

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS AT 30 SEPTEMBER 2015**

(ORIGINALLY ISSUED IN TURKISH)

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

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

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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

BALANCE SHEET AS OF 30 SEPTEMBER 2015

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

	Notes	(Not reviewed) 30 September 2015	(Audited) 31 December 2014
ASSETS			
Current assets			
Cash and cash equivalents	3	49.569.054	44.527.697
Trade receivables	7	313.635.910	268.230.380
<i>Due from related parties</i>	7, 21	63.769.818	50.877.972
<i>Due from other parties</i>	7	249.866.092	217.352.408
Other receivables		90.119	958
Inventories	8	374.091.038	264.162.428
Derivative financial instruments	6	15.158	1.726.888
Prepaid expenses	13	147.432.927	78.996.994
Current income tax assets	19	-	2.106.718
Other current assets	13	47.627.345	12.306.871
Total current assets		932.461.551	672.058.934
Non-current assets			
Trade receivables, third parties	7	125.553.129	140.255.060
Other receivables, third parties		61.164	101.585
Due from customers on contract works	9	188.342.198	129.854.389
Financial investments	4	239.280	239.280
Property, plant and equipment	10	105.889.444	112.260.055
Intangibles	11	146.579.091	141.447.509
Deferred tax asset	19	44.931.702	39.335.574
Total non-current assets		611.596.008	563.493.452
Total assets		1.544.057.559	1.235.552.386

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 SEPTEMBER 2015

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

	Notes	(Not reviewed) 30 September 2015	(Audited) 31 December 2014
LIABILITIES			
Current liabilities			
Short term financial liabilities	5	4.209.628	29.751.877
Short term portion of long term financial liabilities	5	111.285.471	45.915.500
Trade payables	7	138.978.801	81.523.996
<i>Due to related parties</i>	7, 21	4.499.210	10.320.537
<i>Due to others</i>	7	134.479.591	71.203.459
Employee benefit obligations	13	9.418.072	17.106.197
Other payables, third parties		36.168.637	16.383.024
Deferred income	13	291.329.683	263.802.421
Government grants		2.050.691	2.033.845
Short term provisions	12	238.357.778	181.758.643
<i>Provisions for employee benefits</i>	12	6.339.676	5.381.838
<i>Other provisions</i>	12	232.018.102	176.376.805
Other current liabilities	13	1.064.823	2.025.403
Total current liabilities		832.863.584	640.300.906
Non-current liabilities			
Financial liabilities	5	459.182.119	273.846.971
Government grants		5.927.105	7.162.947
Long term provisions	12	29.431.828	25.403.540
<i>Provision for employee benefits</i>	12	24.046.979	20.969.191
<i>Other provisions</i>	12	5.384.849	4.434.349
Deferred income	13	36.358.803	44.510.646
Total non-current liabilities		530.899.855	350.924.104
EQUITY			
Equity attributable to equity holders of the parent			
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		(5.820.291)	(5.264.855)
Retained earnings		46.011.054	61.119.856
Net income for the year		16.522.180	72.771.198
Total Equity		180.294.120	244.327.376
Total Liabilities and Equity		1.544.057.559	1.235.552.386

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 SEPTEMBER 2015

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

		Not Reviewed 1 January - 30 September 2015	Not Reviewed 1 July - 30 September 2015	Not Reviewed 1 January - 30 September 2014	Not Reviewed 1 July - 30 September 2014
	Notes				
Net Sales	14	888.934.594	345.112.655	875.088.533	233.658.229
Cost of Sales (-)	14	(677.295.817)	(256.745.962)	(663.351.784)	(181.523.323)
GROSS PROFIT		211.638.777	88.366.693	211.736.749	52.134.906
Marketing expenses (-)		(115.732.562)	(41.420.949)	(88.063.058)	(31.832.844)
General administrative expenses (-)		(33.825.496)	(9.843.626)	(29.073.461)	(7.250.824)
Research and development expenses (-)		(26.204.024)	(9.007.239)	(22.016.010)	(6.811.327)
Other operating income	15	112.286.243	73.672.354	57.197.800	2.648.499
Other operating expenses (-)	16	(83.237.008)	(50.773.859)	(42.263.907)	2.337.795
OPERATING PROFIT		64.925.930	50.993.374	87.518.113	11.226.205
Income from investing activities		1.471.873	37.390	16.580	(15.614)
Expenses from investing activities (-)		-	-	-	-
OPERATING INCOME BEFORE FINANCIAL EXPENSES		66.397.803	51.030.764	87.534.693	11.210.591
Financial income	17	4.802.607	85.362	11.910.830	3.569.066
Financial expense (-)	18	(55.396.241)	(30.813.048)	(45.360.477)	(15.734.527)
INCOME / (LOSS) BEFORE TAX		15.804.169	20.303.078	54.085.046	(954.870)
Tax income/expense from continued operations					
Current tax (expense) / income	19	(4.739.258)	(4.383.200)	(5.849.256)	2.073.027
Deferred tax income / (expense)	19	5.457.269	598.463	(463.934)	205.217
PROFIT FOR THE PERIOD		16.522.180	16.518.341	47.771.856	1.323.374
Remeasurement (losses) / gains on defined benefit plans		(694.295)	23.778	(1.832.201)	18.655
Deferred tax effect on remeasurement differences		138.859	(4.756)	366.440	(3.731)
Other comprehensive (expense) / income		(555.436)	19.022	(1.465.761)	14.924
TOTAL COMPREHENSIVE INCOME		15.966.744	16.537.363	46.306.095	1.338.298
Earnings per share	20	0,069	0,069	0,199	0,006

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 SEPTEMBER 2015

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

				Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss			
	Paid in share capital	Inflation adjustments	Restricted reserves	Remeasurement losses on defined benefit plans	Retained earnings	Net income for the period	Total equity
1 January 2014	24.000.000	52.743.030	29.078.147	(3.551.453)	74.438.113	96.561.743	273.269.580
Transfers	-	-	9.880.000	-	86.681.743	(96.561.743)	-
Dividends paid	-	-	-	-	(100.000.000)	-	(100.000.000)
Total comprehensive income	-	-	-	(1.465.761)	-	47.771.856	46.306.095
30 September 2014	24.000.000	52.743.030	38.958.147	(5.017.214)	61.119.856	47.771.856	219.575.675
1 January 2015	24.000.000	52.743.030	38.958.147	(5.264.855)	61.119.856	72.771.198	244.327.376
Transfers	-	-	7.880.000	-	64.891.198	(72.771.198)	-
Dividends paid	-	-	-	-	(80.000.000)	-	(80.000.000)
Total comprehensive income	-	-	-	(555.436)	-	16.522.180	15.966.744
30 September 2015	24.000.000	52.743.030	46.838.147	(5.820.291)	46.011.054	16.522.180	180.294.120

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 SEPTEMBER 2015

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

	Notes	Not reviewed 1 January - 30 September 2015	Not reviewed 1 January - 30 September 2014
Cash flows from operating activities			
Income before taxes		15.804.169	54.085.046
Adjustments to reconcile income before taxes to net cash flows from operating activities:			
Depreciation and amortization	10,11	35.775.218	34.414.916
Provision for employment termination benefits	12	5.568.191	3.019.665
Provision for inventories	8	(728.351)	395.890
Warranty provision expenses	12	32.957.883	19.292.011
Gain on sale of property, plant and equipments		(1.471.873)	(16.580)
Interest expense on borrowings	18	26.226.704	30.802.209
Unrealised foreign exchange (losses/gain) on borrowings		15.109.340	(375.200)
Interest income on time deposits	17	(616.544)	(744.216)
Provision for doubtful receivables	7	4.649.511	119.341
Financial derivative transactions, net		(6.496.962)	(7.246.532)
Cash flows before changes in net working capital		126.777.286	133.746.550
Trade and other receivables		(35.401.850)	153.540.521
Due from customers on contract works		(58.487.809)	(24.958.650)
Inventories		(109.200.259)	(23.807.770)
Other current assets		(101.649.689)	1.197.955
Trade payables		57.454.805	(25.440.487)
Other liabilities		84.655.647	(45.799.983)
Realized gains on derivative contracts		8.208.692	5.790.891
Income taxes paid		(4.739.258)	(12.892.303)
Warranties paid	12	(30.770.563)	(23.891.970)
Employee termination benefits paid	12	(3.184.698)	(2.722.033)
Cash flows from operating activities		(66.337.696)	134.762.721
Investing activities			
Purchase of property, plant and equipment	10	(4.037.822)	(5.237.205)
Purchase of intangible assets	11	(31.874.172)	(31.487.174)
Proceeds from sale of property, plant and equipment		2.847.677	447.199
Net cash used in investing activities		(33.064.317)	(36.277.180)
Financing activities			
Proceeds from bank borrowings		504.751.487	345.677.465
Repayments of bank borrowings		(310.816.148)	(301.193.474)
Interest paid		(10.108.513)	(24.243.773)
Interest received		616.544	744.216
Dividends paid		(80.000.000)	(100.000.000)
Net cash provided by/(used in) financing activities		104.443.370	(79.015.566)
Increase in cash and cash equivalents		5.041.357	19.469.975
Cash and cash equivalents at the beginning of the year	3	44.527.697	8.884.174
Cash and cash equivalents at the end of the period	3	49.569.054	28.354.149

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 SEPTEMBER 2015

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

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 2.635 (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 nine-month period ended 30 September 2015 were authorized for issue and signed with the approval of the Internal Audit Committee by the Board of Directors of the Company on 27 October 2015. The accompanying condensed interim financial statements could be amended by the Board of Directors.

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 September 2015 the shares listed on the BIST are 27,45% of the total shares.

As of 30 September 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
	100,00

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 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.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2015

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

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 nine-month period ended 30 September 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 September 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 September 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 SEPTEMBER 2015

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

NOT 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Significant Changes in the Accounting Policies (Continued)

i) New standards, amendments and interpretations applicable as at 30 September 2015

Amendment to IAS 19 regarding defined benefit plans, effective from annual periods beginning 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 from annual periods beginning 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 from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2011-12-13 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’.

Amendment to IFRS 11, ‘Joint arrangements’ on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. 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’, regarding bearer plants, effective from 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. It has been decided that 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.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2015

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

NOT 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Significant Changes in the Accounting Policies (Continued)

ii) Standards, amendments and interpretations effective after 1 October 2015:

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it 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. It is 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.

IFRS 14 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. IFRS 14, 'Regulatory deferral accounts' 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' on the equity method, effective from 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 from 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 from 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 operations' regarding methods of disposal.
- 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' on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports

Amendment to IFRS 10 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2015

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

NOT 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

ii) Standards, amendments and interpretations effective after 1 October 2015 (Continued):

IFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

IFRS 9 'Financial instruments', effective from 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.

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 3 - CASH AND CASH EQUIVALENTS

	30 September 2015	31 December 2014
Cash at banks		
- demand deposits	44.936	415.875
- time deposits	48.936.181	42.551.560
Cheques and notes receivable	513.526	1.519.333
Other	74.411	40.929
Total	49.569.054	44.527.697

As of 30 September 2015, time deposits amounting to TL 28.565.681 is in foreign currency and annual effective interest rate is 0,5% and has a maturity of 1 day. Remaining balance is TL denominated and annual effective interest rate is 12,75% and has a maturity of 1 day.

(As of 31 December 2014, time deposits amounting to TL 927.560 is in foreign currency and the annual effective interest is 0,5% and the maturity is 2 days. Effective interest rate of remaining time deposits is TL denominated and is annually 10,98% and the maturity is 2 days).

Cheques and notes receivable consist of cheques and notes which are due as of balance sheet date and are given to banks for collections.

As of 30 September 2015, the Company has restricted bank deposits amounting to TL 795 (31 December 2014: TL 862).

NOTE 4 - FINANCIAL INVESTMENTS

The Company has a subsidiary named "Otokar Europe SAS" a 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 SEPTEMBER 2015

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

NOTE 5 - FINANCIAL LIABILITIES

30 September 2015

	Maturities	Interest rate (%)	TL equivalent
Short term bank borrowings (*) (***)			
Denominated in TL	1 October 2015	0,00	4.209.628
Total			4.209.628

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

Denominated in TL	April 2016- 3 September 2018	8,09-14,65	111.283.049
Denominated in EUR	18 September 2017- 21 September 2017	2,65	2.422
Total			111.285.471

30 September 2015

	Maturities	Interest rate (%)	TL equivalent
Long term bank borrowings (*) (**)			
Denominated in TL	17 October 2016- 3 September 2018	11,55-12,60	289.466.624
Denominated in EUR	10 February 2017-21 September 2017	2,65-2,90	169.715.495
Total			459.182.119

(*) Bearing fixed interest rate

(**) Weighted average maturity days of long-term borrowings are 663.

(***) Interest free loan for the Social Security Institution payments.

31 December 2014

	Maturities	Interest rate(%)	TL equivalent
Short term bank borrowings (*)			
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
Total			29.751.877

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

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
Total			45.915.500

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2015

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NOTE 5 - FINANCIAL LIABILITIES (Continued)

31 December 2014	Maturities	Interest rate(%)	TL equivalent
Long term bank borrowings (*)(**)			
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
Total			273.846.971

(*) 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 September 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 September 2015:			
Forward transactions	86.143.250	8 October 2015- 30 October 2015	15.158
Short-term derivative financial instruments	86.143.250		15.158
Total derivative financial instruments	86.143.250		15.158
	Contract amount	Prior 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
Total derivative financial instruments	137.947.680		1.726.888

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

	30 September 2015	31 December 2014
Trade receivables, net	150.841.489	132.684.387
Notes receivables, net	125.913.021	107.194.793
	276.754.510	239.879.180
Less: provision for doubtful receivables	(26.888.418)	(22.526.772)
Short term trade receivables	249.866.092	217.352.408
Trade receivables from related parties	63.769.818	50.877.972
Short-term trade receivables	313.635.910	268.230.380
Long-term trade receivables, net	108.316.019	125.884.462
Long-term notes receivable, net	17.237.110	14.370.598
Long-term trade receivables	125.553.129	140.255.060

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 September 2015, the total trade receivable from dealers amounting to TL 97.765.898 (31 December 2014: TL 60.016.673 has been secured by mortgages and guarantees at the amount of TL 96.030.592(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 September 2015	Trade receivables
1- 30 day past due		-
1- 3 month past due		-
3- 12 month past due		-
1- 5 year past due		202.896
Over 5 year past due		-
Total		202.896
Amount secured with guarantee (1)		201.603
	31 December 2014	Trade receivables
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		-
Total		174.328
Amount secured with guarantee (1)		173.035

(1) Pledges on trailer vehicles.

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

	1 January - 30 September 2015	1 January - 30 September 2014
1 January	22.526.772	21.961.122
Collection	(287.865)	(189)
Additional provisions	4.649.511	119.341
Total	26.888.418	22.080.274

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

Trade payables

	30 September 2015	31 December 2014
Trade payables, net	134.234.491	70.978.759
Notes payables, net	245.100	224.700
Short-term trade payables to third parties	134.479.591	71.203.459
Trade payables to related parties	4.499.210	10.320.537
Short-term trade payables	138.978.801	81.523.996

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

NOTE 8 - INVENTORIES

	30 September 2015	31 December 2014
Raw materials	128.850.683	93.535.860
Semi-finished goods	42.385.354	16.423.428
Finished goods	64.413.038	33.518.461
Merchandises	59.059.083	50.425.115
Goods in transit	80.149.286	71.754.321
Impairment for inventories (*)	(766.406)	(1.494.757)
Total	374.091.038	264.162.428

(*) TL 310.416 of impairment is related to finished goods (31 December 2014: TL 1.356.002) and TL 455.990 is related to merchandises (31 December 2014: TL 138.755). The impairment has been accounted for under cost of sales.

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NOTE 9 - DUE FROM CUSTOMERS ON CONTRACT WORKS

Receivable from uncompleted contracts is TL 188.342.198 as of 30 September 2015 (31 December 2014: TL 129.854.389) after offsetting with short-term advances received.

As of 30 September 2015, the short-term advances received by the Company is related with ongoing projects which amounts to TL 131.522.731 was included in deferred revenues in the financial statements (31 December 2014: TL 113.014.910). The remaining TL 136.303.308 which is included in deferred income is composed of other advance received from customers (31 December 2014: TL 130.933.443) and other payables is amounting to TL 23.503.644 (31 December 2014: TL 19.854.068).

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

For the nine-month periods ended 30 September 2015 and 2014, the movement of property, plant and equipment and the accumulated depreciation are as follows:

	1 January 2015	Additions	Disposals	Transfers	30 September 2015
Cost:					
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	1.523.744	(6.405.949)	330.952	103.837.813
Motor vehicles	9.169.102	314.541	(765.796)	-	8.717.847
Furniture and fixtures	34.568.907	1.180.139	(1.980.423)	63.969	33.832.592
Leasehold improvements	2.841.765	18.975	-	-	2.860.740
Construction in progress	2.355.130	1.000.423	-	(995.799)	2.359.754
	266.573.250	4.037.822	(9.152.168)	(600.878)	260.858.026
Accumulated depreciation:					
Land improvements	6.176.947	485.839	-	-	6.662.786
Buildings	31.891.231	2.113.507	-	-	34.004.738
Machinery and equipment	87.805.628	4.117.029	(6.405.949)	-	85.516.708
Motor vehicles	4.737.483	550.775	(195.538)	-	5.092.720
Furniture and fixtures	21.866.594	1.742.099	(1.980.423)	-	21.628.270
Leasehold improvements	1.835.312	228.048	-	-	2.063.360
	154.313.195	9.237.297	(8.581.910)	-	154.968.582
Net book value	112.260.055				105.889.444

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2015

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2014	Additions	Disposals	Transfers	30 September 2014
Cost:					
Land	37.456.746	-	-	-	37.456.746
Land improvements	11.309.351	20.475	-	263.225	11.593.051
Buildings	60.170.668	-	-	-	60.170.668
Machinery and equipment	111.943.555	1.199.894	(406.993)	162.013	112.898.469
Motor vehicles	7.957.194	1.161.792	(448.192)	-	8.670.794
Furniture and fixtures	31.761.624	1.523.022	(115.418)	168.633	33.337.861
Leasehold improvements	2.734.585	13.500	-	79.599	2.827.684
Construction in progress	1.778.321	1.318.522	-	(950.847)	2.145.996
	265.112.044	5.237.205	(970.603)	(277.377)	269.101.269
Accumulated depreciation:					
Land improvements	4.654.789	1.140.583	-	-	5.795.372
Buildings	29.073.222	2.113.507	-	-	31.186.729
Machinery and equipment	86.240.277	5.871.844	(359.772)	-	91.752.349
Motor vehicles	4.071.036	549.610	(86.379)	-	4.534.267
Furniture and fixtures	18.760.344	2.284.868	(93.833)	-	20.951.379
Leasehold improvements	1.469.753	270.926	-	-	1.740.679
	144.269.421	12.231.338	(539.984)	-	155.960.775
	120.842.623				113.140.494
Net book value					

For the nine-month periods ended 30 September 2015 and 2014, the allocation of depreciation and amortization expenses of property, plant and equipment and intangibles are as follows:

	1 January - 30 September 2015	1 January - 30 September 2014
Research and development expenses	25.250.686	20.819.861
Costs related to uncompleted contracts	2.249.873	5.694.199
Cost of goods sold	3.804.589	3.713.299
Development projects in process	1.513.045	1.417.620
Depreciation on outstanding inventories	805.761	860.075
General administrative expenses	1.254.844	1.090.604
Selling and marketing expenses	896.420	819.258
Total	35.775.218	34.414.916

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NOTE 11 - INTANGIBLE ASSETS

For the nine-month periods ended 30 September 2015, the movement of intangible assets and the accumulated amortization is as follows:.

	1 January 2015	Additions	Disposals	Transfers	30 September 2015
Cost:					
Other intangible assets	13.530.710	638.919	-	600.878	14.770.507
Development costs	186.078.994	-	(819.200)	17.244.062	202.503.856
Development projects in progress	40.525.892	31.235.253	-	(17.244.062)	54.517.083
	240.135.596	31.874.172	(819.200)	600.878	271.791.446
Accumulated amortization:					
Other intangible assets	10.221.496	1.287.235	-	-	11.508.731
Development costs	88.466.591	25.250.686	(13.653)	-	113.703.624
	98.688.087	26.537.921	(13.653)	-	125.212.355
Net book value	141.447.509				146.579.091

For the nine month period ended 30 September 2014, the movement of intangible assets and the accumulated amortization are as follows:.

	1 January 2014	Additions	Disposals	Transfers	30 September 2014
Cost:					
Other intangible assets	12.289.381	605.052	-	277.377	13.171.810
Development costs	147.369.338	-	-	4.143.717	151.513.055
Development projects in progress	35.639.826	30.882.122	-	(4.143.717)	62.378.231
	195.298.545	31.487.174	-	277.377	227.063.096
Accumulated amortization:					
Other intangible assets	8.371.380	1.363.716	-	-	9.735.096
Development costs	60.634.428	20.819.862	-	-	81.454.290
	69.005.808	22.183.578	-	-	91.189.386
Net book value	126.292.737				135.873.710

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions

	30 September 2015	31 December 2014
Provision for other costs (*)	197.844.011	153.473.113
Warranty provision	19.417.559	18.180.739
Provisions for employee benefits	6.339.676	5.381.838
Foundation employer's share of social security premium	2.925.000	2.925.000
Provision for license costs	1.156.317	1.264.726
Other	10.675.215	533.227
Total	238.357.778	181.758.643

(*) 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.

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

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

Long-term provisions

	30 September 2015	31 December 2014
Warranty provision	5.384.849	4.434.349
Total	5.384.849	4.434.349

Warranty provision

The movement of the warranty expense provision is as follows:

	30 September 2015	30 September 2014
1 January	22.615.088	25.256.158
Additional provisions	32.957.883	19.292.011
Payments	(30.770.563)	(23.891.970)
30 September	24.802.408	20.656.199

Provision for employee benefits

	30 September 2015	31 December 2014
Provision for employment termination benefits	24.046.979	20.969.191
Provision for unused vacation	6.339.676	5.381.838
Total	30.386.655	26.351.029

Employment termination benefits

The amount payable consists of one month's salary limited to a maximum of TL 3.828 for each year of services as of 30 September 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 September 2015	31 December 2014
Net discount rate (%)	3,50	3,50
Turnover rate to estimate the probability of retirement (%)	2,29	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.

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

The movements of provision for employment termination benefits are as follows:

	30 September 2015	30 September 2014
1 January	20.969.191	16.173.142
Interest expense	1.423.284	1.097.752
Charge for the period	4.144.907	1.921.913
Remeasurement losses	694.295	1.832.201
Payments	(3.184.698)	(2.722.033)
30 September	24.046.979	18.302.975

Provision for unused vacation

The movements of provision for unused vacation are as follows:

	30 September 2015	30 September 2014
1 January	5.381.838	4.443.081
Charge for the period	957.838	733.027
30 September	6.339.676	5.176.108

Commitments and contingencies

As of 30 September 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 September 2015	31 December 2014
a. Total amount of guarantees, pledges and mortgages given the name of legal entity	1.322.780.987	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	-	-
Total	1.322.780.987	846.743.403

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

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

	30 September 2015		31 December 2014	
	Original currency	TL equivalent	Original currency	TL equivalent
USD	309.366.205	941.494.173	236.106.385	547.507.096
EUR	58.552.982	200.321.463	38.486.835	108.559.815
TL	180.965.351	180.965.351	190.676.492	190.676.492
		1.322.780.987		846.743.403

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

	30 September 2015	31 December 2014
Guarantee letters given		
Under secretariat of Ministry of Defense	788.798.120	462.293.181
Other	533.982.867	384.450.222
Total	1.322.780.987	846.743.403

Guarantee Letters

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

	30 September 2015	31 December 2014
Bank letters of guarantee (*)	1.322.780.987	846.743.403
	1.322.780.987	846.743.403

(*) Bank letters of guarantee amounting to TL 757.307.651 are given to Secretariat of Ministry of Defense for Altay Project (31 December 2014: TL 458.062.131).

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

	30 September 2015	31 December 2014
Bank letters of guarantee (**)	475.773.142	346.144.591
Guarantee notes	23.443.620	24.410.289
Mortgages received	582.000	842.000
Guarantee bills	857.200	6.548.000
Total	500.655.962	377.944.880

(**) Bank letters of guarantee amounting to TL 249.014.913 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. Total amount of appealed case for 2011-2012-2013 is TL 31.707.241. Total amount of appealed case of 2014 is TL 4.461.395.

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

a) Prepaid expenses:

	30 September 2015	31 December 2014
Advances given	144.114.084	75.972.542
Prepaid expenses	3.318.843	3.024.452
Total	147.432.927	78.996.994

b) Other current assets:

	30 September 2015	31 December 2014
Value added tax receivables	44.849.664	11.466.073
Other	2.777.681	840.798
Total	47.627.345	12.306.871

c) Deferred revenues:

Deferred revenues - short term	30 September 2015	31 December 2014
Advances received	267.826.039	243.948.353
Deferred maintenance revenues (*)	23.503.644	19.378.209
Other deferred revenues (**)		475.859
Total	291.329.683	263.802.421

Deferred revenues - long term	30 September 2015	31 December 2014
Deferred maintenance revenues (*)	36.358.803	44.510.646
Total	36.358.803	44.510.646

(*) 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 September 2015	31 December 2014
Payables to employees	6.050.000	9.237.281
Social security payables	2.801.545	3.753.058
Taxes and funds payable	566.527	4.115.858
Total	9.418.072	17.106.197

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

e) Other current liabilities:

	30 September 2015	31 December 2014
Payable to personnel	189.233	1.544.485
Deferred special consumption tax	441.686	92.889
Other	433.904	388.029
Total	1.064.823	2.025.403

NOTE 14 - SALES AND COST OF SALES

Net sales

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Domestic sales	656.512.137	241.216.528	734.831.429	184.122.930
Export sales	236.319.597	106.760.115	141.702.988	49.942.701
Gross sales	892.831.734	347.976.643	876.534.417	234.065.631
Less: sales discounts and returns	(3.897.140)	(2.863.988)	(1.445.884)	(407.402)
Net sales	888.934.594	345.112.655	875.088.533	233.658.229

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

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Commercial vehicle	487.551.754	175.445.069	429.280.853	109.751.411
Armored vehicle	149.177.053	80.911.482	236.368.475	49.782.144
Other (*)	252.205.787	88.756.104	209.439.205	74.124.674
Total	888.934.594	345.112.655	875.088.533	233.658.229

(*) TL 132.246.698 of this amount is related to revenues of uncompleted contracts (30 September 2014: TL 133.150.207).

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NOTE 14 - SALES AND COST OF SALES (Continued)

Cost of sales

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Cost of finished goods sold	(626.352.453)	(235.696.751)	(626.887.372)	(167.400.431)
Cost of merchandise goods sold	(50.943.364)	(21.049.211)	(36.464.412)	(14.122.892)
Total	(677.295.817)	(256.745.962)	(663.351.784)	(181.523.323)

NOTE 15 - OTHER OPERATING INCOME

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Other operating income				
Foreign exchange gains on trade receivable/ payables	62.252.877	54.083.806	26.188.087	(11.355.473)
Forward transaction losses	33.757.683	10.916.726	11.391.972	7.483.786
Maturity difference income	9.484.032	5.737.622	13.517.861	4.164.080
Incentive income	1.525.384	508.461	1.183.860	394.620
Other	5.266.267	2.425.739	4.916.020	1.961.486
Total	112.286.243	73.672.354	57.197.800	2.648.499

NOTE 16 - OTHER OPERATING EXPENSES

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Other operating expense				
Foreign exchange loss on trade receivable/ payables	(51.257.749)	(34.547.231)	(37.706.308)	3.178.326
Forward transaction expenses	(27.260.721)	(13.388.056)	(4.145.440)	(605.557)
Provision expense for doubtful receivables	(4.649.511)	(2.827.935)	(119.341)	(138.975)
Other	(69.027)	(10.637)	(292.818)	(95.999)
Total	(83.237.008)	(50.773.859)	(42.263.907)	2.337.795

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2015

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NOTE 17 - FINANCIAL INCOME

	1 January – 30 September 2015	1 July – 30 September 2015	1 January – 30 September 2014	1 July – 30 September 2014
Interest income from time deposits	616.544	292.575	744.216	188.619
Foreign exchange gains on deposits	3.693.737	831.486	2.129.514	873.447
Foreign exchange gains on bank borrowings	492.326	(1.038.699)	9.037.100	2.507.000
Total	4.802.607	85.362	11.910.830	3.569.066

NOTE 18 - FINANCIAL EXPENSE

	1 January – 30 September 2015	1 July – 30 September 2015	1 January – 30 September 2014	1 July – 30 September 2014
Interest expense on bank borrowings	(26.226.704)	(11.761.872)	(30.802.209)	(12.238.284)
Foreign exchange losses on deposits	(6.248.347)	(1.420.037)	(2.261.468)	(584.543)
Foreign exchange losses on bank borrowings	(22.921.190)	(17.631.139)	(12.296.800)	(2.911.700)
Total	(55.396.241)	(30.813.048)	(45.360.477)	(15.734.527)

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

	30 September 2015	31 December 2014
Income tax payable	4.920.295	4.642.432
Less-prepaid tax	(4.920.295)	(6.749.150)
Income tax asset	-	(2.106.718)

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2015

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

NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

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

	1 January - 30 September 2015	1 January - 30 September 2014
Current tax charge	(4.739.258)	(5.849.256)
Deferred tax income charged to other comprehensive income		
- Tax charged to profit for the period	5.457.269	(463.934)
- Tax charged to other comprehensive income/expense	138.859	366.440
Total tax income/(expense)	856.870	(5.946.750)

As of 30 September 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 September 2015	31 December 2014	30 September 2015	31 December 2014
Property, plant and equipment	(9.651.619)	(10.686.872)	1.550.971	1.343.920
Intangible assets	(20.598.281)	(24.037.595)	(4.119.656)	(4.807.519)
Deferred financial expense	(862.046)	(483.877)	(172.409)	(96.775)
Inventories	692.676	1.549.110	138.535	309.822
Warranty provision	24.802.408	22.615.088	4.960.482	4.523.018
Provision for employment termination benefits	24.046.979	20.969.191	4.809.396	4.193.838
Deferred financial income	10.969.555	14.148.535	2.193.911	2.829.707
Other provisions	18.302.343	9.358.416	3.660.469	1.871.684
Deferred maintenance income	59.862.447	63.888.855	11.972.489	12.777.771
Due from customers on contract works	93.277.779	73.915.663	18.655.556	14.783.133
Other	6.409.790	8.034.875	1.281.958	1.606.975
Deferred tax asset			44.931.702	39.335.574

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

	30 September 2015	30 September 2014
1 January	39.335.574	43.338.020
Deferred tax income charged to other comprehensive income		
- Tax charged to profit for the period	5.457.269	(463.934)
- Tax charged to other comprehensive income/expense	138.859	366.440
Total	44.931.702	43.240.526

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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.

	30 September 2015	30 September 2014
Net income attributable to shareholders (TL)	16.522.180	47.771.856
Weighted average number of issued shares	24.000.000.000	24.000.000.000
Earnings per share	0,069	0,199

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 30 September 2015 and 31 December 2014:

Due from related parties	30 September 2015	31 December 2014
Ram Dış Ticaret A.Ş. (1) (*)	55.737.886	38.705.221
Otokar Europe SAS (3)	7.232.650	11.434.239
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	401.389	7.029
Ford Otosan A.Ş. (2)	397.841	731.483
Other (1)	52	-
Total	63.769.818	50.877.972

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

Due to related parties	30 September 2015	31 December 2014
Ram Dış Ticaret A.Ş. (1)	1.587.007	3.472.371
Zer Merkezi Hizmetler A.Ş. (1)	670.406	2.347.607
Eltek Elektrik Enerji İth. İhr. Top.Tic. A.Ş.(1)	490.916	392.345
Koç Holding A.Ş. (2)	372.655	1.571.510
Opet Fuchs Madeni Yağ A.Ş. (1)	356.441	408.031
Setur Servis Turistik A.Ş. (1)	305.577	464.983
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	263.621	200.402
Ram Sigorta Aracılık Hz. A.Ş. (1)	195.448	342.279
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	110.656	313.039
Opet Petrolcülük A.Ş. (1)	73.934	84.853
Other (1)	72.549	723.117
Total	4.499.210	10.320.537

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2015

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NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

ii) Major sales and purchase transactions with related parties as of 30 September 2015 and 31 December 2014 are as follows:

Product sales and service revenue	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Ram Dış Ticaret A.Ş. (1) (*)	184.273.463	92.752.732	109.749.587	34.525.512
Otokar Europe SAS (3)	11.689.233	3.855.285	10.708.947	3.969.191
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	1.110.328	465.767	5.323.130	1.327.728
Aygaz A.Ş. (1)	591.970	284.374	92.564	75.523
Ford Otosan (2)	1.563	1.297	180.456	304
Otokoç Otomotiv Tic. ve San.A.Ş. (1)	589	-	551	-
RMK Marine Gemi Yap. San. İşl. A.Ş. (1)	-	-	485	-
Total	197.667.146	97.359.455	126.055.720	39.898.258

(*) 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.

Purchase of property, plant and equipment	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	649.502	141.833	949.849	309.809
Otokoç Otomotiv Tic. ve San.A.Ş. (1)	161.901	-	65.563	-
Zer Merkezi Hizmetler A.Ş. (1)	130.934	65.983	16.566	3.790
Setur Servis Turistik A.Ş. (1)	18.878	18.878	-	-
Arçelik A.Ş. (1)	13.360	1.580	16.242	11.494
Koçtaş Yapı Marketleri A.Ş. (1)	4.850	4.850	12.045	-
Total	979.425	233.124	1.060.265	325.093

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Inventories purchased				
Zer Merkezi Hizmetler A.Ş. (1)	12.410.881	4.621.034	11.059.569	4.369.443
Ram Dış Ticaret A.Ş. (1)	4.112.603	1.569.035	3.333.847	872.341
Opet Fuchs Madeni Yağ A.Ş.(1)	1.766.402	609.480	1.552.874	393.214
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	1.730.422	628.083	2.075.415	604.682
Opet Petrolcülük A.Ş.(1)	1.331.638	453.489	1.468.719	585.411
Koçtaş Yapı Marketleri A.Ş.(1)	44.847	21.545	641.768	33.147
Arçelik A.Ş. (1)	2.783	-	3.330	2.193
Ford Otosan A.Ş.(2)	2.752	-	37.879	3.659
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	-	-	342.036	136.299
Total	21.402.328	7.902.666	20.515.437	7.000.389

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

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NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Services purchased				
Ram Dış Ticaret A.Ş.(1)	9.186.378	2.833.952	3.096.946	831.467
Otokar Europe SAS (3)	5.060.200	2.619.062	1.955.690	926.822
Eltek Elektrik Enerji İth.İhr.Top.Tic. A.Ş.(1)	3.532.964	1.160.367	3.006.365	871.436
Setur Servis Turistik A.Ş. (1)	3.406.046	1.112.435	3.049.788	1.150.574
Koç Holding A.Ş. (2)	1.896.619	571.339	1.688.781	637.641
Otokoç Otomotiv Tic. ve San. A.Ş.(1)	1.582.793	584.085	1.444.401	619.498
Koç Sistem Bilgi ve İlt. Hizm. A.Ş. (1)	1.005.293	483.761	751.245	232.250
Other (1)	430.785	155.211	250.192	77.025
Total	26.101.078	9.520.212	15.243.408	5.346.713
Banks deposits				
	30 September 2015	31 December 2014		
Yapı ve Kredi Bankası A.Ş. (1)				
- demand deposits		23.095		78.461
- time deposits		48.429.472		1.353.000
Total		48.452.567		1.431.461
Checks and notes in collection				
	30 September 2015	31 December 2014		
Yapı ve Kredi Bankası A.Ş. (1)		15.330.133		24.644.202
Total		15.330.133		24.644.202
Borrowings				
	30 September 2015	31 December 2014		
Yapı ve Kredi Bankası A.Ş. (1)		38.799.850		122.670.359
Total		38.799.850		122.670.359

(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

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NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

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

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Exchange gain from trade receivables and payables				
Ram Dış Ticaret A.Ş.(1)	7.958.586	7.140.342	5.596.285	1.780.920
Yapı Kredi Faktoring A.Ş. (1)	3.026.053	3.026.053	-	-
Otokar Europe SAS (3)	351.198	251.461	782.640	7.387
Other (1)	14.727	3.993	9.216	2.501
Total	11.350.564	10.421.849	6.388.141	1.790.808

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Exchange loss from trade receivables and payables				
Ram Dış Ticaret A.Ş.(1)	2.258.980	1.313.739	364.523	92.896
Otokar Europe SAS (3)	161.237	17.031	127.235	6.032
Other (1)	84.035	36.174	14.635	1
Total	2.504.252	1.366.944	506.393	98.929

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

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Interest income				
Yapı ve Kredi Bankası A.Ş. (1)	22.112	7.977	226.511	1.814
Total	22.112	7.977	226.511	1.814

(1) Related parties of parent company

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

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NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Interest expenses				
Yapı ve Kredi Bankası A.Ş. (1)	5.001.176	1.475.042	2.595.824	1.758.209
Total	5.001.176	1.475.042	2.595.824	1.758.209
	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Exchange gains				
Yapı ve Kredi Bankası A.Ş. (1)	3.021.518	117.793	6.565.498	2.418.760
Total	3.021.518	117.793	6.565.498	2.418.760
	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Exchange losses				
Yapı ve Kredi Bankası A.Ş. (1)	5.147.999	212.895	5.758.478	2.353.376
Total	5.147.999	212.895	5.758.478	2.353.376

(1) Related parties of parent company

Benefits to key management

Salaries and similar benefits provided to the executive management by the Company for the nine month period ended 30 September 2015 amounted to TL 4.101.536 (30 September 2014: TL 2.869.479). 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 SEPTEMBER 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 September 2015	TL equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	152.512.006	5.304.564	39.885.467	(18.984)
2a. Monetary financial assets (including cash, bank accounts)	172.863.260	46.464.192	9.193.471	1.319
2b. Non-monetary financial assets	-	-	-	-
3. Other	33.197	4.304	5.875	-
4. Current assets (1+2+3)	325.408.463	51.773.060	49.084.813	(17.665)
5. Trade receivables	125.130.751	-	36.575.106	-
6a. Monetary financial assets	188.342.198	61.887.490	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	59.324	-	17.340	-
8. Non-current assets (5+6+7)	313.532.273	61.887.490	36.592.446	-
9. Total assets (4+8)	638.940.736	113.660.550	85.677.259	(17.665)
10. Trade payables	(42.742.516)	(2.270.031)	(5.071.840)	(4.008.405)
11. Financial liabilities	-	-	-	-
12a. Monetary other liabilities	(374.594.606)	(122.956.303)	(117.412)	-
12b. Non-monetary other liabilities	(23.503.644)	-	(6.870.000)	-
13. Current liabilities (10+11+12)	(440.840.766)	(125.226.334)	(12.059.252)	(4.008.405)
14. Trade payables	-	-	-	-
15. Financial liabilities	(169.717.917)	-	(49.607.716)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	(36.358.803)	-	(10.627.500)	-
17. Non-current liabilities (14+15+16)	(206.076.720)	-	(60.235.216)	-
18. Total liabilities (13+17)	(646.917.486)	(125.226.334)	(72.294.468)	(4.008.405)
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	10.117.158	14.493.250	(16.000.000)	4.500.000
19a. Hedged total assets amount	75.507.908	17.993.250	-	4.500.000
19b. Hedged total liabilities amount	(65.390.750)	(3.500.000)	(16.000.000)	-
20. Net foreign currency asset/(liability) position (9+18+19)	2.140.408	2.927.466	(2.617.209)	473.930
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	51.793.176	(11.570.088)	30.857.076	(4.026.070)
22. Total fair value of financial instruments used for foreign currency hedging	10.117.158	14.493.250	(16.000.000)	4.500.000
23. Export (for the nine month period ended 30 September 2015)	235.730.953	29.817.972	52.129.750	29.744
24. Import (for the nine month period ended 30 September 2015)	328.768.752	67.273.192	43.040.614	4.708.678

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

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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	-
4. Current assets (1+2+3)	235.974.990	33.595.959	55.001.710	813.659
5. Trade receivables	140.250.969	-	49.722.044	-
6a. Monetary financial assets	129.854.389	55.998.270	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	93.433	19.200	17.340	-
8. Non-current assets (5+6+7)	270.198.791	56.017.470	49.739.384	-
9. Total assets (4+8)	506.173.781	89.613.429	104.741.094	813.659
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)	-
13. Current liabilities (10+11+12)	(415.582.970)	(133.329.716)	(37.337.343)	(302.341)
14. Trade payables	-	-	-	-
15. Financial liabilities	(43.052.830)	-	(15.263.173)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	(44.510.646)	-	(15.780.000)	-
17. Non-current liabilities (14+15+16)	(87.563.476)	-	(31.043.173)	-
18. Total liabilities (13+17)	(503.146.446)	(133.329.716)	(68.380.516)	(302.341)
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	(5.501.182)	45.234.300	(38.500.000)	(500.000)
19a. Hedged total assets amount	104.893.818	45.234.300	-	-
19b. Hedged total liabilities amount	(110.395.000)	-	(38.500.000)	(500.000)
20. Net foreign currency asset/(liability) position (9+18+19)	(2.473.847)	1.518.013	(2.139.422)	11.318
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	67.272.064	(43.739.791)	59.156.065	511.318
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 nine month period ended 30 September 2014)	141.702.414	33.128.492	24.776.428	24.854
24. Import (for the nine month period ended 30 September 2014)	256.782.882	64.354.191	38.072.835	1.442.671

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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 September 2015 and 31 December 2014:

Table of foreign currency sensitivity analysis

30 September 2015	Profit before tax Appreciation of foreign currency	Profit before tax Depreciation of foreing currency
<i>In case 10% appreciation of USD against TL</i>		
1- USD net asset/liability	890.916	(890.916)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	890.916	(890.916)
<i>In case 10% appreciation of EUR against TL:</i>		
4- EUR net asset/liability	(895.400)	895.400
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	(895.400)	895.400
<i>In case 10% appreciation of GBP against TL</i>		
7- GBP net asset/liability	218.525	(218.525)
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	218.525	(218.525)
Total(3+6+9)	214.041	(214.041)

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

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

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

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).

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2015

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

NOTE 23 - FINANCIAL INSTRUMENTS (Continued)

The following table presents the Company’s assets that are measured at fair value at 30 September 2015 and 31 December 2014:

30 September 2015

Assets	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	15.158	-	15.158
Total	-	15.158	-	15.158

31 December 2014

Assets	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	1.726.888	-	1.726.888
Total	-	1.726.888	-	1.726.888

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

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

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

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

NOTE 24 - SUBSEQUENT EVENTS

None.