

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

Otokar Otomotiv ve Savunma Sanayi Anonim Őirketi

**Financial statements for the interim period
January 1 – September 30, 2011**

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Table of contents

	<u>Page</u>
Interim balance sheet	2-3
Interim comprehensive income statement	4
Interim statement of changes in equity	5
Interim cash flow statement	6
Notes to interim condensed financial statements	7-39

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Balance sheet as of September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market”

(Currency –Turkish Lira (TL) unless otherwise indicated)

		Current period	Previous period
		Not reviewed	Audited
	Notes	September 30, 2011	December 31, 2010
Assets			
Current assets			
Cash and cash equivalents	3	18.962.007	111.564.742
Trade receivables	5	205.024.071	136.241.771
- Trade receivables from related parties		23.817.086	18.890.279
- Other trade receivables		181.206.985	117.351.492
Other receivables		29.033	594
Inventories	6	235.013.537	100.565.170
Estimated earnings in excess of billings on uncompleted contracts	7	42.374.975	22.646.544
Derivative financial instruments	10	6.408.001	182.808
Other current assets	12	134.015.458	60.395.307
Total current assets		641.827.082	431.596.936
Non-current assets			
Trade receivables	5	78.598.107	41.433.423
Other receivables		5.903	5.903
Financial Investments		239.280	-
Property, plant and equipment	8	106.557.029	99.137.629
Intangibles	9	65.318.301	55.520.950
Deferred tax asset	16	13.384.605	7.944.450
Total non-current assets		264.103.225	204.042.355
Total assets		905.930.307	635.639.291

The accompanying policies and explanatory notes on pages 7 through 39 form an integral part of the financial statements.

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Balance sheet as of September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market”

(Currency –Turkish Lira (TL) unless otherwise indicated)

		Current period	Previous period
		Not reviewed	Audited
	Notes	September 30, 2011	December 31, 2010
Liabilities			
Current liabilities			
Financial liabilities	4	131.534.392	38.007.355
Trade payables	5	94.654.907	47.561.560
Other payables	7	193.502.367	162.029.312
Government incentives and grants		621.992	359.975
Current tax liabilities for the current period income	16	8.884.476	4.581.519
Provisions	11	188.626.798	103.611.153
Other current liabilities	12	6.849.637	7.131.327
Total current liabilities		624.674.569	363.282.201
Non-current liabilities			
Financial liabilities	4	81.313.588	90.875.102
Provision for employee termination benefits		8.798.909	7.088.568
Government incentives and grants		880.881	892.142
Total non-current liabilities		90.993.378	98.855.812
Shareholders' equity			
Parent Company's equity			
Paid-in share capital		24.000.000	24.000.000
Inflation adjustment on equity items		52.743.030	52.743.030
Restricted reserves		18.118.147	16.738.147
Retained earnings		63.640.101	59.241.787
Net income for the period		31.761.082	20.778.314
Total shareholders' equity		190.262.360	173.501.278
Total liabilities		905.930.307	635.639.291

The accompanying policies and explanatory notes on pages 7 through 39 form an integral part of the financial statements.

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Comprehensive income statement for the period ended September 30, 2011
Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market”
(Currency –Turkish Lira (TL) unless otherwise indicated)

		Current period		Previous period	
		Not reviewed		Not reviewed	
		January 1 –	July 1 –	January 1 –	July 1 –
	Notes	September 30,	September 30,	September 30,	September 30,
		2011	2011	2010	2010
Continuing operations					
Net sales	13	578.901.181	189.177.808	314.140.226	121.487.279
Cost of sales (-)	13	(463.454.338)	(159.690.388)	(260.269.176)	(95.014.219)
Gross profit		115.446.843	29.487.420	53.871.050	26.473.060
Selling, marketing and distribution expense (-)		(47.676.513)	(14.661.152)	(25.384.771)	(8.748.485)
General and administrative expense (-)		(16.741.598)	(5.209.524)	(16.931.479)	(5.638.143)
Research and development expenses (-)		(8.959.589)	(3.243.009)	(4.047.264)	(1.345.148)
Other operating income		3.650.075	1.614.563	1.937.634	257.522
Other operating expense (-)		(3.457.006)	(624.814)	(199.069)	(36.412)
Operating profit		42.262.212	7.363.484	9.246.101	10.962.394
Financial income	14	62.103.107	26.713.442	33.105.620	13.987.001
Financial expense (-)	15	(68.948.921)	(30.912.262)	(41.782.134)	(15.301.572)
Net income before taxes from continuing operations		35.416.398	3.164.664	569.587	9.647.823
Tax income/expense for continuing operations					
- Current tax expense for the period	16	(9.095.471)	1.258.149	-	-
- Deferred tax income/(expense)	16	5.440.155	(2.073.022)	6.722.503	447.485
Net income		31.761.082	2.349.791	7.292.090	10.095.308
Other comprehensive income:		-	-	-	-
Total comprehensive income/(loss)		31.761.082	2.349.791	7.292.090	10.095.308
Earnings per share	17	0.00132	0.00010	0.00030	0.00042

The accompanying policies and explanatory notes on pages 7 through 39 form an integral part of the financial statements.

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Statement of changes in equity for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market”

(Currency –Turkish Lira (TL) unless otherwise indicated)

	Paid-in share capital	Inflation adjustment on equity items	Restricted reserves	Retained earnings	Net income for the period	Total shareholders' equity
January 1, 2010	24.000.000	52.743.030	14.818.147	47.701.977	33.859.810	173.122.964
Transfer to retained earnings	-	-	-	33.859.810	(33.859.810)	-
Transfer to restricted reserves	-	-	1.920.000	(1.920.000)	-	-
Dividends paid	-	-	-	(20.400.000)	-	(20.400.000)
Total comprehensive loss	-	-	-	-	7.292.090	7.292.090
September 30, 2010	24.000.000	52.743.030	16.738.147	59.241.787	7.292.090	160.015.054
January 1, 2011	24.000.000	52.743.030	16.738.147	59.241.787	20.778.314	173.501.278
Transfer to retained earnings	-	-	-	20.778.314	(20.778.314)	-
Transfer to restricted reserves	-	-	1.380.000	(1.380.000)	-	-
Dividends paid	-	-	-	(15.000.000)	-	(15.000.000)
Total comprehensive income	-	-	-	-	31.761.082	31.761.082
September 30, 2011	24.000.000	52.743.030	18.118.147	63.640.101	31.761.082	190.262.360

The accompanying policies and explanatory notes on pages 7 through 39 form an integral part of the financial statements.

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Cash flow statement for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market”

(Currency –Turkish Lira (TL) unless otherwise indicated)

	Notes	September 30, 2011	September 30, 2010
Cash flows from operating activities			
Income before provision for taxes		35.416.398	569.587
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization expense	8, 9	15.656.356	11.413.783
Reserve for retirement pay		2.667.201	1.801.014
Gain on sale of property, plant and equipment		(1.080.595)	(8.932)
Interest expense	15	10.011.207	9.066.077
Unrealized foreign exchange gains from borrowings		-	(168.900)
Interest income	14	(1.435.045)	(276.692)
Provision for doubtful receivables		3.420.757	-
Loss/ (gain) on forward transactions		(1.365.674)	1.524.174
Operating income before changes in operating assets and liabilities		63.290.605	23.920.111
Trade receivables and other receivables		(109.396.179)	28.033.768
Costs and estimated earnings in excess of billings on uncompleted contracts		(19.728.431)	(52.081.489)
Inventories		(134.448.367)	(12.932.365)
Other current assets		(66.752.396)	8.236.303
Trade payables		47.093.348	(17.436.646)
Provisions and other current and non-current liabilities		116.457.764	9.047.167
Taxes paid		(11.899.551)	-
Employee termination benefits paid		(956.860)	(854.265)
Net cash used in operating activities		(116.340.067)	(14.067.416)
Investing activities			
Purchase of property, plant and equipment	8	(15.003.199)	(4.039.898)
Purchase of intangible assets	9	(18.905.174)	(17.691.328)
Proceeds from sale of property, plant and equipment		2.115.865	182.195
Interest received		1.435.045	276.692
Net cash used in investing activities		(30.357.463)	(21.272.339)
Financing activities			
Increase on spot borrowings, net		32.577.960	49.816.816
Proceeds from bank borrowings		80.000.000	40.664.600
Realized (loss)/gain on realized forward transactions		(4.859.519)	-
Repayments of bank borrowings		(36.735.103)	(59.514.302)
Interest payments		(1.888.543)	(3.500.325)
Dividends paid		(15.000.000)	(20.400.000)
Net cash provided by financing activities		54.094.795	7.066.789
Net decrease in cash and cash equivalents		(92.602.735)	(28.272.966)
Cash and cash equivalents at the beginning of the period	3	111.564.742	31.881.177
Cash and cash equivalents at the end of the period	3	18.962.007	3.608.211

The accompanying policies and explanatory notes on pages 7 through 39 form an integral part of the financial statements.

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market”

(Currency –Turkish Lira (TL) unless otherwise indicated)

1. Organisation 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, armoured vehicles, minibuses, midibuses and buses, trailers, semi-trailers and cross-country comprises the majority of its production. The number of the personnel in the Company is 2.136 (December 31, 2010 – 1.312).

The registered addresses of the Company are as follows:

Headquarters:

Aydınevler Mahallesi, Dumlupınar Cad. No:24 A Bl.
81580 Küçükyalı / İstanbul

Factory:

Atatürk Cad. No: 9
54580 Arifiye / Sakarya

Financial statements are authorized for issue by the Board of Directors of the Company on October 21, 2011, signed by Ahmet Serdar Görgüç and Hüseyin Odabaş on behalf of Board of Directors of the Company. The Board of Directors has the power to amend the financial statements after issue.

The Company is registered to the Capital Market Board (“CMB”) and its shares are listed on the Istanbul Stock Exchange (“ISE”) since 1996. As of September 30, 2011, the shares listed on the ISE are 29,91% of the total shares. As of September 30, 2011, 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 Koc Family. The Company conducts part of its business transactions with the Koç Holding A.Ş. and related parties and has both customer and supplier relationships with related parties.

In accordance with the Board of Directors with the number of 2011/09 dated 21 July 2011, it was decided to establish a company titled as “Otokar Europe SAS” with the aim of organizing export activities to increase export sales; accordingly the Management has been authorized for the execution of establishment procedures. According to the decision, new company will have simplified shares fully owned by the Company. The new company will be based in Paris which is capital city of France, and the capital shall amount to Euro 100.000. Registration procedures in Europe were completed on August 18, 2011.

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 "Communiqué on Financial Reporting Standards in Capital Market" (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

2. Basis of presentation

2.1 Basis of presentation

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. These financial statements have been prepared from the statutory financial statements of the Company with adjustments and reclassifications for the purpose of fair presentation in accordance with accounting and reporting standards prescribed by Capital Markets Board. The financial statements of current period are prepared in accordance with International Accounting / Financial Reporting Standards (IAS/IFRS) as prescribed in the CMB communiqué No:XI-29 "Communiqué on Financial Reporting Standards in Capital Markets" (Communiqué) which is published in the official gazette and become effective as of April 9, 2008.

The condensed financial statements for the nine month period ended September 30, 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2010.

Reclassifications made in 2010 year's financial statements

For the purpose of comparative presentation with the current period, the Company has reclassified forward income accruals which amounted to TL 182.808 which was classified under other current assets as of December 31, 2010, in derivative financial instruments.

Functional and presentation currency

Functional and presentation currency of the Company is TL.

In accordance with the CMB's resolution dated March 17, 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 December 31, 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 September 30, 2011 and December 31, 2010 have been restated by applying the relevant conversion factors through December 31, 2004 and carrying additions after December 31, 2004 at their nominal values.

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

2. Basis of presentation (continued)

2.2 Amendments on International Financial Reporting Standards

The new standards, amendments and interpretations which are effective as at January 1, 2011 are as follows:

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are “consideration paid” in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)

The purpose of this amendment was to permit entities to recognise as an asset some voluntary prepayments for minimum funding contributions.

IAS 32 Classifications on Rights Issues (Amended)

This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated.

IAS 24 Related Party Disclosures (Amended)

Amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities.

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

2. Basis of presentation (continued)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The amendments that are effective as at January 1, 2011 are as follows:

IFRS1 First-time adoption

This improvement clarifies the treatment of accounting policy changes in the year of adoption after publishing an interim financial report in accordance with IAS 34 Interim Financial Reporting, allows first-time adopters to use an event-driven fair value as deemed cost and expands the scope of ‘deemed cost’ for property, plant and equipment or intangible assets to include items used subject to rate regulated activities.

IFRS 3 Business Combinations

This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

Moreover, this improvement limits the scope of the measurement choices (fair value or at the present ownership instruments’ proportionate share of the acquirer’s identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity’s net assets.

Finally, it requires an entity (in a business combination) to account for the replacement of the acquirer’s share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.

IFRS 7 Financial Instruments: Disclosures

This improvement gives clarifications of disclosures required by IFRS 7 and emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

IAS 1 Presentation of Financial Statements

This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 27 Consolidated and Separate Financial Statements

This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21.

IAS 34 Interim Financial Reporting

This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements.

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

2. Basis of presentation (continued)

IFRIC 13 Customer Loyalty Programmes

This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

The Company does not expect that the standards or interpretations have an impact on the financial statements or performance of the Company.

Standards issued but not yet effective and not early adopted

Up to the date of approval of the interim condensed consolidated financial statements, certain new standards, interpretations and amendments to existing standards have been published but are not yet effective for the current reporting period and which the Company has not early adopted, as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the interim condensed consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

IFRS 9 Financial Instruments – Phase 1 financial assets, classification and measurement

The new standard is effective for annual periods beginning on or after January 1, 2013. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial assets. The amendments made to IFRS 9 in October 2010 affect the measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not been approved by the European Union yet. The Company does not expect that the amendment will have impact on the financial position or performance of the Company.

IAS 12 Income Taxes-Deferred Taxation: Recovery of Main assets (Amendment)

The amendments are mandatory for annual periods beginning on or after January 1, 2012, but earlier application is permitted. IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. This standard has not yet been endorsed by the European Union. The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities (Amended)

The amendment is effective for annual periods beginning on or after July 1, 2011. The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitisations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. This amendment has not been approved by the European Union yet. The Company does not expect that this amendment will have an impact on the financial position or performance of the Company

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

2. Basis of presentation (continued)

IFRS 10 Consolidated Financial Statements

Standard is effective for annual periods beginning on or after January 1, 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

IFRS 11 Joint Arrangements

Standard is effective for annual periods beginning on or after January 1, 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard has not yet been endorsed by the EU. The Company does not expect that this standard will have a significant impact on the financial position or performance of the Company.

IFRS 12 Disclosure of Interests in Other Entities

Standard is effective for annual periods beginning on or after January 1, 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities.

IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

2. Basis of presentation (continued)

IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. This standard has not yet been endorsed by the EU. The Company does not expect that this standard will have a significant impact on the financial position or performance of the Company.

IAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have a significant impact on the financial position or performance of the Company.

IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

IAS 1 Presentation of Financial Statements (Amended)

The amendments are effective for annual periods beginning on or after July 1, 2012. The amendments to IAS 1 change only the Companying of items presented in other comprehensive income. Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The Company does not expect that this amendment will have a significant impact on the financial position or performance of the Company.

2.3 Summary of significant accounting policies

The condensed financial statements for the nine month period ended September 30, 2011 have been prepared in accordance with the accounting standards which were applied to the financial statements for the year ended December 31, 2010, so the interim condensed financial statements should be read together with the Company’s annual financial statements as at December 31, 2010.

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

2. Basis of presentation (continued)

2.4 Significant accounting judgments and estimates

The preparation of financial statements require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Significant estimates used in the preparation of these financial statements and the significant judgments with the most significant effect on amounts recognized in the financial statements are as follows:

- a) In the context of IAS 11 “Construction contracts” assumptions are made related to total cost of and profitability of projects
- b) Deferred tax asset is recognised to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. When taxable profit is probable, deferred tax asset is recognised for all temporary differences. For the year ended September 30, 2011, since the assumptions related to the Company’s future taxable profit generation are considered reliable, adequate, deferred tax asset is recognized.
- c) Reserve for retirement pay is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates).
- d) The Company determines warranty provision by considering the past warranty expenses and remaining warranty period per vehicle.
- e) Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, other than related parties, are assessed with their prior year performances, their credit risk in the current market, their individual performances after the balance sheet date up to the issuing date of the financial statements and furthermore, the renegotiation conditions with these debtors are considered.

2.5 Segment reporting

Since the Company doesn’t have different geographic and operational units, the Company does not prepare segment reporting and follows its financial statements by one segment.

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

3. Cash and cash equivalents

	September 30, 2011	December 31, 2010
Cash at banks		
- demand deposits	2.136.254	9.675.762
- time deposits	15.280.114	100.799.200
Checks and notes received	1.518.518	1.028.005
Other	27.121	61.775
	18.962.007	111.564.742

As of September 30, 2011, effective interest rates of time deposits which are originally amounting to USD 4.190.000 and EUR 3.000.000 are annually 3,60% for USD and 2,15% for EUR and their maturities are 3 days on average (As of December 31, 2010, effective interest rates of time deposits which are originally amounting to USD 65.200.000 are annually 1,55% and the maturity is 3 days on average).

As of September 30, 2011 and December 31, 2010, checks and notes received consist of checks and notes given to banks for collections which are overdue as of balance sheet date.

As of September 30, 2011, the Company has restricted bank deposit amounting to TL 795 (December 31, 2010 - TL 795).

4. Financial liabilities

			September 30, 2011	
	Maturities	Interest rate (%)	Amount in original currency	TL
Short-term bank borrowings (*) (**)				
Denominated in TL	October 3, 2011 – March 15, 2012	%8,50 - %10,20	131.534.392	131.534.392
Total				131.534.392

			September 30, 2011	
	Maturities	Interest rate (%)	Amount in original currency	TL
Long-term bank borrowings (*) (**)				
Denominated in TL	January 7, 2013- September 16, 2013	%10,80-%11,16	81.313.588	81.313.588
Total				81.313.588

(*) Principles of long- term borrowings outstanding at September 30, 2011 will be repaid on their maturity days with all interests accrued.

(**) Bearing fixed interest rate

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

**Notes to the interim condensed financial statements
for the period ended September 30, 2011**

**Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)
(Currency –Turkish Lira (TL) unless otherwise indicated)**

4. Financial liabilities (continued)

			December 31, 2010	
	Maturities	Interest rate (%)	Amount in original currency	TL
Short-term bank borrowings (**)				
Denominated in EUR	June 9, 2011	%3,55	10.378.129	21.265.825
Denominated in TL	January 5, 2011 - October 27, 2011	%8,50	16.741.530	16.741.530
Total				38.007.355

			December 31, 2010	
	Maturities	Interest rate (%)	Amount in original currency	TL
Long-term bank borrowings (*)(**)				
Denominated in EUR	February 24, 2012- April 18, 2012	%3,76	7.549.304	15.469.278
Denominated in TL	April 28, 2012	%8,55-8,75	75.405.824	75.405.824
Total				90.875.102

(*) Principles of long- term borrowings outstanding at December 31, 2010 will be repaid on their maturity days with all interests accrued. Maturities of loans are 426 days on average.

(**) Bearing fixed interest rate.

On January 28, 2011, the Company management has decided to early pay loans amounting to EUR 7.500.000, which were utilized under the guarantee of Koç Holding A.Ş. as of December 31, 2010 and which were classified under long-term financial liabilities, before its maturity (April 18, 2012).

The Company has not provided any guarantees for the borrowings received as of September 30, 2011 (December 31, 2010 - None).

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

5. Trade receivables and payables

Trade receivables

	September 30, 2011	December 31, 2010
Trade receivables, net	68.221.646	44.185.538
Notes receivables, net	126.927.086	83.706.200
	195.148.732	127.891.738
Less: Provision for doubtful receivables	(13.941.747)	(10.540.246)
Other short-term trade receivables	181.206.985	117.351.492
Trade receivables from related parties (Note 18)	23.817.086	18.890.279
Short-term trade receivables	205.024.071	136.241.771
Long-term notes receivable, net	78.598.107	41.433.423
Long-term receivables	78.598.107	41.433.423

As of September 30, 2011, average collection term for trade receivables is 60-90 days (December 31, 2010 – 60-90 days).

Guarantees received for trade receivables

Receivables of the Company mainly relate to the sales to the minibus and bus dealers, trailer sales and military vehicle sales. As of September 30, 2011, the total trade receivable from dealers amounting to TL 52.840.856 (December 31, 2010 - TL 53.131.516), after provision reserved for doubtful receivables, has been secured by mortgages and guarantees at the amount of TL 34.293.491 (December 31, 2010 - TL 46.846.000).

The movement of the provision for doubtful receivables for the periods ended September 30, 2011 and September 30, 2010 are as follows:

	September 30, 2011	September 30, 2010
January 1	10.540.246	9.032.435
Collections	(19.256)	(2.418)
Additional provision	3.420.757	-
September 30	13.941.747	9.030.017

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

5. Trade receivables and payables (continued)

Trade receivables aging analysis

As of September 30, 2011, trade receivables amounting to TL 2.280.466 (December 31, 2010 - TL 2.657.582) have not been collected on their due dates.

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

September 30, 2011	Trade receivables
1- 30 day past due	-
1- 3 month past due	371.124
3- 12 month past due	-
1- 5 year past due	1.909.342
Over 5 year past due	-
Amount secured with guarantee (1)	1.914.942
December 31, 2010	Trade receivables
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	53.604
1- 5 year past due	2.603.978
Over 5 year past due	-
Amount secured with guarantee (1)	2.094.954

(1) Pledges on trailers..

Trade Payables

	September 30, 2011	December 31, 2010
Trade payables, net	91.209.862	44.033.767
Notes payables, net	162.000	151.050
Short-term trade payables	91.371.862	44.184.817
Trade payables to related parties (Note 18)	3.283.045	3.376.743
Short-term trade payables	94.654.907	47.561.560

As of September 30, 2011, average payment term for trade payables is 45-60 days (December 31, 2010 – 45-60 days).

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

6. Inventories

	September 30, 2011	December 31, 2010
Raw materials	71.890.178	25.138.729
Work-in-process	29.249.369	2.139.199
Finished goods	71.959.443	29.089.773
Merchandises, net of impairment amounting to TL 290.208 (December 31, 2010 – nil)	25.277.906	17.622.154
Other inventories	36.636.641	26.575.315
	235.013.537	100.565.170

7. Costs and billings on uncompleted contracts and other payables

As of September 30, 2011 accrued costs related to uncompleted contracts amounted to TL 223.697.170 (December 31, 2010 - TL 135.992.445).

As of September 30, 2011, the short term advances taken by the Company related with ongoing projects which amounts to TL 82.599.477 was included in other payables in the financial statements (December 31, 2010 – TL 114.477.042).As of September 30, 2011, TL 109.149.589 (December 31, 2010 – TL 44.050.664) of other payables comprise advances taken and other payables amounting to TL 1.753.378 (December 31, 2010 – TL 3.501.606).

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

8. Property, plant and equipment

For the period ended September 30, 2011, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	January 1, 2011	Additions	Disposals	Transfers	September 30, 2011
Cost:					
Land	36.396.386	574.360	-	-	36.970.746
Land improvements	5.481.336	-	-	-	5.481.336
Buildings	53.219.003	65.994	-	-	53.284.997
Machinery, equipment and installations	92.434.926	1.672.021	(823.045)	-	93.283.902
Motor vehicles	6.698.795	167.767	(836.216)	-	6.030.346
Furniture and fixtures	18.759.148	2.067.462	(175.371)	20.808	20.672.047
Leasehold improvements	1.448.602	-	-	-	1.448.602
Construction in progress	670.873	10.455.595	-	(20.808)	11.105.660
	215.109.069	15.003.199	(1.834.632)	-	228.277.636
Accumulated depreciation:					
Land improvements	2.330.079	151.241	-	-	2.481.320
Buildings	21.113.641	1.893.019	-	-	23.006.660
Machinery, equipment and installations	73.826.184	3.530.571	(521.204)	-	76.835.551
Motor vehicles	3.370.231	314.676	(127.218)	-	3.557.689
Furniture and fixtures	14.123.773	630.095	(150.944)	-	14.602.924
Leasehold improvements	1.207.532	28.931	-	-	1.236.463
	115.971.440	6.548.533	(799.366)	-	121.720.607
Net book value	99.137.629				106.557.029

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

8. Property, plant and equipment (continued)

For the period ended September 30, 2010, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	January 1, 2010	Additions	Disposals	Transfers	September 30, 2010
Cost:					
Land	36.396.386	-	-	-	36.396.386
Land improvements	5.481.336	-	-	-	5.481.336
Buildings	53.131.899	-	-	-	53.131.899
Machinery, equipment and installations	86.463.883	1.341.508	(444.311)	5.478.362	92.839.442
Motor vehicles	5.113.531	1.126.866	(237.371)	-	6.003.026
Furniture and fixtures	18.408.093	1.054.182	(17.143)	-	19.445.132
Leasehold improvements	1.445.746	2.856	-	-	1.448.602
Construction in progress	5.889.502	514.486	-	(5.478.362)	925.626
	212.330.376	4.039.898	(698.825)	-	215.671.449
Accumulated depreciation:					
Land improvements	2.128.424	151.241	-	-	2.279.665
Buildings	18.593.043	1.890.267	-	-	20.483.310
Machinery, equipment and installations	70.043.866	3.521.071	(431.568)	-	73.133.369
Motor vehicles	3.127.422	258.224	(85.172)	-	3.300.474
Furniture and fixtures	14.677.521	501.353	(8.821)	-	15.170.053
Leasehold improvements	1.168.255	29.457	-	-	1.197.712
	109.738.531	6.351.613	(525.561)	-	115.564.583
Net book value	102.591.845				100.106.866

As of September 30, 2011 and 2010, there are no mortgages and pledges on property, plant and equipment.

For the periods ended 30 September, 2011 and 30 September, 2010, the allocation of depreciation and amortisation expenses of property, plant and equipment and intangibles has been as follows:

	September 30, 2011	September 30, 2010
Research and development expenses	8.194.291	3.492.523
General manufacturing costs	4.563.282	4.730.928
Development projects in process	849.408	1.420.163
Costs related to uncompleted contracts	854.490	662.457
General administrative expenses	795.541	776.664
Selling and marketing expenses	399.344	331.048
Total	15.656.356	11.413.783

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

8. Property, plant and equipment (continued)

As of September 30, 2011 and December 31, 2010, gross values of fully depreciated items which are still in use are as follows:

	September 30, 2011	September 30, 2010
Machinery, equipment and installations	49.981.615	47.771.602
Motor vehicles	2.585.412	2.585.412
Furniture and fixtures	11.886.948	11.880.762
Leasehold improvements	1.093.274	1.089.332
	65.547.249	63.327.108

9. Intangible assets

For the period ended September 30, 2011, the movement of intangibles and accumulated amortization is as follows:

	January 1, 2011	Additions	Transfers	September 30, 2011
Cost:				
Other intangible assets	6.768.208	767.579	-	7.535.787
Development costs	55.012.467	-	3.214.618	58.227.085
Development projects in process	7.299.830	18.137.595	(3.214.618)	22.222.807
	69.080.505	18.905.174	-	87.985.679
Accumulated amortization:				
Other intangible assets	4.186.143	913.532	-	5.099.675
Development costs	9.373.412	8.194.291	-	17.567.703
	13.559.555	9.107.823	-	22.667.378
Net book value	55.520.950			65.318.301

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

9. Intangible assets (continued)

For the period ended September 30, 2010, the movement of intangibles and accumulated amortization is as follows:

	January 1, 2010	Additions	Transfers	September 30, 2010
Cost:				
Other intangible assets	5.936.514	562.302	-	6.498.816
Development costs	26.784.388	-	3.586.147	30.370.535
Development projects in process	13.398.467	17.129.026	(3.586.147)	26.941.346
	46.119.369	17.691.328	-	63.810.697
Accumulated amortization:				
Other intangible assets	3.098.957	805.435	-	3.904.392
Development costs	3.187.451	4.256.735	-	7.444.186
	6.286.408	5.062.170	-	11.348.578
Net book value	39.832.961			52.462.119

As of September 30, 2011 and December 31, 2010, the gross values of fully amortized intangible assets which are still in use are as follows:

	September 30, 2011	December 31, 2010
Other intangible assets	2.456.894	2.325.783
	2.456.894	2.325.783

10. Derivative financial instruments

Derivative financial instruments consist of the forward contracts which are entered into, to hedge foreign currency risk arising from Euro-based receivables due to the Company's trailer sales.

	September 30, 2011			December 31, 2010		
	Contract amount	Fair values		Contract amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
Forward transactions	224.332.150	6.408.001		92.106.455	182.808	-
Short-term derivative financial instruments	224.332.150	6.408.001		92.106.455	182.808	-
Total derivative financial instruments	224.332.150	6.408.001		92.106.455	182.808	-

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

11. Provisions, contingent assets and liabilities

Provisions

	September 30, 2011	December 31, 2010
Provision for other cost (*)	161.859.160	94.164.831
Warranty provision	12.556.112	6.511.877
Provision for sales expenses	6.046.923	1.011.614
Provision for vacation pay liability	2.489.868	1.922.831
Provision for personnel premium	3.200.000	-
Provision for material costs	1.309.965	-
Other	1.164.770	-
	188.626.798	103.611.153

(*) Includes costs incurred by the Company related with tank (Altay) 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.

Commitments and contingencies

As of September 30, 2011 and December 31, 2010, the tables which represent the position of guarantees, pledges and mortgages are as follow:

	September 30, 2011	December 31, 2010
Guarantees given by the Company		
a. Total amount of guarantees, pledges and mortgages given in the name of legal entity	485.724.645	415.391.058
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	485.724.645	415.391.058

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

11. Provisions, contingent assets and liabilities (continued)

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

	September 30, 2011		December 31, 2010	
	Original currency	TL	Original currency	TL
U.S. Dollars	223.562.555	412.539.983	236.582.361	365.756.330
Euro	10.511.847	26.444.654	10.170.955	20.841.304
GBP	68.727	198.510	22.500	53.743
Turkish Lira	46.541.498	46.541.498	28.739.681	28.739.681
		485.724.645		415.391.058

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

	September 30, 2011	December 31, 2010
Guarantee letters given		
Under secretariat of Ministry of Defence	267.709.877	326.155.872
Other	218.014.768	89.235.186
	485.724.645	415.391.058

There have been no pledges, mortgages and guarantees which were given by Company in real or legal persons other than its own legal entity in order to ensure the debt.

b) Guarantees received as of September 30, 2011 and December 31, 2010 is as follows:

	September 30, 2011	December 31, 2010
Bank letters of guarantee (*)	205.789.934	162.541.441
Guarantee notes	54.352.309	1.000.000
Mortgages received	3.842.000	5.042.000
Guarantee checks	135.000	135.000
	264.119.243	168.718.441

(*) Bank letters of guarantee amounting to TL 113.083.420 are obtained from the sub-contractors for Altay Project (December 31, 2010 TL – 107.830.620).

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

12. Other assets and liabilities

	September 30, 2011	December 31, 2010
a) Other current assets:		
Advances given	103.111.637	43.634.290
Value added tax receivables	21.039.813	14.634.076
Prepaid Tax	7.107.034	-
Prepaid expenses	1.133.617	828.104
Other	1.623.357	1.298.837
Total	134.015.458	60.395.307
b) Other current liabilities:		
Social security premiums payable	4.753.999	2.044.993
Taxes and funds payable	1.762.557	4.772.726
Deferred special consumption tax	88.021	133.358
Other	245.060	180.250
Total	6.849.637	7.131.327

13. Sales and cost of sales

Net sales

	January 1 - September 30, 2011	July 1- September 30, 2011	January 1 - September 30, 2010	July 1- September 30, 2010
Domestic sales	491.778.214	174.635.664	277.736.685	110.022.596
Export sales	87.262.823	14.659.760	36.841.498	11.481.860
Gross sales	579.041.037	189.295.424	314.578.183	121.504.456
Less: Sales discounts and sales returns	(139.856)	(117.616)	(437.957)	(17.177)
Net sales	578.901.181	189.177.808	314.140.226	121.487.279

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

13. Sales and cost of sales (continued)

As of September 30, 2011 and September 30, 2010 a breakdown of net sales in terms of categories are as follows:

	January 1 – September 30, 2011	January 1 – September 30, 2010
Commercial vehicle	348.330.847	149.240.932
Armored vehicles	110.274.852	75.002.767
Other sales (*)	120.295.482	89.896.527
	578.901.181	314.140.226

(*) TL 70.528.846 of this amount is related to revenues of uncompleted contracts (September 30, 2010 - TL 59.027.459). Furthermore, the Company has earned accumulated income amounting to TL 79.561.711 as of December 31, 2010 (December 31, 2010 - TL 74.129.647) related with revenues of uncompleted contracts.

Cost of sales

	January 1 - September 30, 2011	July 1- September 30, 2011	January 1 - September 30, 2010	July 1- September 30, 2010
Cost of finished goods sold	445.532.927	153.259.993	243.397.290	89.560.473
Cost of merchandise sold	17.921.411	6.430.395	16.871.886	5.453.746
Cost of sales	463.454.338	159.690.388	260.269.176	95.014.219

14. Financial income

	January 1 – September 30, 2011	July 1 – September 30, 2011	January 1 – September 30, 2010	July 1 – September 30, 2010
Foreign exchange gains	42.503.521	14.023.003	21.373.496	15.603.730
Forward income	9.261.049	9.219.065	1.528.927	(3.939.691)
Term difference income related with sales	8.771.492	3.262.158	3.921.305	1.501.676
Interest income from time deposits	1.435.045	209.216	276.692	148.886
Foreign exchange gains on bank borrowings	132.000	-	6.005.200	672.400
Total	62.103.107	26.713.442	33.105.620	13.987.001

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

15. Financial expense

	January 1 – September 30, 2011	July 1 – September 30, 2011	January 1 – September 30, 2010	July 1 – September 30, 2010
Foreign exchange losses	47.539.088	28.136.798	28.878.229	8.391.429
Interest expense on bank borrowings	10.011.207	4.085.753	9.066.077	3.552.677
Forward expense	7.895.375	(1.310.289)	1.639.839	1.639.839
Foreign exchange losses on bank borrowings	3.503.251	-	2.171.300	1.773.250
Deferred financial expense	-	-	26.689	(55.623)
Total	68.948.921	30.912.262	41.782.134	15.301.572

16. Tax assets and liabilities

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

In Turkey, the corporation tax rate is 20% (2010 - %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 instalment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (2010 - 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.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Research and development incentive rate which will be calculated over the research and development expenditures, is raised to 100% from 40% with the amendment made to the 10th article of the Tax Law numbered 5520 as a result of the amendment in the 35th article of the Law 5746 related to the Support of Research and Development Operations. The aforementioned law has been enacted as of April 1, 2008. Accordingly, income tax-payers can deduct 100% of the expenditures made as of then, which are related to research and development related to new technology and information developments.

As a result of its research and development expenditures made in 2011 amounting to TL 16.798.939, the Company has utilized research and development incentives at 100% deduction without any withholding tax. The Company has an R&D center certificate.

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

16. Tax assets and liabilities (continued)

As of September 30, 2011 and December 31, 2010, income tax payables net off prepaid taxes presented in the balance sheet is as follows:

	September 30, 2011	December 31, 2010
Income tax payable	9.095.471	4.581.519
Prepaid tax	(210.995)	-
Income tax payable	8.884.476	4.581.519

The breakdown of total tax expense for the period ended September 30, 2011 and 2010 is as follows:

	January 1 – September 30, 2011	January 1 – September 30, 2010
Current tax charge	(9.095.471)	-
Deferred tax credit	5.440.155	6.722.503
Total tax (expense)/income	(3.655.316)	6.722.503

The reconciliation of profit before tax to total tax expense is as follows:

	January 1 – September 30, 2011	January 1 – September 30, 2010
Profit before tax	35.416.393	569.587
Income tax (charge)/credit at effective tax rate 20%	(7.083.279)	(113.917)
Effect of exemptions and incentives	3.429.326	3.118.903
Others	(1.363)	3.717.517
Total tax (expense)/income	(3.655.316)	6.722.503

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements
for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

16. Tax assets and liabilities (continued)

As of September 30, 2011 and December 31, 2010, 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)	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Property, plant and equipment	(6.284.353)	(6.212.127)	2.224.423	2.238.869
Intangibles	(8.864.624)	(9.250.865)	(1.772.925)	(1.850.173)
Deferred financial expense	(426.188)	(189.676)	(85.238)	(37.935)
Inventories	(503.745)	(433.007)	(100.749)	(86.601)
Warranty reserve	12.556.112	6.511.876	2.511.222	1.302.375
Reserve for retirement pay	8.798.909	7.088.568	1.759.782	1.417.714
Deferred financial income	274.236	543.512	54.847	108.702
Provision for doubtful receivables	7.222.853	4.379.104	1.444.571	875.821
Unused vacation pay liability	2.489.868	1.922.831	497.974	384.566
Other provisions	9.246.923	1.011.614	1.849.384	202.323
Adjustment for percentage of completion method on construction projects	32.043.538	17.723.696	6.408.708	3.544.739
Other	(7.036.970)	(779.753)	(1.407.394)	(155.950)
Deferred tax asset			13.384.605	7.944.450

The movement of deferred tax asset for the period ended September 30, 2011 and 2010 is as follows:

	September 30, 2011	December 31, 2010
At January 1	7.944.450	2.661.472
Deferred tax credit	5.440.155	6.722.503
At September 30	13.384.605	9.383.975

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

**Notes to the interim condensed financial statements
for the period ended September 30, 2011**

**Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)
(Currency –Turkish Lira (TL) unless otherwise indicated)**

17. 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 year concerned.

Companies can increase their share capital by making a pro rata distribution of shares (Bonus 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.

	September 30, 2011	December 31, 2010
Net income attributable to shareholders (TL)	31.761.082	7.292.090
Weighted average number of issued shares	24.000.000.000	24.000.000.000
Earnings per share (kuruş)	0.132	0.030

18. Related party disclosures

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

- i) Due from and due to related party balances as of September 30, 2011 and December 31, 2010:

Due from related parties	September 30, 2011	December 31, 2010
Ram Dış Ticaret A.Ş.(Ram Dış) (1) (*)	21.877.672	18.799.156
Ford Otosan A.Ş.(Ford) (1)	1.534.375	56.323
Zer Merkezi Hizmetler ve Ticaret A.Ş.(Zer) (1)	317.711	-
Rmk Marine Gemi San. A.Ş. (Rmk Gemi) (1)	80.641	25.966
Aygaz A.Ş.(Aygaz) (1)	4.768	-
Opet Petrolcülük A.Ş. (Opet) (1)	1.919	-
Other (1)	-	8.834
Total (Note 5)	23.817.086	18.890.279

(1) Shareholders' subsidiary

(*) Certain portion of export sales are realized through Ram Dış, accordingly the amount composed of accounts receivables arising on these transactions. Such terms and conditions of payment of trade receivables were determined upon contract which was signed with the Company and it is out of question to provide additional terms.

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

**Notes to the interim condensed financial statements
for the period ended September 30, 2011**

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)
(Currency –Turkish Lira (TL) unless otherwise indicated)

18. Related party disclosures (continued)

Due to related parties	September 30, 2011	December 31, 2010
Ram Dış (1)	1.871.929	1.024.253
Zer (1)	769.042	1.056.504
Platform Araştırma ve Geliştirme Taş. Tic. A.Ş. (Platform) (1)	178.999	210.382
Setur Servis Turistik A.Ş. (Setur) (1)	82.415	224.384
Otokoç Otomotiv Tic.San. A.Ş. (Otokoç) (1)	75.380	125.872
Akpa Dayanıklı Tük. Paz. A.Ş. (Akpa) (1)	70.685	203.774
Opet Petrolcülük A.Ş. (Opet) (1)	66.258	19.210
Ram Sigorta Aracılık Hiz. A.Ş. (Ram Sigorta) (1)	53.889	91.671
Koçtaş Yapı Marketleri T.A.Ş. (Koçtaş) (1)	32.024	17.838
Koç-Net Haberleşme A.Ş (Koçnet) (1)	28.745	29.982
Koç Holding A.Ş. (Koç Holding) (2)	23.610	6.671
Koç Sistem Bilgi İle Hizm. A.Ş. (Koç Sistem) (1)	10.041	51.196
Koç Üniversitesi (Koç Üniversitesi) (1)	6.425	-
Vehbi Koç Vakfı Amerikan Hastanesi (1)	3.842	-
Promena Elektronik Tic. A.Ş. (Promena) (1)	2.440	38.466
Eltek Elektrik Enerji İth. İhr.Top.Tic. A.Ş. (Eltek) (1)	-	275.599
Other	7.321	941
Total (Note 5)	3.283.045	3.376.743

Bank deposits	September 30, 2011	December 31, 2010
Yapı ve Kredi Bankası A.Ş. (1)		
- Demand deposits	506.290	4.201.751
- Time deposits	7.732.570	-
	8.238.860	4.201.751

Checks and notes in collection	September 30, 2011	December 31, 2010
Yapı ve Kredi Bankası A.Ş. (1)	6.008.901	14.226.501
	6.008.901	14.226.501

Short term financial liabilities	September 30, 2011	December 31, 2010
Yapı ve Kredi Bankası A.Ş. (1)	-	-
	-	-

(1) Shareholder's subsidiary
(2) Shareholder

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

18. Related party disclosures (continued)

ii) Major sales and purchase transactions with related parties:

Product sales and service revenue	January 1 - September 30, 2011	July 1 - September 30, 2011	January 1 - September 30, 2010	July 1 - September 30, 2010
Ram Dış (1) (*)	28.160.757	11.182.528	29.271.600	11.210.486
Türk Traktör (1)	2.993.830	1.279.858	-	-
Ford Otosan (1)	1.270.458	1.270.268	3.561	3.032
Zer A.Ş (1)	958.985	514.432	297.478	82.106
Aygaz (1)	81.981	5.193	115.426	33.629
Opet Petrolcülük (1)	1.656	1.656	-	-
Otokoç Otomotiv (1)	-	-	161.500	-
Total	33.467.667	14.253.935	29.849.565	11.329.253

(*) Sales to Ram Dış consist of export registered sales to third parties. Sales conditions are determined according to the contract between the company and third parties and Ram Dış is only mediated to the transactions. Commission is paid to Ram Dış for such transactions and no profit-sharing other than this is possible.

Purchase of property, plant and equipment	January 1 - September 30, 2011	July 1 - September 30, 2011	January 1 - September 30, 2010	July 1 - September 30, 2010
Koç Sistem (1)	702.218	70.864	1.116.192	43.613
Zer (1)	47.424	19.228	2.619	1.463
Arçelik A.Ş. (Arçelik) (1)	17.214	9.611	-	-
Bilkom A.Ş. (Bilkom) (1)	8.006	-	-	-
Koçnet (1)	2.185	2.185	91.210	-
Otokoç (1)	-	-	59.794	59.794
Total	777.047	101.888	1.269.815	104.870

Inventory purchases	January 1 - September 30, 2011	July 1 - September 30, 2011	January 1 - September 30, 2010	July 1 - September 30, 2010
Ram Dış (1)	7.112.154	2.219.063	2.854.346	1.169.304
Zer (1)	6.736.546	2.876.826	3.199.917	1.010.712
Akpa (1)	1.764.381	569.767	909.226	302.887
Aygaz Doğalgaz (1)	838.652	112.292	-	-
Türk Traktör (1)	521.918	521.918	-	-
Opet (1)	467.043	169.268	216.176	69.965
Koçtaş (1)	61.460	35.444	13.604	1.112
Arçelik (1)	533	534	2.743	2.743
Total	17.502.687	6.505.112	7.196.012	2.556.723

(1) Shareholder's subsidiary

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements
for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)
(Currency –Turkish Lira (TL) unless otherwise indicated)

18. Related party disclosures (continued)

	January 1 - September 30, 2011	July 1 - September 30, 2011	January 1 - September 30, 2010	July 1 - September 30, 2010
Services received				
Eltek (1)	1.690.458	-	900.401	580.094
Setur (1)	1.564.829	533.777	1.005.187	225.721
Ram Sigorta (1) (*)	843.959	244.045	1.109.955	257.542
Koç Holding (2)	733.082	191.783	896.711	336.604
Ram Dış (1)	602.503	78.443	1.165.182	65.512
Otokoç (1)	457.225	136.583	420.798	115.332
Koç Sistem (1)	444.022	162.735	155.577	51.928
Koçnet (1)	219.317	86.250	208.074	66.988
Koç Üniversitesi (1)	179.026	31.826	9.616	9.616
Platform (1)	152.388	152.388	-	-
Promena (1)	103.013	56.992	63.168	40.609
Yapı Kredi Sigorta A.Ş. (1)	23.520	-	-	-
Setair (1)	21.355	-	-	-
Vehbi Koç Vakfı Hastanesi (1)	12.480	10.722	-	-
Other (1)	5.782	74	4.919	100
Total	7.052.959	1.685.618	5.939.588	1.750.046

(*) It includes paid and accrued premium as of September 30, 2011 in accordance with insurance policies signed between unrelated insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is an insurance agency.

Financial income and expense with related parties:

	January 1 - September 30, 2011	July 1 - September 30, 2011	January 1 - September 30, 2010	July 1 - September 30, 2010
Interest income				
Yapı ve Kredi Bankası A.Ş. (1)	199.236	109.117	46.967	-
Total	199.236	109.117	46.967	-

	September 30, 2011	September 30, 2011	September 30, 2010	September 30, 2010
Foreign exchange gains				
Ram Dış (1)	5.893.136	1.614.077	5.544.157	3.347.340
Yapı Kredi (1)	236.145	34.268	1.034.570	519.811
Ram Sigorta (1)	-	-	425	-
Total	6.129.281	1.648.345	6.579.152	3.867.151

(1) Shareholder's subsidiary
(2) Shareholder

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

18. Related party disclosures (continued)

	January 1 - September 30, 2011	July 1 - September 30, 2011	January 1 - September 30, 2010	July 1 - September 30, 2010
Foreign exchange losses				
Ram Dış (1)	7.360.253	2.854.737	5.912.373	7.903
Yapı ve Kredi Bankası A.Ş. (1)	1.307.565	292.966	500.106	32.113
Ram Sigorta (1)	409	323	194	147
Total	8.668.227	3.148.026	6.412.673	40.163

	January 1 - September 30, 2011	July 1 - September 30, 2011	January 1 - September 30, 2010	July 1 - September 30, 2010
Forward gains				
Yapı ve Kredi Bankası A.Ş. (1)	-	-	1.044.541	(1.411.055)
Total	-	-	1.044.541	(1.411.055)

	January 1 - September 30, 2011	July 1 - September 30, 2011	January 1 - September 30, 2010	July 1 - September 30, 2010
Forward expense				
Yapı ve Kredi Bankası A.Ş. (1)	-	-	(1.191.081)	(1.191.081)
Total	-	-	(1.191.081)	(1.191.081)

	January 1 - September 30, 2011	July 1 - September 30, 2011	January 1 - September 30, 2010	July 1 - September 30, 2010
Interest expense				
Yapı ve Kredi Bankası A.Ş. (1)	89.140	11.660	3.907.631	968.197
Total	89.140	11.660	3.907.631	968.197

Benefits provided to executives

Short term benefits provided to the executive management by the Company for the period ended September 30, 2011 amounted to TL 2.042.858 (September 30, 2010 - TL 1.847.046). Executive Management comprises Board of Directors, General Manager and Vice General Manager.

19. Nature and level of risks arising from financial instruments

The Company is exposed to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. These risks are market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**Notes to the interim condensed financial statements**

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

19. Nature and level of risks arising from financial instruments (continued)**Market risk****a) Foreign currency risk and related sensitivity analysis**

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

The accompanying table represents the foreign currency risk of the Company as of September 30, 2011;

		Table of foreign currency position				
		September 30, 2011				
		TL equivalent (functional currency)	USD	EUR	GBP	CHF
1.	Trade receivables	176.420.217	23.033.816	52.939.216	255.066	-
2a.	Monetary financial assets (including cash, bank accounts)	121.924.542	52.222.870	10.026.316	115.800	-
2b.	Non-monetary financial assets	-	-	-	-	-
3.	Other	-	-	-	-	-
4.	Current assets (1+2+3)	298.344.759	75.256.686	62.965.532	370.866	-
5.	Trade receivables	78.598.108	-	31.243.037	-	-
6a.	Monetary financial assets	-	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-	-
7.	Other	-	-	-	-	-
8.	Non-current assets (5+6+7)	78.598.108	-	31.243.037	-	-
9.	Total assets(4+8)	376.942.867	75.256.686	94.208.569	370.866	-
10.	Trade payables	(42.451.192)	(2.698.317)	(6.129.349)	(7.634.810)	-
11.	Financial liabilities	-	-	-	-	-
12a.	Monetary other liabilities	(354.333.042)	(191.198.947)	(601.672)	-	-
12b.	Non-monetary other liabilities	-	-	-	-	-
13.	Current liabilities (10+11+12)	(396.784.234)	(193.897.264)	(6.731.021)	(7.634.810)	-
14.	Trade payables	-	-	-	-	-
15.	Financial liabilities	-	-	-	-	-
16a.	Monetary other liabilities	-	-	-	-	-
16b.	Non-monetary other liabilities	-	-	-	-	-
17.	Non-current liabilities (14+15+16)	-	-	-	-	-
18.	Total liabilities (13+17)	(396.784.234)	(193.897.264)	(6.731.021)	(7.634.810)	-
19.	Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	22.584.498	123.634.124	(89.172.855)	6.500.000	-
19a.	Hedged total assets amount	246.916.649	123.634.124	-	6.500.000	-
19b.	Hedged total liabilities amount	(224.332.151)	-	(89.172.855)	-	-
20.	Net foreign currency asset/(liability) position (9+18+19)	2.743.131	4.993.546	(1.695.307)	(763.944)	-
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(19.841.367)	(118.640.578)	87.477.548	(7.263.944)	-
22.	Total fair value of financial instruments used for foreign currency hedging	22.584.498	123.634.124	(89.172.855)	6.500.000	-
23.	Export	87.261.645	34.939.673	14.422.648	126.611	-
24.	Import	239.940.331	50.223.252	60.115.589	7.118.190	500

As of September 30, 2011, the Company signed forward agreements amounting to USD 114.867.800 and GBP 6.500.000 (December 31, 2010 - USD 56.440.600 and GBP 2.400.000). According to the agreements, the Company will purchase the related amounts in consideration to EUR 89.172.855 (December 31, 2010 - 44.949.712 EURO).

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

19. Nature and level of risks arising from financial instruments (continued)

		Table of foreign currency position				
		December 31, 2010				
		TL equivalent (functional currency)	USD	EUR	GBP	CHF
1.	Trade receivables	104.009.947	14.725.861	39.292.550	305.368	-
2a.	Monetary financial assets (including cash, bank accounts)	155.109.729	91.024.578	7.012.640	6.753	-
2b.	Non-monetary financial assets	-	-	-	-	-
3.	Other	-	-	-	-	-
4.	Current assets (1+2+3)	259.119.676	105.750.439	46.305.190	312.121	-
5.	Trade receivables	41.433.423	-	20.220.303	-	-
6a.	Monetary financial assets	-	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-	-
7.	Other	-	-	-	-	-
8.	Non-current assets (5+6+7)	41.433.423	-	20.220.303	-	-
9.	Total assets(4+8)	300.553.099	105.750.439	66.525.493	312.121	-
10.	Trade payables	(15.824.373)	-	(4.592.477)	(2.685.225)	-
11.	Financial liabilities	(21.265.824)	-	(10.378.129)	-	-
12a.	Monetary other liabilities	(247.370.105)	(159.057.179)	(716.269)	-	-
12b.	Non-monetary other liabilities	-	-	-	-	-
13.	Current liabilities (10+11+12)	(284.460.302)	(159.057.179)	(15.686.875)	(2.685.225)	-
14.	Trade payables	-	-	-	-	-
15.	Financial liabilities	(15.469.279)	-	(7.549.304)	-	-
16a.	Monetary other liabilities	-	-	-	-	-
16b.	Non-monetary other liabilities	-	-	-	-	-
17.	Non-current liabilities (14+15+16)	(15.469.279)	-	(7.549.304)	-	-
18.	Total liabilities (13+17)	(299.929.581)	(159.057.179)	(23.236.179)	(2.685.225)	-
19.	Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	-	-	-	-	-
19a.	Hedged total assets amount	-	-	-	-	-
19b.	Hedged total liabilities amount	-	-	-	-	-
20.	Net foreign currency asset/(liability) position (9+18+19)	623.518	(53.306.740)	43.289.314	(2.373.104)	-
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	623.518	(53.306.740)	43.289.314	(2.373.104)	-
22.	Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-
23.	Export (As of September 30, 2010)	36.793.024	4.501.885	14.972.711	97.873	-
24.	Import (As of September 30, 2010)	86.131.093	19.322.883	24.532.629	3.456.768	-

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

for the period ended September 30, 2011

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)

(Currency –Turkish Lira (TL) unless otherwise indicated)

19. 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 September 30, 2011 and December 31, 2010:

		Exchange rate sensitivity analysis table	
		September 30, 2011	
		Profit/(loss) before tax	Profit/(loss) before tax
		Appreciation of foreign currency	Appreciation of foreign currency
<i>In case 10% appreciation of USD against TL:</i>			
1-	USD net asset/liability	921.459	(921.459)
2-	Amount hedged for USD risk (-)	-	-
3-	USD net effect (1+2)	921.459	(921.459)
<i>In case 10% appreciation of EUR against TL:</i>			
4-	EUR net asset/liability	(426.488)	426.488
5-	Amount hedged for EUR risk (-)	-	-
6-	EUR net effect (4+5)	(426.488)	426.488
<i>In case 10% appreciation of GBP against TL:</i>			
7-	GBP net asset/liability	(220.658)	220.658
8-	Amount hedged for GBP risk (-)	-	-
9-	GBP net effect (7+8)	(220.658)	220.658
Total (3+6+9)		(274.313)	274.313

		Exchange rate sensitivity analysis table	
		December 31, 2010	
		Profit/(loss) before tax	Profit/(loss) before tax
		Appreciation of foreign currency	Appreciation of foreign currency
<i>In case 10% appreciation of USD against TL:</i>			
1-	USD net asset/liability	(8.241.222)	8.241.222
2-	Amount hedged for USD risk (-)	-	-
3-	USD net effect (1+2)	(8.241.222)	8.241.222
<i>In case 10% appreciation of EUR against TL:</i>			
4-	EUR net asset/liability	8.870.414	(8.870.414)
5-	Amount hedged for EUR risk (-)	-	-
6-	EUR net effect (4+5)	8.870.414	(8.870.414)
<i>In case 10% appreciation of GBP against TL:</i>			
7-	GBP net asset/liability	(566.840)	566.840
8-	Amount hedged for GBP risk (-)	-	-
9-	GBP net effect (7+8)	(566.840)	566.840
Total (3+6+9)		62.352	(62.352)

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

**Notes to the interim condensed financial statements
for the period ended September 30, 2011**

**Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting
Standards in Capital Market” (continued)**

(Currency –Turkish Lira (TL) unless otherwise indicated)

20. Subsequent events

None.

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

There is no other matters having significant impact on or requiring explanation in order to provide the clarity, interpretability and perceptibility of the financial statements.