The senior executives consist of board members, general manager and deputy general managers.

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

a) Foreign currency risk and related sensitivity analysis

The Group 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 analysing the foreign currency position. Currency risk is monitored and limited by analysing the foreign currency position. The Group 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

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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 Group in the original currencies;

31 March 2019	TL equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	1.050.694	70.355	102.872	638
2a. Monetary financial assets (including cash, bank accounts)	4.809	-	761	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	62	11	-	-
4. Current assets (1+2+3)	1.055.564	70.366	103.633	638
5. Trade receivables	4.164	-	659	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	4.164	-	659	-
9. Total assets (4+8)	1.059.728	70.366	104.292	638
10. Trade payables	(55.389)	(11.164)	1.211	(28)
11. Financial liabilities	(326.695)	-	(51.702)	-
12a. Monetary other liabilities	(3.098)	(322)	(164)	(34)
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(385.181)	(11.486)	(50.655)	(62)
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Monetary other liabilities	(513.962)	(91.316)	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(513.962)	(91.316)	-	-
18. Total liabilities (13+17)	(899.143)	(102.802)	(50.655)	(62)
Net balance sheet position (9+18)	160.585	(32.436)	53.637	576
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	(154.146)	33.327	(53.500)	(500)
19a. Hedged total assets amount	342.359	60.827	-	-
19b. Hedged total liabilities amount	(496.505)	(27.500)	(53.500)	(500)
20. Net foreign currency asset/(liability) position (9+18+19)	6.439	891	137	76
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	160.523	(32.447)	53.637	576
22. Total fair value of financial instruments used for foreign currency hedging	(6.393)	(2.049)	(4.302)	(42)
23. Export (as of 31 March 2018)	305.039	822	19.116	136
24. Import (as of 31 March 2018)	171.041	11.224	17.865	301

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

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

31 December 2018	TL equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	805.011	76.525	66.210	497
2a. Monetary financial assets (including cash, bank accounts)	67.110	3.371	8.191	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	58	11	-	-
4. Current assets (1+2+3)	872.179	79.907	74.401	497
5. Trade receivables	7.933	-	1.316	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	7.933	-	1.316	-
9. Total assets (4+8)	880.111	79.907	75.717	497
10. Trade payables	(165.872)	(19.894)	(10.117)	(34)
11. Financial liabilities	-	-	-	-
12a. Monetary other liabilities	(8.871)	(929)	(630)	(28)
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(174.743)	(20.823)	(10.747)	(62)
14. Trade payables	-	-	-	-
15. Financial liabilities	(60.268)	-	(9.998)	-
16a. Monetary other liabilities	(522.327)	(99.285)	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(582.595)	(99.285)	(9.998)	-
18. Total liabilities (13+17)	(757.338)	(120.108)	(20.745)	(62)
Net balance sheet position (9+18)	122.773	(40.201)	54.972	435
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	(106.438)	41.069	(53.500)	-
19a. Hedged total assets amount	342.322	65.069	-	-
19b. Hedged total liabilities amount	(448.760)	(24.000)	(53.500)	-
20. Net foreign currency asset/(liability) position (9+18+19)	16.334	868	1.472	435
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	122.714	(40.212)	54.972	435
22. Total fair value of financial instruments used for foreign currency hedging	(299)	(1.722)	1.223	200
23. Export (as of 31 March 2017)	1.092.424	90.564	83.810	529
24. Import (as of 31 March 2017)	639.474	58.468	59.705	1.048

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

(Amounts expressed in thousand 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 Group’s income before tax as of 31 March 2019 and 31 December 2018:

31 March 2019	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	501	(501)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	501	(501)
<i>In case 10% appreciation of EUR against TL:</i>		
4- EUR net asset/liability	87	(87)
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	87	(87)
<i>In case 10% appreciation of GBP against TL:</i>		
7- GBP net asset/liability	56	(56)
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	56	(56)
Total (3+6+9)	644	(644)
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31 December 2018	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	457	(457)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	457	(457)
<i>In case 10% appreciation of EUR against TL:</i>		
4- EUR net asset/liability	887	(887)
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	887	(887)
<i>In case 10% appreciation of GBP against TL:</i>		
7- GBP net asset/liability	289	(289)
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	289	(289)
Total (3+6+9)	1.633	(1.633)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 MARCH 2019

(Amounts expressed in thousand 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 Group’s assets that are measured at fair value at 31 March 2019 and 31 December 2018:

31 March 2019

Assets	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	6.393	-	6.393
Total	-	6.393	-	6.393

31 December 2018

Assets	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	297	-	297
Total	-	297	-	297

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 Group 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 Group could realize in a current market exchange.

The Group 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED AT 31 MARCH 2019**

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

NOT 24 - SUBSEQUENT EVENTS

None.

**NOT 25 - OTHER MATTERS WHICH ARE SIGNIFICANT TO THE CONSOLIDATED
FINANCIAL STATEMENTS OR WHICH SHOULD BE DISCLOSED FOR THE
PURPOSE OF TRUE AND FAIR INTERPRETATION OF THE CONSOLIDATED
FINANCIAL STATEMENTS.**

None.

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