

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2017**

**(ORIGINALLY ISSUED IN TURKISH)**

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2017**

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# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2017

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

	Notes	30 September 2017	(Audited) 31 December 2016
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	43.597	38.598
Trade receivables	8	506.727	388.658
<i>Due from related parties</i>	22	33.338	29.437
<i>Due from other parties</i>	8	473.389	359.221
Other receivables		65	20
Due from customers on contract works	10	290.847	245.830
Inventories	9	489.655	493.870
Derivative financial instruments	7	-	52
Prepaid expenses	14	178.524	176.766
Other current assets	14	54.507	106.138
<b>Total current assets</b>		<b>1.563.922</b>	<b>1.449.932</b>
<b>Non-current assets</b>			
Trade receivables	8	5.241	9.174
Other receivables		259	234
Financial investments	5	41	41
Property, plant and equipment	11	97.183	105.102
Intangibles	12	207.252	181.932
Deferred tax asset	20	37.853	37.853
<b>Total non-current assets</b>		<b>347.829</b>	<b>334.336</b>
<b>Total assets</b>		<b>1.911.751</b>	<b>1.784.268</b>

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

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2017

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

	Notes	30 September 2017	(Audited) 31 December 2016
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term borrowings	6	301.268	3
Short-term portion of long-term borrowings	6	241.996	4.669
Derivative financial instruments	7	101	-
Trade payables	8	145.628	401.145
<i>Due to related parties</i>	22	5.105	11.017
<i>Due to other parties</i>	8	140.523	390.128
Employee benefit obligations	14	10.764	21.440
Other payables		49.527	37.958
Deferred income	14	23.049	200.624
Government grants		1.994	2.156
Short-term provisions	13	446.855	387.144
<i>Provisions for employee benefits</i>		8.912	8.491
<i>Other provisions</i>		437.943	378.653
Other current liabilities	14	2.658	11.200
<b>Total current liabilities</b>		<b>1.223.840</b>	<b>1.066.339</b>
<b>Non-current liabilities</b>			
Long-term borrowings	6	420.000	425.447
Government grants		1.926	3.382
Long-term provisions	13	32.952	38.388
<i>Provisions for employee benefits</i>		31.523	28.088
<i>Other provisions</i>		1.429	10.300
Deferred income	14	-	7.754
<b>Total non-current liabilities</b>		<b>454.878</b>	<b>474.971</b>
<b>Total liabilities</b>		<b>1.678.718</b>	<b>1.541.310</b>
<b>Equity</b>			
Paid-in share capital		24.000	24.000
Inflation adjustment on share capital		52.743	52.743
Restricted reserves		59.895	54.015
Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss		(6.126)	(4.986)
<i>Defined benefit plans remeasurement losses</i>		(6.126)	(4.986)
Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss		1.775	1.329
<i>Currency translation differences</i>		1.775	1.329
Retained earnings		49.977	46.132
Net profit for the period		50.769	69.725
<b>Total equity</b>		<b>233.033</b>	<b>242.958</b>
<b>Total liabilities and equity</b>		<b>1.911.751</b>	<b>1.784.268</b>

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

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## STATEMENT OF PROFIT OR LOSS OR OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2017

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

	Notes	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Net Sales	15	1.369.519	408.291	1.118.838	425.168
Cost of Sales (-)	15	(1.041.713)	(298.751)	(842.311)	(323.638)
<b>GROSS PROFIT</b>		<b>327.806</b>	<b>109.540</b>	<b>276.527</b>	<b>101.530</b>
Marketing expenses (-)	16	(155.757)	(47.946)	(127.028)	(41.151)
General administrative expenses (-)	16	(47.382)	(12.402)	(44.294)	(15.254)
Research and development expenses (-)	16	(32.425)	(10.436)	(25.886)	(9.643)
Other operating income	17	191.921	53.222	103.191	72.706
Other operating expenses (-)	17	(141.223)	(33.406)	(78.599)	(59.280)
<b>OPERATING PROFIT</b>		<b>142.940</b>	<b>58.572</b>	<b>103.911</b>	<b>48.908</b>
Income from investing activities		1.246	25	35	23
<b>OPERATING INCOME BEFORE FINANCIAL EXPENSES</b>		<b>144.186</b>	<b>58.597</b>	<b>103.946</b>	<b>48.931</b>
Financial income	18	8.692	1.589	12.981	8.314
Financial expense (-)	19	(102.109)	(37.497)	(78.632)	(37.643)
<b>INCOME/(LOSS) BEFORE TAX</b>		<b>50.769</b>	<b>22.689</b>	<b>38.295</b>	<b>19.602</b>
<b>Tax income/expense from continued operations</b>					
Current tax income/(expense)	20	-	-	2.288	-
Deferred tax income/(expense)	20	-	-	(7.499)	(2.258)
<b>PROFIT FOR THE PERIOD</b>		<b>50.769</b>	<b>22.689</b>	<b>33.084</b>	<b>17.344</b>
<b>Items that will not be reclassified to statement of profit or loss</b>					
Remeasurement losses/(gains) on defined benefit plans		(1.140)	737	48	157
Deferred tax income/(expense)		-	-	(10)	(31)
<b>Items that may be reclassified to statement of profit or loss</b>					
Foreign Currency translation differences		446	162	339	393
<b>Other comprehensive income/(loss) after tax</b>		<b>(694)</b>	<b>899</b>	<b>377</b>	<b>519</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>50.075</b>	<b>23.588</b>	<b>33.461</b>	<b>17.863</b>
<b>Earnings per share (Piaster)</b>	21	<b>0,212</b>	<b>0,095</b>	<b>0,138</b>	<b>0,072</b>

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

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR INTERIM PERIODS ENDED 30 SEPTEMBER 2017 AND 2016

(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
<b>Previous Period</b>	<b>Opening Balances</b>	<b>24.000</b>	<b>52.743</b>	<b>46.935</b>	<b>(3.859)</b>	<b>(63)</b>	<b>43.296</b>	<b>81.916</b>	<b>244.968</b>
	Transfers	-	-	7.080	-	-	74.836	(81.916)	-
	Dividends paid	-	-	-	-	-	(72.000)	-	(72.000)
	Total comprehensive income	-	-	-	38	339	-	33.084	33.461
	<b>Closing Balances</b>	<b>24.000</b>	<b>52.743</b>	<b>54.015</b>	<b>(3.821)</b>	<b>276</b>	<b>46.132</b>	<b>33.084</b>	<b>206.429</b>
<b>Current Period</b>	<b>Opening Balances</b>	<b>24.000</b>	<b>52.743</b>	<b>54.015</b>	<b>(4.986)</b>	<b>1.329</b>	<b>46.132</b>	<b>69.725</b>	<b>242.958</b>
	Transfers	-	-	5.880	-	-	63.845	(69.725)	-
	Dividends paid	-	-	-	-	-	(60.000)	-	(60.000)
	Total comprehensive income	-	-	-	(1.140)	446	-	50.769	50.075
	<b>Closing Balances</b>	<b>24.000</b>	<b>52.743</b>	<b>59.895</b>	<b>(6.126)</b>	<b>1.775</b>	<b>49.977</b>	<b>50.769</b>	<b>233.033</b>

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

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017 AND 2016

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

	Notes	1 January - 30 September 2017	1 January - 30 September 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>(310.716)</b>	<b>(83.939)</b>
Net profit for the period		50.769	33.084
<b>Adjustments to reconcile income before taxes to net cash flows from operating activities:</b>		<b>184.509</b>	<b>130.677</b>
Depreciation and amortization	11, 12	46.649	36.164
<b>Adjustments in relation to impairment:</b>		<b>2.703</b>	<b>759</b>
-Provision for doubtful receivables	8	3.044	1.202
-Provision for inventories	9	(341)	(443)
<b>Adjustments in relation to provision:</b>		<b>47.901</b>	<b>29.597</b>
-Provision for employee benefits	13	5.971	6.409
-Warranty provision expenses	13	41.930	23.188
<b>Adjustments in relation to interest income and expenses:</b>		<b>74.972</b>	<b>56.677</b>
-Interest income on time deposits	18	(621)	(250)
-Interest expense on borrowings	19	75.593	56.927
<b>Adjustments in relation to unrealised foreign exchange gains and losses</b>		<b>20.099</b>	<b>6.762</b>
<b>Adjustments in relation to fair value gains and losses</b>		<b>(6.570)</b>	<b>753</b>
-Fair value losses/(gains) on financial derivative instruments, net		(6.570)	753
<b>Adjustments in relation to gains or losses on sales of property, plant and equipment</b>		<b>(1.245)</b>	<b>(35)</b>
-Gain on sale of property, plant and equipments		(1.245)	(35)
<b>Changes in net working capital</b>		<b>(518.254)</b>	<b>(224.827)</b>
<b>Change in trade receivables</b>		<b>(117.250)</b>	<b>(6.578)</b>
<b>Change in due from customers on contract works</b>		<b>(45.017)</b>	<b>(49.704)</b>
<b>Change in inventories</b>		<b>4.556</b>	<b>(85.723)</b>
<b>Change in trade payables</b>		<b>(255.517)</b>	<b>(56.650)</b>
<b>Other changes</b>		<b>(105.026)</b>	<b>(26.172)</b>
-Changes in other operating assets		49.873	(100.707)
-Changes in other operating liabilities		(154.899)	74.535
<b>Cash flows from operations</b>		<b>(282.976)</b>	<b>(61.066)</b>
<b>Payments in relation to employee benefits</b>	13	<b>(3.676)</b>	<b>(2.621)</b>
<b>Payments in relation to other provisions</b>	13	<b>(30.785)</b>	<b>(21.798)</b>
<b>Deductions/(payments) in relation to income tax</b>		<b>-</b>	<b>2.288</b>
<b>Other cash collections/(payments)</b>		<b>6.721</b>	<b>(742)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(62.805)</b>	<b>(49.712)</b>
<b>Cash outflows from purchases due to obtaining control of subsidiaries</b>		<b>-</b>	<b>(41)</b>
<b>Proceeds from sale of property, plant and equipment and intangible assets</b>		<b>1.674</b>	<b>521</b>
-Proceeds from sale of property, plant and equipment		1.674	521
<b>Cash outflows due to purchase of property, plant and equipment and intangible assets</b>		<b>(64.479)</b>	<b>(50.192)</b>
-Purchase of property, plant and equipment	11	(6.324)	(8.653)
-Purchase of intangible assets	12	(58.155)	(41.539)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>378.074</b>	<b>90.158</b>
<b>Cash inflow due to borrowings</b>		<b>846.255</b>	<b>863.485</b>
- Proceeds from bank borrowings		846.255	863.485
<b>Cash outflow due to repayment of borrowings</b>		<b>(341.832)</b>	<b>(660.625)</b>
- Repayments of borrowings		(341.832)	(660.625)
Dividends paid		(60.000)	(72.000)
Interest paid		(66.970)	(40.952)
Interest received		621	250
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION DIFFERENCES</b>		<b>4.553</b>	<b>(43.493)</b>
<b>Currency translation difference on cash and cash equivalents</b>		<b>446</b>	<b>340</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>4.999</b>	<b>(43.153)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	4	<b>38.598</b>	<b>62.960</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	4	<b>43.597</b>	<b>19.807</b>

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

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

(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 Küçükyalı/İstanbul

Plant: Atatürk Cad. No: 6 54580 Arifiye/Sakarya

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

Legal Name	Nature of operations	Country	Capital	Ownership (%)
Otokar Europe SAS	Trade	France	Euro 100 thousand (TRY 239 thousand)	100,00

On 13 April 2016, the Company management has decided to initiate the establishment of a subsidiary; "Otokar Land Systems LLC" in United Arab Emirates with a capital of Arab Emirates Dirham ("AED") 50 thousand in order to organise export activities and increase foreign sales especially to these regions. The establishment process was finalised as of the date of this consolidated financial statements. Since financial activities of Otokar Land System LLC has not started, the investment was presented under financial investments.

Otokar and its subsidiary 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:

	30 September 2017		31 December 2016	
	Period end	Average	Period end	Average
<b>Total personnel</b>	2.191	2.219	2.297	2.409

This consolidated financial statements for the period ended 30 September 2017 were authorized for issue and signed with the approval of the Internal Audit Committee by the Board of Directors of Otokar on 2 October 2017. 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 30 June 2017 27,45% of the shares are quoted on the BIST.



# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

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

As of 30 September 2017, the principal shareholders and their respective shareholding percentages are as follows:

	(%)
Koç Holding A.Ş.	44,68
Ünver Holding A.Ş.	24,81
Public traded	27,45
Other	3,06
	<b>100,00</b>

Otokar Otomotiv ve Savunma Sanayi ve 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

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 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 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, prorated 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.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

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

#### 2.1 Basis of presentation (Continued)

##### Functional and presentation currency

Functional and presentation currency of the Company is TL

In accordance with the CMB's resolution dated 17 March 2005 and numbered 11/367, the financial statements were restated in accordance with International Accounting Standards (IAS) 29 (Financial Reporting in Hyperinflationary Economies) for the last time as of 31 December 2004, since the objective conditions which require the application of restatement of financial statements have not been realized and that based on the existing data CMB has foreseen that the indications whether such conditions are going to be realized in the future is no longer probable. Therefore, non-monetary assets, liabilities and equity items including the share capital as of 30 June 2017 and 31 December 2016 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 Group accounting

The consolidated financial statements include the accounts of the parent company, Otokar and its subsidiary 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.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

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

#### 2.2 Group accounting (Continued)

##### *Disposal of a subsidiary (Continued)*

The table below sets out the subsidiaries of the Company and shows the total interest of the Company in these companies at 30 September 2017 and 31 December 2016:

Subsidiaries	2017		2016	
	Direct and indirect ownership (%)	Proportion of effective interest (%)	Direct and indirect ownership (%)	Proportion of effective ownership (%)
Otokar Europe SAS	100,00	100,00	100,00	100,00
Otokar Land Systems LLC (*)	100,00	100,00	100,00	100,00

(\*) Since financial activities of Otokar Land System LLC has not started, the investment was presented under financial investments

#### 2.3 Accounting errors and changes in accounting estimates

The Group recognizes, evaluates and presents similar events and transactions consistently. Accounting errors identified are restated retrospectively. The Group has applied the accounting policies consistent with the prior year.

Changes in estimations are applied in the current period if related to one period. They are applied forward, in the period the change occurred and in the future when they are related with the future periods.

#### 2.4 Changes in accounting policies

The Group changes accounting policies when it is believed that the change will lead to better presentation of transactions and events in the financial statements. When the intentional change can affect the prior period results, the change is applied retrospectively as though it was already applied before. Accounting policy changes arising from the application of a new standard are applied considering the transition principles of the related standard, if any, retrospectively or forward. If no transition principle for the standard exists, the changes are applied retrospectively.

#### 2.5 Changes and comments in TAS and TFRS

The accounting policies adopted in the preparation of the financial statements at of 30 September 2017 are consistent with those of the previous financial year, except for the new and amended standards and TFRYK interpretations effective from 1 January 2017, which are summarized below.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

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

The following standards and interpretations have had no significant impact on the Group's Consolidated Financial Statements:

**A) According to TAS 8, paragraph 28, new standards in effect as of the reporting date and amendments and comments to the existing standards**

Explanations on the financial statement effects of the new TAS/IFRS:

- title of TMS/IFRS;
- the accounting policy change has been made in accordance with the relevant transition provisions;
- clarification of changes in accounting policy;
- disclosure of transitional provisions, if any;
- the effects of transitional provisions on future periods;
- As far as possible, adjustments related to the current and previous periods presented:
  - i. each affected financial statement must be presented for the item, and
  - ii. if the "TAS 33 Earnings per Share" standard is met for the company, the ordinary shares and earnings per diluted share must be recalculated;
- Adjustments for periods prior to periods not available, if possible; And retrospective application is not possible for any period or period, disclosures should be made of the events leading up to this and the date on which the change in accounting policy is applied and how it is applied

**B) Standards, amendments and interpretations issued pursuant to TAS 8, paragraph 30, which are not yet effective as of the reporting date**

If a new TAS/IFRS that has been issued but not yet entered into force is not applied early:

- the situation in question; and
- Known or reasonably estimable information about the probable effects of the change in the financial statements in the period in which a TAS/IFRS is first required to be disclosed in the financial statements.

**a. Standards, amendments and interpretations applicable as at 30 September 2017**

- **Amendments to IAS 7 'Statement of cash flows'**, on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- **Amendments IAS 12 'Income Taxes'**, effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.
- **Annual improvements for the period 2014-2016; IFRS 12, 'Disclosure of interests in other entities'** regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017**

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

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

**B) Standards, amendments and interpretations issued pursuant to TAS 8, paragraph 30, which are not yet effective as of the reporting date (Continued)**

**b. Standards, amendments and interpretations effective after 30 September 2017**

- **Amendments to IFRS 2, "Share based payments"** on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- **TFRS 9 'Financial instruments'**, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 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.
- **TFRS 15 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the TASB 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.
- **Amendment to TFRS 15, 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The TASB has also included additional practical expedients related to transition to the new revenue standard.
- **TFRS 16 'Leases'**, effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 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 TASB 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 TASB 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 TFRS 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.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

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

#### B) Standards, amendments and interpretations issued pursuant to TAS 8, paragraph 30, which are not yet effective as of the reporting date (Continued)

##### b. Standards, amendments and interpretations effective after 30 September 2017 (Continued)

- **Amendments to IFRS 4, "Insurance contracts"** regarding the implementation of IFRS 9, 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
  - i. i. give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
  - ii. ii. give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39.
- **Amendment to IAS 40, "Investment property"**; relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- **Annual improvements for the period 2014-2016**; IFRS 1, "First-time adoption of IFRS", regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
- **IAS 28, "Investments in associates and joint ventures"**; regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- **IFRS 22, "Foreign currency transactions and advance consideration"** 1 effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.
- **IFRS 17 "Insurance Contracts"** is effective for annual reporting periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which allows a wide range of applications. TFRS 17 will change the basis of insurance contracts and the accounting of all entities that issue investment contracts with voluntary participation features.

### NOTE 3 - SEGMENT REPORTING

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

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

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOT 4 - CASH AND CASH EQUIVALENTS

	30 September 2017	31 December 2016
<b>Banks</b>		
-demand deposits	32.657	11.536
-time deposits	8.580	26.059
Cheques and notes receivable	2.303	918
Other	57	85
	<b>43.597</b>	<b>38.598</b>

As of 30 September 2017, total amount of time deposits amounting to TL 8.580 is denominated in foreign currency and the annual effective interest rate is 0,62% and has a maturity of 3 days.

As of 31 December 2016, TL 26.059 thousand of the total time deposits amounting to TL 17.479 thousand is denominated in foreign currency and the annual effective interest rate is 0,10% and has a maturity of 3 days. The remaining annual effective interest rate of TL 8.580 thousand is 8,25% and has a maturity of 3 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 30 September 2017, the Group has restricted bank deposit amounting to TL 0,2 thousand (31 December 2016: TL 0,8 thousand).

### NOT 5 - FINANCIAL INVESTMENTS

The Company has a subsidiary named "Otokar Land Systems LLC" with paid in capital of AED 50 thousand (TL 41 thousand), established in United Arab Emirates for the purpose of organizing export activities and increasing export sales. Since Otokar Land Systems LLC's operations does not materially affect the financial statements, it has not been subject to consolidation and has been presented at historical cost value.

### NOT 6 - BORROWINGS

#### 30 September 2017

	Maturities	Interest rate (%)	TL
<b>Short-term bank borrowings (*)</b>			
Denominated in TL	2 October 2017- 7 September 2018	13,34 -14,40	146.135
Denominated in EUR	2 October 2017- 27 October 2017	1,95-2,50	155.133
			<b>301.268</b>
<b>Principals and interest accruals on the short-term portion of long-term borrowings (*)</b>			
Denominated in TL		12,60 - 14,65	158.175
Denominated in EUR		2,90	83.821
			<b>241.996</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 6 - BORROWINGS (Continued)

30 September 2017

	Maturities	Interest rate (%)	TL
<b>Long-term bank borrowings (*) (**)</b>			
Denominated in TL	15 August 2018 - 1 March 2019	12,60-14,60	420.000
			<b>420.000</b>

(\*) Bearing fixed interest rate.

(\*\*) Weighted average maturity days of long-term borrowings are 471 days.

31 December 2016

	Maturities	Interest rate (%)	TL
<b>Short-term bank borrowings (*)</b>			
Denominated in TL (***)	2 January 2017	-	3
			<b>3</b>

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

Denominated in TL	12,60-14,65	4.178
Denominated in EUR	2,90	491
		<b>4.669</b>

31 December 2016

	Maturities	Interest rate (%)	TL
<b>Long-term bank borrowings (*) (**)</b>			
Denominated in TL	15 August 2018 - 12 November 2018	12,60 - 14,65	351.249
Denominated in EUR	28 September 2018	2,90	74.198
			<b>425.447</b>

(\*) Bearing fixed interest rate.

(\*\*) Weighted average maturity days of long-term borrowings are 632 days.

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

As of 30 September 2017, the Group has not provided any guarantees for the borrowings (31 December 2016: None).



# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### 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 liabilities
<b>30 September 2017:</b>			
Forward transactions	498.109	4 October 2017 - 19 October 2017	(101)
Short-term derivative financial instruments	498.109		(101)
<b>Total derivative financial instruments</b>	<b>498.109</b>		<b>(101)</b>

	Contract amount	Current period contract maturity	Fair value assets
<b>31 December 2016:</b>			
Forward transactions	25.397	12 January 2017	52
Short-term derivative financial instruments	25.397		52
<b>Total derivative financial instruments</b>	<b>25.397</b>		<b>52</b>

### NOTE 8 - TRADE RECEIVABLES AND PAYABLES

#### Trade receivables

	30 September 2017	31 December 2016
Trade receivables, net	395.086	258.579
Notes receivables, net	110.247	129.552
	<b>505.333</b>	<b>388.131</b>
Less: provision for doubtful receivables	(31.944)	(28.910)
<b>Short-term trade receivables</b>	<b>473.389</b>	<b>359.221</b>
Trade receivables from related parties (Note 22)	33.338	29.437
<b>Short-term trade receivables</b>	<b>506.727</b>	<b>388.658</b>
Long-term trade receivables, net	343	-
Long-term notes receivable, net	4.898	9.174
<b>Long-term trade receivables</b>	<b>5.241</b>	<b>9.174</b>

As of 30 September 2017, the average maturity of trade receivables is between 60-90 days (excluding notes receivables) (31 December 2016 60-90 days.).

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

As of 30 September 2017, there are no trade receivables subject to factoring arrangement (31 December 2016: TL 451.647 thousand).

As of 30 September 2017 and 31 December 2016, 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 30 September 2017, the total trade receivable from dealers amounting to TL 101.161 thousand (31 December 2016: TL 79.884 thousand), after provision provided for doubtful receivables, has been secured by mortgages and guarantees at the amount of TL 164.292 thousand (31 December 2016: TL 134.631 thousand).

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

<b>30 September 2017</b>	<b>Trade receivables</b>
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	33
1- 5 year past due	211
Over 5 years past due	-
<b>Total</b>	<b>244</b>
<b>Amount secured with guarantees</b>	<b>244</b>
<b>31 December 2016</b>	<b>Trade receivables</b>
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	219
Over 5 years past due	-
<b>Total</b>	<b>219</b>
<b>Amount secured with guarantees</b>	<b>219</b>

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 30 September 2017 and 2016 are as follows:

	<b>2017</b>	<b>2016</b>
As of 1 January	28.910	25.972
Collections	(10)	(548)
Currency translation difference	139	52
Increase during the period	2.905	1.150
<b>As of 30 September</b>	<b>31.944</b>	<b>26.626</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

#### Trade payables

	30 September 2017	31 December 2016
Trade payables, net	140.167	389.799
Notes payables, net	356	329
<b>Short-term other trade payables</b>	<b>140.523</b>	<b>390.128</b>
Trade payables to related parties (Note 22)	5.105	11.017
<b>Short-term trade payables</b>	<b>145.628</b>	<b>401.145</b>

As of 30 September 2017, average payment term for trade payables is 45-60 days (31 December 2016: 45-60 days).

### NOTE 9 - INVENTORIES

	30 September 2017	31 December 2016
Raw material	190.683	182.574
Semi-finished goods	52.052	73.212
Finished goods	90.974	116.973
Merchandise goods	88.664	67.684
Goods in transit	67.647	54.133
Impairment for inventories (*)	(365)	(706)
	<b>489.655</b>	<b>493.870</b>

(\*) TL 197 thousand of impairment is related to finished goods (31 December 2016: TL 100 thousand) and TL 168 thousand is related to merchandises (31 December 2016: TL 606 thousand). The impairment has been accounted for under cost of sales.

### NOTE 10 - DUE FROM CUSTOMERS ON CONTRACT WORKS

Receivable from uncompleted contracts is TL 290.847 thousand as of 30 September 2017 (31 December 2016: TL 245.830 thousand) after offsetting with short-term advances received.

The Group has received forward contracts as of 30 September 2017 and there are no short term advances in deferred income in the Consolidated Financial Statements (31 December 2016: TL 32.407 thousand).

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment and related accumulated depreciation for the periods ended 30 September 2017 and 30 September 2016 are as follows:

	1 January 2017	Additions	Currency translation difference	Disposals	Transfers	30 September 2017
<b>Cost:</b>						
Land	37.457	-	-	-	-	37.457
Land improvements	11.970	3	-	-	-	11.973
Buildings	60.633	-	-	-	-	60.633
Machinery and equipment	106.176	1.694	77	(500)	-	107.447
Motor vehicles	9.613	638	-	(610)	-	9.641
Furniture and fixtures	33.986	2.311	25	-	8	36.330
Leasehold improvements	2.116	15	-	-	-	2.131
Construction in process	696	1.561	-	-	(8)	2.249
	<b>262.647</b>	<b>6.222</b>	<b>102</b>	<b>(1.110)</b>	<b>-</b>	<b>267.861</b>

<b>Accumulated depreciation:</b>						
Land improvements	(7.479)	(409)	-	-	-	(7.888)
Buildings	(37.501)	(6.512)	-	-	-	(44.013)
Machinery and equipment	(86.576)	(3.552)	(39)	500	-	(89.667)
Motor vehicles	(5.633)	(488)	-	181	-	(5.940)
Furniture and fixtures	(18.839)	(2.574)	(19)	-	-	(21.432)
Leasehold improvements	(1.517)	(221)	-	-	-	(1.738)
	<b>(157.545)</b>	<b>(13.756)</b>	<b>(58)</b>	<b>681</b>	<b>-</b>	<b>(170.678)</b>

<b>Net book value</b>	<b>105.102</b>					<b>97.183</b>
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	1 January 2016	Additions	Currency translation difference	Disposals	Transfers	30 September 2016
<b>Cost:</b>						
Land	37.457	-	-	-	-	37.457
Land improvements	11.953	5	-	-	-	11.958
Buildings	60.540	-	-	-	-	60.540
Machinery and equipment	99.678	2.167	29	-	46	101.920
Motor vehicles	8.428	1.742	-	(513)	-	9.657
Furniture and fixtures	28.601	2.803	9	-	78	31.491
Leasehold improvements	2.099	7	-	(157)	-	1.949
Construction in process	964	1.891	-	-	(129)	2.726
	<b>249.720</b>	<b>8.615</b>	<b>38</b>	<b>(670)</b>	<b>(5)</b>	<b>257.698</b>

<b>Accumulated depreciation:</b>						
Land improvements	(6.826)	(494)	-	-	-	(7.320)
Buildings	(34.713)	(2.098)	-	-	-	(36.811)
Machinery and equipment	(81.637)	(3.836)	(11)	-	-	(85.484)
Motor vehicles	(5.148)	(540)	-	101	-	(5.587)
Furniture and fixtures	(15.938)	(2.407)	(5)	-	-	(18.350)
Leasehold improvements	(1.325)	(248)	-	83	-	(1.490)
	<b>(145.587)</b>	<b>(9.623)</b>	<b>(16)</b>	<b>184</b>	<b>-</b>	<b>(155.042)</b>

<b>Net book value</b>	<b>104.133</b>					<b>102.656</b>
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# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Allocation of depreciation and amortization expenses of property, plant and equipment and intangible assets for the periods ended at 30 September 2017 and 2016 are as follows:

	30 September 2017	30 September 2016
Research and development expenses	31.359	24.780
Cost of goods sold	3.884	3.538
Costs related to uncompleted contracts	6.742	3.078
Development projects in process	1.458	1.422
Depreciation on outstanding inventories	959	971
General administrative expenses	1.237	1.344
Selling and marketing expenses	952	1.015
Currency translation differences	58	16
	<b>46.649</b>	<b>36.164</b>

### NOTE 12 - INTANGIBLE ASSETS

Movements of intangible assets and related accumulated amortisation for the periods ended 30 September 2017 and 2016 are as follows:

	1 January 2017	Additions	Currency translation differences	Disposals	Transfers	30 September 2017
<b>Cost:</b>						
Other intangible assets	18.028	840	-	-	-	18.868
Development costs	297.383	-	-	-	-	297.383
Developments projects in progress	38.079	57.315	-	-	-	95.394
	<b>353.490</b>	<b>58.155</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>411.645</b>
<b>Accumulated amortization</b>						
Other intangible assets	(14.078)	(1.476)	-	-	-	(15.554)
Development costs	(157.480)	(31.359)	-	-	-	(188.839)
	<b>(171.558)</b>	<b>(32.835)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(204.393)</b>
<b>Net book value</b>	<b>181.932</b>					<b>207.252</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 12 - INTANGIBLE ASSETS (Continued)

	1 January 2016	Additions	Currency translation differences	Disposals	Transfers	30 September 2016
<b>Cost:</b>						
Other intangible assets	16.232	1.364	-	-	5	17.601
Development costs	242.620	-	-	-	4.465	247.085
Developments projects in progress	31.224	40.175	-	-	(4.465)	66.934
	<b>290.076</b>	<b>41.539</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>331.620</b>
<b>Accumulated amortization:</b>						
Other intangible assets	(11.973)	(1.744)	-	-	-	(13.717)
Development costs	(122.683)	(24.781)	-	-	-	(147.464)
	<b>(134.656)</b>	<b>(26.525)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(161.181)</b>
<b>Net book value</b>	<b>155.420</b>					<b>170.439</b>

### NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

#### Short-term provisions

	30 September 2017	31 December 2016
Provision for other costs (*)	373.102	340.871
Warranty provision	51.101	31.085
Short-term provisions for employee benefits	8.912	8.491
Other	13.740	6.697
	<b>446.855</b>	<b>387.144</b>

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

#### Long-term provisions

	30 September 2017	31 December 2016
Warranty provision	1.429	10.300
	<b>1.429</b>	<b>10.300</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

#### Warranty provision

The Group provides one year warranty for minibus and Land Rover vehicles and 2 years warranty for certain armoured vehicle models and commercial vehicles sold. Therefore, warranty expense provision has been recorded only for the vehicles under guarantee as of the balance sheet date.

As of 30 September 2017 and 2016, The movement of the warranty expense provision is as follows:

	2017	2016
1 January	41.385	35.831
Additional provision	41.930	23.188
Payments	(30.785)	(21.798)
<b>30 September</b>	<b>52.530</b>	<b>37.221</b>

#### Provisions for employee benefits

	30 September 2017	31 December 2016
Provision for employment termination benefits	31.523	28.088
Provision for unused vacation	8.912	8.491
	<b>40.435</b>	<b>36.579</b>

#### Provision for employment termination benefits

The amount payable consists of one month's salary limited to a maximum of TL 4.732 for each year of service as of 30 September 2017 (31 December 2016 - TL 4.297).

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

The provision has been calculated by estimating the present value of the future probable obligation of the 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:

	30 September 2017	31 December 2016
Net discount rate (%)	4,50	4,50
Turnover rate to estimate the probability of retirement (%)	97,37	97,50

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

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

	2017	2016
1 January	28.088	22.321
Interest expense	1.906	1.515
Charge for the period	4.065	4.894
Remeasurement differences	1.140	(48)
Payments	(3.676)	(2.621)
<b>30 September</b>	<b>31.523</b>	<b>26.061</b>

#### Provision for unused vacation

The movements of provision for unused vacation are as follows:

	2017	2016
1 January	8.491	6.652
Charge for the period, net	421	1.456
<b>30 September</b>	<b>8.912</b>	<b>8.108</b>

#### Commitments and contingencies

Collaterals/pledges/mortgages/bill of guarantees ("CPMB") position of the Group as of September 30, 2017 and December 31, 2016 are as follows:

	30 September 2017	31 December 2016
a. Total amount of CPMB's given the name of legal entity	1.218.351	1.614.606
b. Total amount of CPMB's given in favour of the parties which are included in the scope of full consolidation	-	-
c. Total amount of CPMB's given to third parties for their liabilities in the purpose of conducting the ordinary operations	-	-
d. Total amount of other CPMB's	-	-
	<b>1.218.351</b>	<b>1.614.606</b>



# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOT 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The details of CPMB's in terms of original currencies are as follows:

	<b>30 September 2017</b>		<b>31 December 2016</b>	
	<b>Original currency</b>	<b>TL equivalent</b>	<b>Original currency</b>	<b>TL equivalent</b>
USD	256.960	912.749	285.635	1.005.208
EURO	48.136	201.805	112.796	418.461
TL	103.797	103.797	189.755	189.755
GBP	-	-	274	1.182
		<b>1.218.351</b>		<b>1.614.606</b>

The details of CPMB's in terms of company/institution are as follows:

	<b>30 September 2017</b>	<b>31 December 2016</b>
<b>Guarantee letters given</b>		
Under Secretariat of Ministry of Defense	1.021.324	1.092.184
Other	197.027	522.422
	<b>1.218.351</b>	<b>1.614.606</b>

#### Guarantee letters

a) Guarantees given as of 30 September 2017 and 31 December 2016 are as follows:

	<b>30 September 2017</b>	<b>31 December 2016</b>
Bank letters of guarantee (*)	1.218.351	1.614.606
	<b>1.218.351</b>	<b>1.614.606</b>

(\*) Bank letters of guarantee amounting to TL 883.920 thousand are given to Secretariat of Ministry of Defense for Altay Project (31 December 2016: TL 875.733 thousand).

b) Guarantees received as of 30 September 2017 and 31 December 2016 are as follows:

	<b>30 September 2017</b>	<b>31 December 2016</b>
Bank letters of guarantee (**)	561.916	551.490
Guarantee notes	14.895	15.898
Mortgages received	20	20
	<b>576.831</b>	<b>567.408</b>

(\*\*) Bank letters of guarantee amounting to TL 318.681 thousand are obtained from the sub-contractors for Altay Project (31 December 2016: TL 317.195 thousand).

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

#### Contingent asset

The legal case related to tax deduction for the research and development activities in 2010 was concluded in favor of the Group and TL 2.924 thousand was refunded to the Group. The same case for 2011-2012-2013-2014 is still in progress at appeal phase. Total amount of cases at the appeal phase relating to years 2011-2012-2013-2014 amount to TL 36.169 thousand the amount of the legal case for 2015 is TL 4.557 thousand.

### NOTE 14 - PREPAID EXPENSES, DEFERRED REVENUE, OTHER ASSETS AND LIABILITIES

#### a) Prepaid expenses:

	30 September 2017	31 December 2016
Advances given	173.237	171.436
Prepaid expenses	5.287	5.330
	<b>178.524</b>	<b>176.766</b>

V The advances given consist mainly of the amounts given for raw material purchases.

#### b) Other current assets:

	30 September 2017	31 December 2016
Value added tax receivables	53.250	105.448
Other	1.257	690
	<b>54.507</b>	<b>106.138</b>

#### c) Deferred revenues:

Deferred revenues - short term	30 September 2017	31 December 2016
Advances received	7.296	175.322
Deferred maintenance revenues (*)	15.753	25.302
	<b>23.049</b>	<b>200.624</b>

Deferred revenues - long term	30 September 2017	31 December 2016
Deferred maintenance revenues (*)	-	7.754
	<b>-</b>	<b>7.754</b>

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

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 14 - PREPAID EXPENSES, DEFERRED REVENUE, OTHER ASSETS AND LIABILITIES (Continued)

#### d) Employee benefits obligation:

	30 September 2017	31 December 2016
Social security payables	6.128	6.324
Payables to employees	2.646	10.365
Taxes and funds payable	1.990	4.751
	<b>10.764</b>	<b>21.440</b>

#### e) Other current liabilities:

	30 September 2017	31 December 2016
Deferred special consumption tax	862	9.273
Tax and fund payable	291	1.403
Other	1.505	524
	<b>2.658</b>	<b>11.200</b>

### NOTE 15 - REVENUE AND COST OF SALES

#### Net sales

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Domestic Sales	1.032.213	271.176	814.995	320.220
Export Sales	343.349	138.700	311.009	106.760
<b>Gross Sales</b>	<b>1.375.562</b>	<b>409.876</b>	<b>1.126.004</b>	<b>426.980</b>
Less: sales discounts and returns	(6.043)	(1.585)	(7.166)	(1.812)
<b>Net sales</b>	<b>1.369.519</b>	<b>408.291</b>	<b>1.118.838</b>	<b>425.168</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 15 - REVENUE AND COST OF SALES (Continued)

Sales of the Group for the periods ended 30 September 2017 and 2016 in terms of the products are as follows:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Commercial vehicle	438.742	171.871	438.608	195.654
Armored vehicle	706.592	171.547	429.161	147.492
Revenue from uncompleted contracts	79.877	15.499	135.871	45.476
Other (*)	144.308	49.374	115.198	36.546
	<b>1.369.519</b>	<b>408.291</b>	<b>1.118.838</b>	<b>425.168</b>

(\*) It consists of spare parts, service and other sales revenues.

### Cost of sales

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Cost of finished goods sold	(970.944)	(272.640)	(794.982)	(308.821)
Cost of merchandise goods sold	(70.769)	(26.111)	(47.329)	(14.817)
<b>Cost of sales</b>	<b>(1.041.713)</b>	<b>(298.751)</b>	<b>(842.311)</b>	<b>(323.638)</b>

### NOTE 16 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Marketing expenses	(155.757)	(47.946)	(127.028)	(41.151)
General administrative expenses	(47.382)	(12.402)	(44.294)	(15.254)
Research and development expenses	(32.425)	(10.436)	(25.886)	(9.643)
	<b>(235.564)</b>	<b>(70.784)</b>	<b>(197.208)</b>	<b>(66.048)</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
<b>Other operating income</b>				
	142.112	39.562	79.118	64.077
Gain on forward transactions	26.208	7.378	6.431	2.050
Revenue from charge of due date receivables	13.501	4.508	6.457	1.631
Gain on incentives	1.617	539	1.542	514
Other	8.483	1.235	9.643	4.434
	<b>191.921</b>	<b>53.222</b>	<b>103.191</b>	<b>72.706</b>

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
<b>Other operating expenses</b>				
Foreign exchange gains on operating activities	(118.447)	(25.593)	(70.265)	(55.508)
Loss on forward transactions	(19.639)	(6.733)	(7.184)	(2.797)
Expense on provision for uncollectible receivables	(2.905)	(1.080)	(1.150)	(975)
Other	(232)	-	-	-
	<b>(141.223)</b>	<b>(33.406)</b>	<b>(78.599)</b>	<b>(59.280)</b>

### NOTE 18 - FINANCIAL INCOME

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Foreign exchange gains on deposits	8.071	1.481	3.527	1.451
Interest income from time deposits	621	108	250	(83)
Foreign exchange gains on bank loans	-	-	9.204	6.946
	<b>8.692</b>	<b>1.589</b>	<b>12.981</b>	<b>8.314</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 19 - FINANCIAL EXPENSES

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Interest expense on bank borrowings	(75.593)	(26.038)	(56.927)	(22.118)
Foreign exchange losses on bank loans	(20.099)	(10.206)	(16.886)	(13.386)
Foreign exchange losses on deposits	(6.268)	(1.170)	(4.773)	(2.223)
Other	(149)	(83)	(46)	84
	<b>(102.109)</b>	<b>(37.497)</b>	<b>(78.632)</b>	<b>(37.643)</b>

### NOTE 20 - TAX ASSETS AND LIABILITIES

In Turkey, the corporation tax rate is 20% (2016 - 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 2017 and 31 December 2016, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	30 September 2017	31 December 2016
Income tax payable	920	572
Less: Prepaid taxes	(920)	(572)
<b>Income tax payable</b>	<b>-</b>	<b>-</b>

The breakdown of total tax expense for the periods ended 30 September 2017 and 2016 are as follows:

	1 January - 30 September 2017	1 January - 30 September 2016
Current tax charge	-	2.288
<b>Deferred tax income:</b>		
Charged to profit for the period	-	(7.499)
Charged to other comprehensive income	-	(10)
	<b>-</b>	<b>(5.221)</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

As of 30 September 2017 and 31 December 2016, 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)	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
R&D expenses	50.487	66.991	10.097	13.398
Property, plant and equipment	(4.735)	(10.263)	2.534	1.429
Intangible assets	(36.975)	(44.360)	(7.395)	(8.872)
Deferred financial expense	(843)	(1.278)	(169)	(256)
Inventories	355	710	71	142
Warranty provision	52.530	31.085	10.506	6.217
Provision for employment termination benefits	31.523	28.088	6.306	5.618
Deferred financial income	2.791	3.291	558	658
Provision for doubtful receivables	2.727	2.699	545	540
Unused vacation obligation	8.912	8.491	1.782	1.698
Other provisions	14.927	2.728	2.985	546
Deferred maintenance income	15.753	33.056	3.151	6.611
Due from customers on contract works	45.758	50.621	9.152	10.124
Other	(11.349)	3	(2.270)	-
<b>Deferred tax assets, net</b>			<b>37.853</b>	<b>37.853</b>

The movement of deferred tax assets for the periods ended 30 September 2017 and 2016 are as follows:

	1 January - 30 September 2017	1 January - 30 September 2016
1 January	37.853	37.314
<b>Deferred tax income</b>		
- Charged to profit for the period	-	(7.499)
- Charged to other comprehensive income	-	(10)
<b>30 September</b>	<b>37.853</b>	<b>29.805</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 21 - 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 2017	30 September 2016
Net income attributable to shareholders (TL)	50.769	33.084
Weighted average number of issued shares	24.000.000.000	24.000.000.000
Earnings per share (Piaster)	0,212	0,138

### NOTE 22 - 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 2017 and 31 December 2016:

Due from related parties	30 September 2017	31 December 2016
Ram Dış Ticaret A.Ş. (1) (*)	33.279	29.335
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	59	-
Ford Otomotiv Sanayi A.Ş. (1), (2)	-	67
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	-	35
	<b>33.338</b>	<b>29.437</b>

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

Due to related parties	30 September 2017	31 December 2016
Zer Merkezi Hizmetler A.Ş. (1)	1.438	1.964
Setur Servis Turistik A.Ş. (1)	947	337
Ram Dış Ticaret A.Ş. (1)	897	1.245
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	402	409
Opet Fuchs Madeni Yağ A.Ş. (1)	290	614
Koç Holding A.Ş. (2)	258	4.608
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	218	256
Opet Petrolcülük A.Ş. (1)	204	118
East Marine Denizcilik A.Ş. (1)	155	20
Divan Turizm İşletmeleri A.Ş. (1)	109	36
Other (1)	187	1.410
	<b>5.105</b>	<b>11.017</b>

(1) Related parties of parent company

(2) Shareholder



# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

ii) Major sales and purchase transactions with related parties are as follows:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
<b>Product sales and service revenue</b>				
Ram Dış Ticaret A.Ş. (1) (*)	124.677	28.707	120.069	16.442
Ford Otosan A.Ş. (1), (2)	61	-	155	-
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	50	50	-	-
Other (1)	23	-	321	1
	<b>124.811</b>	<b>28.757</b>	<b>120.545</b>	<b>16.443</b>

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

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
<b>Purchase of property, plant and equipment</b>				
KoçSistem Bilgi ve İletişim Hizm. A.Ş. (1)	1.819	583	2.272	421
Zer Merkezi Hizmetler A.Ş. (1)	323	313	164	57
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	281	-	60	-
Other (1)	49	10	66	56
	<b>2.472</b>	<b>906</b>	<b>2.562</b>	<b>534</b>

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
<b>Inventories purchased</b>				
Zer Merkezi Hizmetler A.Ş. (1)	17.311	7.369	14.322	5.505
Ram Dış Ticaret A.Ş. (1)	3.577	1.297	2.000	1.175
Arçelik Pazarlama A.Ş. (1)	3.021	1	-	-
Opet Petrolcülük A.Ş. (1)	2.331	816	1.426	495
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	1.717	580	1.515	558
Opet Fuchs Madeni Yağ A.Ş. (1)	1.577	467	1.458	473
Other (1)	407	266	103	48
	<b>29.941</b>	<b>10.796</b>	<b>20.824</b>	<b>8.254</b>

(1) Related parties of parent company

(2) Shareholder

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
<b>Services purchased</b>				
Ram Dış Ticaret A.Ş. (1)	9.156	721	21.472	4.452
Setur Servis Turistik A.Ş. (1)	5.357	2.263	4.434	1.419
Eltek Elektrik Enerji İth. İhr. Top. Tic. A.Ş. (1)	3.134	1.061	3.405	1.055
Ram Sigorta Aracılık Hz. A.Ş. (1) (**)	3.098	93	1.842	621
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	2.746	986	1.915	639
Koç Holding A.Ş. (2) (*)	2.660	819	8.218	4.816
KoçSistem Bilgi ve İletişim Hizm. A.Ş. (1)	2.630	845	2.103	668
Setair Hava Taşımacılığı ve Hizm. A.Ş. (1)	774	120	187	-
Other (1)	816	347	344	156
	<b>30.371</b>	<b>7.255</b>	<b>43.920</b>	<b>13.826</b>

(\*) 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, invoice to Company in frame of "11-Intercompany Services in numbered 1 General Communiqué about Concealed Gain Distribution by Transfer Pricing.

(\*\*) It includes paid and accrued premium as of 30 September 2017 and 30 September 2016 in accordance with insurance policies signed between unrelated insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is an insurance agency.

<b>Banks deposits</b>	<b>30 September 2017</b>	<b>31 December 2016</b>
Yapı ve Kredi Bankası A.Ş. (1)		
- Demand deposits	4	14
- Time deposits	-	20.761
	<b>4</b>	<b>20.775</b>

<b>Checks and notes in collection</b>	<b>30 September 2017</b>	<b>31 December 2016</b>
Yapı ve Kredi Bankası A.Ş. (1)	4.155	6.977
	<b>4.155</b>	<b>6.977</b>

<b>Borrowings</b>	<b>30 September 2017</b>	<b>31 December 2016</b>
Yapı ve Kredi Bankası A.Ş. (1)	4.272	-
	<b>4.272</b>	<b>-</b>

(1) Related parties of parent company

(2) Shareholder

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

For the periods ended 30 September 2017 and 2016, other income and expense with related parties:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
<b>Exchange gain from trade receivables and payables</b>				
Ram Dış Ticaret A.Ş. (1)	11.317	4.208	2.574	728
Zer Merkezi Hizmetler A.Ş. (1)	43	10	17	3
KoçSistem Bilgi ve İletişim Hizm. A.Ş. (1)	7	7	17	-
Yapı Kredi Faktoring (1)	-	-	198	-
	<b>11.367</b>	<b>4.225</b>	<b>2.806</b>	<b>731</b>

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
<b>Exchange loss from trade receivables and payables</b>				
Yapı Kredi Faktoring (1)	12.678	-	5.668	-
Ram Dış Ticaret A.Ş. (1)	3.385	-	1.683	317
Zer Merkezi Hizmetler A.Ş. (1)	158	71	104	33
	<b>16.221</b>	<b>71</b>	<b>7.455</b>	<b>350</b>

Financial income and expenses related with related parties for the periods ended 30 September 2017 and 2016 are as follows:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 January - 30 September 2016
<b>Interest income</b>				
Yapı ve Kredi Bankası A.Ş. (1)	105	3	116	14
	<b>105</b>	<b>3</b>	<b>116</b>	<b>14</b>

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
<b>Interest expense</b>				
Yapı ve Kredi Bankası A.Ş. (1)	618	282	3.694	1.475
	<b>618</b>	<b>282</b>	<b>3.694</b>	<b>1.475</b>

(1) Related parties of parent company

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 22 - RELATED PARTY DISCLOSURES (Continued)

For the periods ended 30 September 2017 and 2016, financial income and expense with related parties:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
<b>Foreign exchange gains</b>				
Yapı ve Kredi Bankası A.Ş. (1)	4.683	1.001	1.057	746
	<b>4.683</b>	<b>1.001</b>	<b>1.057</b>	<b>746</b>
<b>Foreign exchange loss</b>				
Yapı ve Kredi Bankası A.Ş. (1)	3.907	765	2.540	693
	<b>3.907</b>	<b>765</b>	<b>2.540</b>	<b>693</b>

(1) Related parties of parent company

### Benefits to key management

Salaries and similar benefits provided to the executive management by the Company for the period ended 30 September 2017 are amounted to TL 3.356 thousand (30 September 2016: TL 4.896 thousand).

Executives are composed of board of directors members, general manager and assistants of general manager.

### NOTE 23 -NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

#### 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 analyzing the foreign currency position. Currency risk is monitored and limited by analyzing 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.

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

### NOTE 23 -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;

30 September 2017	TL equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	735.442	92.185	97.308	8
2a. Monetary financial assets (including cash, bank accounts)	183.381	49.072	2.164	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	7	2	-	-
4. <b>Current assets (1+2+3)</b>	<b>918.830</b>	<b>141.259</b>	<b>99.472</b>	<b>8</b>
5. Trade receivables	4.809	-	1.147	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	96	7	17	-
8. <b>Non-current assets (5+6+7)</b>	<b>4.905</b>	<b>7</b>	<b>1.164</b>	<b>-</b>
9. <b>Total assets (4+8)</b>	<b>923.735</b>	<b>141.266</b>	<b>100.636</b>	<b>8</b>
10. Trade payables	(50.985)	(4.545)	(8.298)	(11)
11. Financial liabilities	(238.958)	-	(56.998)	-
12a. Monetary other liabilities	(363.457)	(102.177)	(91)	(28)
12b. Non-monetary other liabilities	(15.755)	-	(3.758)	-
13. <b>Current liabilities (10+11+12)</b>	<b>(669.155)</b>	<b>(106.722)</b>	<b>(69.145)</b>	<b>(39)</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. <b>Non-current liabilities (14+15+16)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
18. <b>Total liabilities (13+17)</b>	<b>(669.155)</b>	<b>(106.722)</b>	<b>(69.145)</b>	<b>(39)</b>
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	(249.105)	(30.000)	(34.000)	-
19a. Hedged total assets amount	-	-	-	-
19b. Hedged total liabilities amount	(249.105)	(30.000)	(34.000)	-
20. <b>Net foreign currency asset/(liability) position (9+18+19)</b>	<b>5.475</b>	<b>4.544</b>	<b>(2.509)</b>	<b>(31)</b>
21. <b>Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>270.232</b>	<b>34.535</b>	<b>35.232</b>	<b>(31)</b>
22. Total fair value of financial instruments used for foreign currency hedging	(249.105)	(30.000)	(34.000)	-
23. Export (30 September 2017)	339.042	34.695	53.329	30
24. Import (30 September 2017))	366.118	44.809	49.830	1.527

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 23 -NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2016	TL equivalent (functional currency)	USD	EURO	GBP
1. Trade receivables	470.904	76.165	53.968	613
2a. Monetary financial assets (including cash, bank accounts)	189.090	39.445	13.552	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	2	-	-	-
4. <b>Current assets (1+2+3)</b>	<b>659.996</b>	<b>115.610</b>	<b>67.520</b>	<b>613</b>
5. Trade receivables	7.558	-	2.037	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	74	3	17	-
8. <b>Non-current assets (5+6+7)</b>	<b>7.632</b>	<b>3</b>	<b>2.054</b>	<b>-</b>
9. <b>Total assets (4+8)</b>	<b>667.628</b>	<b>115.613</b>	<b>69.574</b>	<b>613</b>
10. Trade payables	(25.305)	(2.841)	(4.126)	-
11. Financial liabilities	(491)	-	(132)	-
12a. Monetary other liabilities	(500.458)	(108.505)	(31.937)	(29)
12b. Non-monetary other liabilities	(25.302)	-	(6.820)	-
13. <b>Current liabilities (10+11+12)</b>	<b>(551.556)</b>	<b>(111.346)</b>	<b>(43.015)</b>	<b>(29)</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	(74.198)	-	(20.000)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	(7.754)	-	(2.090)	-
17. <b>Non-current liabilities (14+15+16)</b>	<b>(81.952)</b>	<b>-</b>	<b>(22.090)</b>	<b>-</b>
18. <b>Total liabilities (13+17)</b>	<b>(633.508)</b>	<b>(111.346)</b>	<b>(65.105)</b>	<b>(29)</b>
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	(25.397)	(3.000)	(4.000)	-
19a. Hedged total assets amount	-	-	-	-
19b. Hedged total liabilities amount	(25.397)	(3.000)	(4.000)	-
20. <b>Net foreign currency asset/(liability) position (9+18+19)</b>	<b>8.723</b>	<b>1.267</b>	<b>469</b>	<b>584</b>
21. <b>Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>67.100</b>	<b>4.264</b>	<b>13.362</b>	<b>584</b>
22. Total fair value of financial instruments used for foreign currency hedging	(25.397)	(3.000)	(4.000)	-
23. Export (30 September 2016)	307.152	41.293	55.873	802
24. Import (30 September 2016)	426.423	75.099	59.509	2.707

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 23 -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 30 September 2017 and 31 December 2016:

	Profit before tax Appreciation of foreign currency	Profit before tax Depreciation of foreign currency
<b>30 September 2017</b>		
<i>In case 10% appreciation of USD against TL:</i>		
1- USD net asset/liability	1.614	(1.614)
2- Amount hedged for USD risk (-)		
<b>3- USD net effect (1+2)</b>	<b>1.614</b>	<b>(1.614)</b>
<i>In case 10% appreciation of EUR against TL:</i>		
4- EUR net asset/liability	(1.052)	1.052
5- Amount hedged for EUR risk (-)		
<b>6- EUR net effect (4+5)</b>	<b>(1.052)</b>	<b>1.052</b>
<i>In case 10% appreciation of GBP against TL:</i>		
7- GBP net asset/liability	(15)	15
8- Amount hedged for GBP risk (-)		
<b>9- GBP net effect (7+8)</b>	<b>(15)</b>	<b>15</b>
<b>Total (3+6+9)</b>	<b>547</b>	<b>(547)</b>
	Profit before tax Appreciation of foreign currency	Profit before tax Depreciation of foreign currency
<b>31 December 2016</b>		
<i>In case 10% appreciation of USD against TL:</i>		
1- USD net asset/liability	446	(446)
2- Amount hedged for USD risk (-)	-	-
<b>3- USD net effect (1+2)</b>	<b>446</b>	<b>(446)</b>
<i>In case 10% appreciation of EUR against TL:</i>		
4- EUR net asset/liability	174	(174)
5- Amount hedged for EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>174</b>	<b>(174)</b>
<i>In case 10% appreciation of GBP against TL:</i>		
7- GBP net asset/liability	252	(252)
8- Amount hedged for GBP risk (-)	-	-
<b>9- GBP net effect (7+8)</b>	<b>252</b>	<b>(252)</b>
<b>Total (3+6+9)</b>	<b>872</b>	<b>(872)</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

### NOTE 24 - 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 30 September 2017 and 31 December 2016:

#### 30 September 2017

Liabilities	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	101	-	101

#### 31 December 2016

Assets	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	52	-	52

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.



# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

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

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### NOTE 25 - SUBSEQUENT EVENTS

None.

### NOTE 26 -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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