

(Convenience translation of a review report and interim financial statements originally issued in Turkish)

Otokar Otomotiv ve Savunma Sanayi Anonim Őirketi

**Financial statements and review report of
independent auditors for the interim period
January 1 - June 30, 2012**

(Convenience translation of a review report and interim financial statements originally issued in Turkish)

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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(Convenience translation of review report originally issued in Turkish – See additional paragraph below)

Independent auditor’s review report on the interim financial statements for the period of January 1 - June 30, 2012

To the Board of Directors of
Otokar Otomotiv ve Savunma Sanayi A.Ş.:

We have reviewed the accompanying condensed financial statements of Otokar Otomotiv ve Savunma Sanayi A.Ş (“the Company”), which comprise the condensed balance sheet as at June 30, 2012, the condensed comprehensive income statement, equity movement and cash flow statement for the six month period then ended. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with financial reporting standards issued by Capital Market Board. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with standards on auditing issued by Capital Markets Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards published by Capital Markets Board. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the financial reporting standards issued by Capital Markets Board.

Additional paragraph for convenience translation to English

As described in Note 2 to the accompanying financial statements, accounting principles and standards applied in the accompanying financial statements (CMB financial accounting standards) are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board except for the adoption of an earlier date for discontinuation of application of IAS 29 (Financial Reporting in Hyperinflationary Economies). As per CMB financial accounting standards application of inflation accounting was ceased effective as of January 1, 2005 whereas per IFRS it was ceased effective January 1, 2006.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Erdem Tecer, SMMM
Engagement Partner

July 27, 2012
Istanbul, Turkey

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Interim balance sheet as of June 30, 2012

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
		Reviewed	Audited
	Notes	June 30, 2012	December 31, 2011
Assets			
Current assets			
Cash and cash equivalents	3	33.026.787	4.470.424
Trade receivables	6	241.771.567	215.803.465
- Due from related party	6, 19	36.034.769	19.862.364
- Other trade receivable	6	205.736.798	195.941.101
Other receivables		83.443	577
Inventories	7	254.709.486	168.551.835
Estimated earnings in excess of billings on uncompleted contracts	8	49.989.494	43.967.333
Derivative financial instruments	11	4.073.839	9.022.907
Other current assets	13	172.620.537	133.705.191
Total current assets		756.275.153	575.521.732
Non-current assets			
Trade receivables	6	64.166.709	81.455.465
Other receivables		5.903	5.903
Financial investment	4	239.280	239.280
Property, plant and equipment	9	118.626.782	113.300.891
Intangibles	10	81.731.866	71.474.322
Deferred tax asset	17	14.344.866	12.648.352
Total non-current assets		279.115.406	279.124.213
Total assets		1.035.390.559	854.645.945

The accompanying policies and explanatory notes on pages 7 through 35 form an integral part of the financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Interim balance sheet as of June 30, 2012

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
		Reviewed	Audited
	Notes	June 30, 2012	December 31, 2011
Liabilities			
Current liabilities			
Financial liabilities	5	176.242.861	96.867.900
Trade payables	6	71.373.877	78.495.682
- Due to related party	6,19	4.427.376	5.086.142
- Other trade payables	6	66.946.501	73.409.540
Other payables	8	247.649.692	154.929.567
Government incentives and grants		621.992	621.992
Current tax liabilities for the current period income	17	6.092.486	3.089.785
Provisions	12	230.778.751	206.459.342
Other current liabilities	13	6.365.631	8.233.975
Total current liabilities		739.125.290	548.698.243
Non-current liabilities			
Financial liabilities	5	80.112.339	82.471.971
Government incentives and grants		1.640.600	1.017.366
Employee termination benefits	17	12.231.143	9.110.483
Total non-current liabilities		93.984.082	92.599.820
Shareholders' equity			
Paid-in share capital		24.000.000	24.000.000
Inflation adjustment on equity items		52.743.030	52.743.030
Restricted reserves		22.798.147	18.118.147
Retained earnings		65.806.705	63.640.101
Net income for the period		36.933.305	54.846.604
		202.281.187	213.347.882
Total shareholders' equity		1.035.390.559	854.645.945

The accompanying policies and explanatory notes on pages 7 through 35 form an integral part of the financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Interim comprehensive income statement for the period ended June 30, 2012

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	Current period		Previous period	
		Reviewed January 1 – June 30, 2012	Reviewed April 1 – June 30, 2012	Reviewed January 1 – June 30, 2011	Reviewed April 1 – June 30, 2011
Net sales	14	435.201.084	263.424.281	389.723.373	242.113.639
Cost of sales (-)	14	(334.168.925)	(194.240.356)	(303.763.955)	(189.533.688)
Gross profit		101.032.159	69.183.925	85.959.418	52.579.951
Selling, marketing and distribution expense (-)		(32.086.417)	(18.745.191)	(33.015.361)	(18.374.098)
General and administrative expense (-)		(15.811.242)	(8.626.542)	(11.532.074)	(5.702.287)
Research and development expenses (-)		(8.756.825)	(4.259.152)	(5.716.580)	(2.734.989)
Other operating income		2.420.277	1.009.071	2.035.512	937.931
Other operating expense (-)		(2.653.385)	(2.486.219)	(2.832.192)	(2.648.784)
Operating profit		44.144.567	36.075.892	34.898.723	24.057.724
Financial income	15	70.734.648	15.757.763	35.347.681	16.501.462
Financial expense (-)	16	(76.473.565)	(19.538.908)	(37.994.675)	(18.533.616)
Net income before taxes from continuing operations		38.405.650	32.294.747	32.251.729	22.025.570
Tax income/expense for continuing operations					
- Current tax expense for the period	17	(3.168.859)	(1.981.735)	(7.837.322)	(4.938.820)
- Deferred tax income	17	1.696.514	290.528	3.367.135	1.500.481
Net income		36.933.305	30.603.540	27.781.542	18.587.231
Other comprehensive income:		-	-	-	-
Total comprehensive income		36.933.305	30.603.540	27.781.542	18.587.231
Earnings per share	18	0,00154	0,00128	0,00116	0,00077

The accompanying policies and explanatory notes on pages 7 through 35 form an integral part of the financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Interim statement of changes in equity for the period ended June 30, 2012

**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, 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	-	-	-	-	27.781.542	27.781.542
June 30, 2011	24.000.000	52.743.030	18.118.147	63.640.101	27.781.542	186.282.820
January 1, 2012	24.000.000	52.743.030	18.118.147	63.640.101	54.846.604	213.347.882
Transfer to retained earnings	-	-	-	54.846.604	(54.846.604)	-
Transfer to restricted reserves	-	-	4.680.000	(4.680.000)	-	-
Dividends paid	-	-	-	(48.000.000)	-	(48.000.000)
Total comprehensive income	-	-	-	-	36.933.305	36.933.305
June 30, 2012	24.000.000	52.743.030	22.798.147	65.806.705	36.933.305	202.281.187

The accompanying policies and explanatory notes on pages 7 through 35 form an integral part of the financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**Cash flow statement for the period ended June 30, 2012****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	June 30, 2012	June 30, 2011
Cash flows from operating activities			
Income before provision for taxes		38.405.650	32.251.729
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization expense	9	14.147.509	10.245.016
Reserve for retirement pay		3.959.943	1.850.030
Provision for impairment		853.316	-
Provision for guarantees		9.020.701	11.835.820
Gain on sale of property, plant and equipment		(96.815)	(946.705)
Interest expense	16	12.175.901	5.925.455
Interest income	15	(832.724)	(1.225.829)
Provision for doubtful receivables		2.541.921	2.805.546
Loss/ (gain) on forward transactions, net		(7.380.650)	9.163.680
Operating income before changes in operating asset and liabilities		72.794.752	71.904.742
Trade receivables and other receivables		(11.304.131)	(78.862.855)
Costs and estimated earnings in excess of billings on uncompleted contracts		(6.022.161)	(9.645.541)
Inventories		(87.010.967)	(75.408.833)
Other current assets		(38.915.346)	(53.526.748)
Trade payables		(7.121.805)	36.472.000
Other current liabilities		116.927.569	38.141.809
Taxes paid		(166.158)	(7.226.034)
Guarantees paid		(10.153.851)	(7.300.437)
Employee termination benefits paid		(839.283)	(554.530)
Net cash used in operating activities		28.188.619	(86.006.427)
Investing activities			
Purchase of property, plant and equipment	9	(11.491.895)	(8.228.754)
Purchase of intangible assets	10	(18.839.055)	(11.178.703)
Proceeds from sale of property, plant and equipment		696.821	1.676.979
Interest received		832.724	1.225.829
Net cash used in investing activities		(28.801.405)	(16.504.649)
Financing activities			
Increase on spot borrowings, net		50.414.667	21.704.506
Proceeds from bank borrowings		18.619.788	40.165.695
Repayments of bank borrowings		-	(36.735.103)
Realized (loss)/gain on realized forward transactions		12.329.718	(7.670.583)
Interest payments		(4.195.024)	(1.080.202)
Dividends paid		(48.000.000)	(15.000.000)
Net cash provided by financing activities		29.169.149	1.384.313
Net decrease in cash and cash equivalents		28.556.363	(101.126.763)
Cash and cash equivalents at the beginning of the period		4.470.424	111.564.742
Cash and cash equivalents at the end of the period		33.026.787	10.437.979

Sayfa 7 ile 35 arasında yer alan açıklayıcı notlar bu finansal tabloların tamamlayıcı parçalarıdır.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

For the period ended June 30, 2012

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 1.654 (December 31, 2011 – 1.519).

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 July 27, 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 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. 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 June 30, 2011, the shares listed on the ISE are 29,91% of the total shares. As of June 30, 2012, 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 shareholder, Ünver Holding A.Ş., is controlled by Ünver Family.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

For the period ended June 30, 2012

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 interim condensed financial statements for the six month period ended June 30, 2012 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, 2011.

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 June 30, 2012 and December 31, 2011 have been restated by applying the relevant conversion factors through December 31, 2004 and carrying additions after December 31, 2004 at their nominal values.

New and amended standards and interpretations:

The accounting policies adopted in preparation of the interim financial statements as at 30 June 2012 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2012. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2012 are as follows:

IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment)

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. These amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. Adoption of *this amendment did not have any impact on the financial position or performance of the Company* .

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

For the period ended June 30, 2012

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 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amended)

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), 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. Comparative disclosures are not required. *The amendment affects disclosures only and did not have any impact on the financial position or performance of the Company .*

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

IAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments are effective for annual periods beginning on or after 1 July 2012, but earlier application is permitted. The amendments to IAS 1 change only the grouping 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 amendments will be applied retrospectively. *The amendment affects presentation only and will have no 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 1 January 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 amended standard on the financial position or performance of the Company .*

IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10 and IFRS 12, 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. *This amendment will not have any impact on the financial position or performance of the Company .*

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

For the period ended June 30, 2012

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 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11 and IFRS 12, 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 any impact on the financial position or performance of the Company .*

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This standard has not yet been endorsed by the EU. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. *The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company .*

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity’s financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. This standard has not yet been endorsed by the EU. The amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. *The amendment affects disclosures only and will have no impact on the financial position or performance of the Company .*

IFRS 9 Financial Instruments – Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and 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 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.*

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

For the period ended June 30, 2012

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

The standard is effective for annual periods beginning on or after 1 January 2013 and is 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

The standard is effective for annual periods beginning on or after 1 January 2013 and is 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

The standard is effective for annual periods beginning on or after 1 January 2013 and is 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. This standard has not yet been endorsed by the EU. *Under the new standard the Company will provide more comprehensive disclosures for interests in other 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 1 January 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 .*

Notes to the interim condensed financial statements

For the period ended June 30, 2012

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 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted. Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. This standard has not yet been endorsed by the EU. *The interpretation is not applicable for the Company and will not have any impact on the financial position or performance of the Company .*

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after 1 January 2013. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as ‘the beginning of the annual reporting period in which IFRS 10 is applied for the first time’. The assessment of whether control exists is made at ‘the date of initial application’ rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU. *The Company is in the process of assessing the impact of the guidance on the financial position or performance of the Company .*

Improvements to IFRSs

The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after 1 January 2013. Earlier application is permitted in all cases, provided that fact is disclosed. This project has not yet been endorsed by the EU. *The Company is in the process of assessing the impact of the project on the financial position or performance of the Company .*

IAS 1 Financial Statement Presentation:

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

IAS 16 Property, Plant and Equipment:

Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments: Presentation:

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

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

2. Basis of presentation (continued)

IAS 34 Interim Financial Reporting:

Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

2.2 Convenience translation into English of consolidated financial statements originally issued in Turkish

The accounting standards described above (defined as CMB Financial Reporting Standards) differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between January 1 - December 31, 2005. Accordingly, these consolidated financial statements are not intended to present the financial position, the results of operations and the cash flows in accordance with IFRS.

3. Cash and cash equivalents

	June 30, 2012	December 31, 2011
Cash at banks		
- demand deposits	8.538.063	2.897.205
- time deposits	21.131.961	-
Checks and notes received	3.320.118	1.526.619
Other	36.645	46.600
	33.026.787	4.470.424

As of June 30, 2012, effective interest rates of time deposits which are originally amounting to USD 6.075.000, EUR 4.315.000 and TL 341.000 are annually 3,50% for USD, 1,93% for EUR and %8,50 for TL and their maturities are 3 days on average (As of December 31, 2011, no time deposit exists).

As of June 30, 2012 and December 31, 2011, checks and notes received consist of checks and notes given to banks for collections which are overdue as of balance sheet date.

As of June 30, 2012, the Company has restricted bank deposit amounting to TL 1.145 (December 31, 2011 - TL 1.145).

4. Financial investments

The Company has a subsidiary titled as "Otokar Europe SAS" with a capital of Euro 100.000, established on August 18, 2011, for the purpose of organizing export activities and increasing export sales. Since "Otokar Europe SAS" has not yet started its operations and does not materially affect the financial statements, it has not been subject to consolidation and is carried at cost values.

The paid-in capital of Otokar Europe SAS is TL 239.280.

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5. Financial liabilities

				June 30, 2012
	Maturities	Interest rate (%)	Amount in original currency	TL
Short-term bank borrowings (*)				
Denominated in TL	July 2, 2012 – February 7, 2013	%11,40 - %12,49	176.242.861	176.242.861
Total				176.242.861

				June 30, 2012
	Maturities	Interest rate (%)	Amount in original currency	TL
Long-term bank borrowings (*) (**)				
Denominated in TL	September 16, 2013- March 20, 2014	%11,71- %13,12	80.112.339	80.112.339
Total				80.112.339

(*) Bearing fixed interest rate

(**) Principles of long- term borrowings outstanding at June 30, 2012 will be repaid on their maturity days with all interests accrued. Maturity term of long term borrowings on average is 536 days.

				December 31, 2011
	Maturities	Interest rate (%)	Amount in original currency	TL
Short-term bank borrowings (*)				
Denominated in TL	January 2, 2012 – March 15, 2012	%8,55-%12,95	96.867.900	96.867.900
Total				96.867.900

				December 31, 2011
	Maturities	Interest rate (%)	Amount in original currency	TL
Long-term bank borrowings (*) (**)				
Denominated in TL	January 7, 2013- September 16, 2013	%10,88- %11,16	82.471.971	82.471.971
Total				82.471.971

(*) Bearing fixed interest rate.

(**) Principles of long- term borrowings outstanding at June 30, 2011 will be repaid on their maturity days with all interests accrued. Maturity term of long term borrowings on average is 499 days.

The Company has not provided any guarantees for the borrowings received as of June 30, 2012 (December 31, 2011 - None).

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6. Trade receivables and payables

Trade receivables

	June 30, 2012	December 31, 2011
Trade receivables, net	65.043.110	67.250.300
Notes receivables, net	160.650.148	147.028.337
	225.693.258	214.278.637
Less: Provision for doubtful receivables	(19.956.460)	(18,337,536)
Other short-term trade receivables	205.736.798	195,941,101
Trade receivables from related parties (Note 25)	36.034.769	19.862.364
Short-term trade receivables	241.771.567	215.803.465
Long-term notes receivable, net	64.166.709	81.455.465
Long-term receivables	64.166.709	81.455.465

As of June 30, 2012, average collection term for trade receivables is 60-90 days (December 31, 2011–60-90 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 June 30, 2012, the total trade receivable from dealers amounting to TL 63.436.187 (December 31, 2011 - TL 52.916.990), after provision reserved for doubtful receivables, has been secured by mortgages and guarantees at the amount of TL 56.890.004 (December 31, 2011 - TL 41.753.015).

The movement of the provision for doubtful receivables for the periods ended June 30, 2012 and June 30, 2011 are as follows:

	June 30, 2012	June 30, 2011
January 1	18.337.536	10.540.246
Collections	(922.997)	(14.293)
Additional provision	2.541.921	2.805.546
Total	19.956.460	13.331.499

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6. Trade receivables and payables (continued)

Trade receivables aging analysis

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

<u>June 30, 2012</u>	<u>Trade receivables</u>
1- 30 day past due	-
1- 3 month past due	74.257
3- 12 month past due	-
1- 5 year past due	1.128.295
Over 5 year past due	-
Total	1.202.552
Amount secured with guarantee (1)	1.145.091

<u>December 31, 2011</u>	<u>Trade receivables</u>
1- 30 day past due	-
1- 3 month past due	251.577
3- 12 month past due	-
1- 5 year past due	1.222.206
Over 5 year past due	-
Total	1.473.783
Amount secured with guarantee (1)	1.462.159

(1) Pledges on trailers.

Trade payables

	<u>June 30, 2012</u>	<u>December 31, 2011</u>
Trade payables, net	66.770.851	73.243.490
Notes payables, net	175.650	166.050
Short-term trade payables	66.946.501	73.409.540
Trade payables to related parties (Note 18)	4.427.376	5.086.142
Short-term trade payables	71.373.877	78.495.682

As of June 30, 2012, average payment term for trade payables is 45-60 days (December 31, 2011 – 45-60 days).

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7. Inventories

	June 30, 2012	December 31, 2011
Raw material	101.487.791	47.815.012
Work-in-process	15.707.726	9.056.158
Finished goods	63.493.895	61.757.207
Merchandise	26.063.000	24.079.893
Goods in transit	50.385.842	27.419.017
(-) Impairment for inventories (*)	(2.428.768)	(1.575.452)
Total	254.709.486	168.551.835

(*) TL 2.071.990 of impairment is related to finished goods and TL 356.778 is related to merchandises. The impairment has been accounted under cost of sales account.

8. Costs and billings on uncompleted contracts and other payables

As of June 30, 2012 accrued costs related to uncompleted contracts amounted to TL 289.462.693 (December 31, 2011 - TL 251.447.795).

As of June 30, 2012, the short term advances taken by the Company related with ongoing projects which amounts to TL 165.229.556 was included in other payables in the financial statements (December 31, 2011 – TL 61.420.658). As of June 30, 2012, TL 77.166.716 (December 31, 2011 – TL 44.050.664) of other payables comprise advances taken and other payables amounting to TL 5.253.420 (December 31, 2011 – TL 6.582.274).

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9. Property, plant and equipment

For the period ended June 30, 2012, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	January 1, 2012	Additions	Disposals	Transfers	June 30, 2012
Cost:					
Land	36.970.746	-	-	-	36.970.746
Land improvements	6.315.934	5.524	-	-	6.321.458
Buildings	57.228.511	-	-	-	57.228.511
Machinery, equipment and installations	88.778.684	2.795.825	(3.000)	9.720.946	101.292.455
Motor vehicles	6.936.226	753.497	(766.737)	33.498	6.956.484
Furniture and fixtures	23.123.058	1.303.305	(41.168)	30.614	24.415.809
Leasehold improvements	1.448.602	-	-	-	1.448.602
Construction in progress	10.604.273	6.633.744	-	(9.785.058)	7.452.959
	231.406.034	11.491.895	(810.905)	-	242.087.024
Accumulated depreciation:					
Land improvements	2.527.139	114.851	-	-	2.641.990
Buildings	23.662.910	1.328.455	-	-	24.991.365
Machinery, equipment and installations	72.176.019	3.116.860	(2.000)	-	75.290.879
Motor vehicles	3.601.725	230.858	(181.203)	-	3.651.380
Furniture and fixtures	14.891.289	755.868	(27.696)	-	15.619.461
Leasehold improvements	1.246.061	19.106	-	-	1.265.167
	118.105.143	5.565.998	(210.899)	-	123.460.242
Net book value	113.300.891				118.626.782

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

	January 1, 2011	Additions	Disposals	Transfers	June 30, 2011
Cost:					
Land	36.396.386	574.360	-	-	36.970.746
Land improvements	5.481.336	-	-	-	5.481.336
Buildings	53.219.003	46.854	-	-	53.265.857
Machinery, equipment and installations	92.434.926	1.284.310	(511.860)	-	93.207.376
Motor vehicles	6.698.795	167.767	(471.500)	-	6.395.062
Furniture and fixtures	18.759.148	1.233.821	(175.371)	-	19.817.598
Leasehold improvements	1.448.602	-	-	-	1.448.602
Construction in progress	670.873	4.921.642	-	-	5.592.515
	215.109.069	8.228.754	(1.158.731)	-	222.179.092
Accumulated depreciation:					
Land improvements	2.330.079	100.828	-	-	2.430.907
Buildings	21.113.641	1.261.760	-	-	22.375.401
Machinery, equipment and installations	73.826.184	2.348.148	(213.052)	-	75.961.280
Motor vehicles	3.370.231	213.641	(64.463)	-	3.519.409
Furniture and fixtures	14.123.773	398.399	(150.942)	-	14.371.230
Leasehold improvements	1.207.532	19.309	-	-	1.226.841
	115.971.440	4.342.085	(428.457)	-	119.885.068
Net book value	99.137.629				102.294.024

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9. Property, plant and equipment (continued)

For the periods ended 30 June, 2012 and 30 June, 2011, the allocation of depreciation and amortisation expenses of property, plant and equipment and intangibles has been as follows:

	June 30, 2012	June 30, 2011
Research and development expenses	7.892.357	5.306.240
General manufacturing costs	3.141.215	3.037.343
Development projects in process	551.804	564.267
Costs related to uncompleted contracts	1.702.353	543.232
General administrative expenses	568.282	524.190
Selling and marketing expenses	291.498	269.744
Total	14.147.509	10.245.016

As of June 30, 2012 and December 31, 2011, gross values of fully depreciated items which are still in use are as follows:

	June 30, 2012	December 31, 2011
Machinery, equipment and installations	55.307.247	45.831.577
Motor vehicles	2.585.412	2.585.412
Furniture and fixtures	11.916.042	11.912.057
Leasehold improvements	1.094.646	1.094.646
	70.903.347	61.423.692

10. Intangible assets

For the period ended June 30, 2012, the movement of intangibles and accumulated amortization is as follows:

	January 1, 2012	Additions	June 30, 2012
Cost:			
Other intangible assets	7.958.897	633.666	8.592.563
Development costs	80.600.486	-	80.600.486
Development projects in process	9.081.096	18.205.389	27.286.485
	97.640.479	18.839.055	116.479.534
Accumulated amortization:			
Other intangible assets	5.423.475	689.153	6.112.628
Development costs	20.742.682	7.892.358	28.635.040
	26.166.157	8.581.511	34.747.668
Net book value	71.474.322		81.731.866

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10. Intangible assets (continued)

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

	January 1, 2011	Additions	Transfers	June 30, 2011
Cost:				
Other intangible assets	6.768.208	555.247	-	7.323.455
Development costs	55.012.467	-	2.946.988	57.959.455
Development projects in process	7.299.830	10.623.456	(2.946.988)	14.976.298
	69.080.505	11.178.703	-	80.259.208
Accumulated amortization:				
Other intangible assets	4.186.143	596.691	-	4.782.834
Development costs	9.373.412	5.306.240	-	14.679.652
	13.559.555	5.902.931	-	19.462.486
Net book value	55.520.950			60.796.722

As of June 30, 2012 and December 31, 2011, the gross values of fully amortized intangible assets which are still in use are as follows:

	June 30, 2012	December 31, 2011
Other intangible assets	2.977.978	2.793.969
	2.977.978	2.793.969

11. 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.

	Contract amount	Contract maturity	Fair values Assets
June 30, 2012:			
Forward transactions	217.186.100	July, 31 2012- September, 28 2012	4.073.839
Short-term derivative financial instruments	217.186.100		4.073.839
Total derivative financial instruments	217.186.100		4.073.839
December 31, 2011:			
Forward transactions	208.525.910	January 11, 2012 – March 30, 2012	9.022.907
Short-term derivative financial instruments	208.525.910		9.022.907
Total derivative financial instruments	208.525.910		9.022.907

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12. Provisions, contingent assets and liabilities

Provisions

	June 30, 2012	December 31, 2011
Provision for other cost (*)	202.152.886	183.334.944
Warranty provision	17.635.779	18.768.929
Provision for sales expenses	3.488.897	1.920.005
Provision for vacation pay liability	2.985.185	2.235.464
Provision for personnel premium	3.450.000	-
Other	1.066.004	200.000
	230.778.751	206.459.342

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

Commitments and contingencies

As of June 30, 2012 and December 31, 2011, the tables which represent the position of guarantees, pledges and mortgages are as follow:

	June 30, 2012	December 31, 2011
Guarantees given by the Company		
a. Total amount of guarantees, pledges and mortgages given in the name of legal entity	607.217.144	649.585.517
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	607.217.144	649.585.517

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

	June 30, 2012		December 31, 2011	
	Original currency	TL	Original currency	TL
U.S. Dollars	293.805.781	530.760.143	301.322.506	569.168.082
Euro	9.306.018	21.163.747	13.492.893	32.973.933
GBP	9.192	25.935	12.027	35.081
Turkish Lira	55.267.319	55.267.319	47.408.421	47.408.421
		607.217.144		649.585.517

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12. Provisions, contingent assets and liabilities (continued)

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

	June 30, 2012	December 31, 2011
Guarantee letters given		
Under secretariat of Ministry of Defense	415.861.096	439.881.761
Other	191.356.048	209.703.756
	607.217.144	649.585.517

b) Guarantees received as of June 30, 2012 and December 31, 2011 is as follows:

	June 30, 2012	December 31, 2011
Bank letters of guarantee (*)	287.876.310	225.181.079
Mortgages received	59.706.698	53.460.035
Guarantee notes	3.842.000	3.842.000
	351.425.008	282.483.114

(*) Bank letters of guarantee amounting to TL 161.623.567 are obtained from the sub-contractors for Altay Project (December 31, 2011– TL 116.160.705).

The case of tax deduction related to R&D discount for the R&D activities in 2010 has ended on behalf of the company and TL 2.923.627 has been returned. For the same case of 2011, it is subject to legal case and not concluded yet. The expected return amount of 2011 is TL 3.963.320. There is no new legal case at the first half of 2012 but the expected effective amount of the first half of the year is TL 2.414.043.

13. Other assets and liabilities

	June 30, 2012	December 31, 2011
a) Other current assets:		
Advances given	153.996.041	105.134.614
Value added tax receivables	16.588.371	25.754.551
Prepaid expenses	990.635	1.373.991
Other	1.045.490	1.442.035
Total	172.620.537	133.705.191

b) Other current liabilities:

Social security premiums payable	4.806.184	2.476.644
Taxes and funds payable	1.178.555	5.253.198
Deferred special consumption tax	62.140	100.355
Other	318.752	403.778
Total	6.365.631	8.233.975

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**Notes to the interim condensed financial statements****For the period ended June 30, 2012****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)****14. Sales and cost of sales****Net sales**

	January 1 - June 30, 2012	April 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2011
Domestic sales	324.535.702	192.906.302	317.142.550	207.221.036
Export sales	110.706.682	70.538.506	72.603.063	34.903.235
Gross sales	435.242.384	263.444.808	389.745.613	242.124.271
Less: Sales discounts and sales returns	(41.300)	(20.527)	(22.240)	(10.632)
Net sales	435.201.084	263.424.281	389.723.373	242.113.639

As of June 30, 2012 and June 30, 2011 a breakdown of net sales in terms of categories are as follows:

	January 1 - June 30, 2012	April 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2011
Commercial vehicles	212.043.729	113.910.722	221.479.162	145.299.723
Armored vehicles	127.534.092	95.856.461	94.362.875	55.414.440
Other sales (*)	95.623.263	53.657.098	73.881.336	41.399.476
	435.201.084	263.424.281	389.723.373	242.113.639

(*) TL 52.058.926 of this amount is related to revenues of uncompleted contracts (June 30, 2011 - TL 49.152.403).

Cost of sales

	January 1 - June 30, 2012	April 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2011
Cost of finished goods sold	311.847.112	180.605.705	292.272.939	183.335.275
Cost of merchandise sold	22.321.813	13.634.651	11.491.016	6.198.413
Cost of sales	334.168.925	194.240.356	303.763.955	189.533.688

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15. Financial income

	January 1 - June 30, 2012	April 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2011
Foreign exchange gains	45.473.929	(1.187.817)	28.480.518	12.900.527
Forward income	16.855.435	13.208.278	-	-
Term difference income related with sales	7.572.560	3.464.973	5.509.334	3.208.058
Interest income from time deposits	832.724	272.329	1.225.829	392.877
Foreign exchange gains on bank borrowings	-	-	132.000	-
Total	70.734.648	15.757.763	35.347.681	16.501.462

16. Financial expense

	January 1 - June 30, 2012	April 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2011
Foreign exchange losses	(54.822.880)	(12.584.268)	(19.402.290)	(10.492.660)
Interest expense on bank borrowings	(12.175.901)	(7.492.620)	(5.925.455)	(3.312.838)
Forward expense	(9.474.784)	537.980	(9.163.680)	(3.255.570)
Foreign exchange losses on bank borrowings	-	-	(3.503.250)	(1.309.000)
Unearned financial expense	-	-	-	(163.548)
Total	(76.473.565)	(19.538.908)	(37.994.675)	(18.533.616)

17. 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% (2011 - %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% (2011 - 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.

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

17. Tax assets and liabilities (continued)

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 2012 amounting to TL 17.396.246, the Company has utilized research and development incentives at 100% deduction without any withholding tax. The Company has an R&D center certificate.

As of June 30, 2012 and December 31, 2011, income tax payables net off prepaid taxes presented in the balance sheet is as follows:

	June 30, 2012	December 31, 2011
Income tax payable	6.092.486	11.633.639
Prepaid tax	-	(8.543.854)
Income tax payable	6.092.486	3.089.785

The breakdown of total tax expense for the period ended June 30, 2012 and 2011 is as follows:

	January 1 – June 30, 2012	January 1– June 30, 2011
Current tax charge	(3.168.859)	(7.837.322)
Deferred tax credit	1.696.514	3.367.135
Total tax (expense)/income	(1.472.345)	(4.470.187)

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

	January 1 – June 30, 2012	January 1– June 30, 2011
Profit/(loss) before tax	38.405.650	32.251.729
Income tax (charge)/credit at effective tax rate 20%	(7.681.130)	(6.450.346)
Effect of exemptions and incentives	6.402.876	1.877.482
Others	(194.091)	102.677
Total tax (expense)/income	(1.472.345)	(4.470.187)

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

17. Tax assets and liabilities (continued)

As of June 30, 2012 and December 31, 2011, 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)	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Property, plant and equipment	(7.533.185)	(8.101.095)	1.974.658	1.861.076
Intangibles	(12.070.976)	(12.721.283)	(2.414.195)	(2.544.257)
Deferred financial expense	(389.474)	(517.981)	(77.895)	(103.596)
Inventories	(386.786)	(325.962)	(77.357)	(65.192)
Warranty reserve	17.635.778	18.768.929	3.527.156	3.753.786
Reserve for retirement pay	12.231.143	9.110.483	2.446.229	1.822.097
Deferred financial income	3.240.283	1.230.242	648.057	246.048
Other provisions	14.404.422	7.704.234	2.880.884	1.540.847
Adjustment for percentage of completion method on construction projects	29.918.831	38.906.026	5.983.766	7.781.205
Other	(2.732.190)	(8.218.310)	(546.437)	(1.643.662)
Deferred tax asset			14.344.866	12.648.352

The movement of deferred tax asset for the period ended June 30, 2012 and 2011 is as follows:

	June 30, 2012	June 30, 2011
At January 1	12.648.352	7.944.450
Deferred tax credit	1.696.514	3.367.135
At June 30	14.344.866	11.311.585

18. 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.

	January 1 - June 30, 2012	April 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2011
Net income/(loss) attributable to shareholders (TL)	36.933.305	30.603.540	27.781.542	18.587.231
Weighted average number of issued shares	24.000.000.000	24.000.000.000	24.000.000.000	24.000.000.000
Earnings per share (kuruş)	0,154	0,128	0,116	0,077

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

18. Earnings per share (continued)

Declared and approved share of profit for the year 2011 is as follows;

Based on General Assembly Meeting dated March 14, 2012, dividend distribution amounting to TL 48.000.000 was approved and dividend payments were started to be paid as of March 21, 2012.

19. 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 June 30, 2012 and December 31, 2011:

Due from related parties	June 30, 2012	December 31, 2011
Ram Dış Ticaret A.Ş.(Ram Dış) (1) (*)	35.325.675	19.008.642
Otokar Europe SAS (2)	310.781	-
Aygaz A.Ş. (1)	265.632	6.135
Zer Merkezi Hizmetler A.Ş. (1)	74.968	-
Ford Otosan A.Ş. (1)	50.759	194.195
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	6.954	572.854
RMK Marine Gemi Yapım San. Deniz Taş. İşl. A.Ş. (1)	-	80.538
Total	36.034.769	19.862.364

(1) Shareholders' subsidiary/ Business Associate

(2) Company's subsidiary

- (*) Certain portion of export sales are realized through Ram Dış, accordingly the amount composed of accounts receivables arising on these transactions.

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Due to related parties	June 30, 2012	December 31, 2011
Ram Dış Ticaret A.Ş. (1)	2.362.210	900.459
Ark İnşaat A.Ş. (1)	604.727	402.744
Setur Servis Turistik A.Ş. (1)	313.218	461.095
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	253.875	407.759
Zer Merkezi Hizmetler A.Ş. (1)	245.337	1.224.505
Koçtaş Yapı Marketleri A.Ş. (1)	183.608	155.537
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	127.849	103.623
Koç Holding A.Ş. (2)	114.061	9.069
Opet Fuchs Madeni Yağ A.Ş. (1)	75.364	-
Opet Petrolcülük A.Ş. (1)	54.141	67.702
Ram Sigorta Aracılık Hz. A.Ş. (1)	42.313	118.255
KoçSistem Bilgi ve İletişim Hizm. A.Ş. (1)	27.130	621.707
Setair Hava Taşımacılığı ve Hizm. A.Ş. (1)	13.536	121.995
Promena Elektronik Ticaret A.Ş. (1)	9.840	17.336
Koç.net Hab.Tek. İlt. Hiz. A.Ş. (1)	104	-
Palmira Turizm Ticaret A.Ş. (1)	63	-
Aygaz Doğal Gaz Toptan Satış A.Ş. (1)	-	262.254
Otokar Europe SAS (3)	-	194.822
Tat Konserve San. A.Ş. (1)	-	13.598
Vehbi Koç Vakfı Amerikan Hastanesi (1)	-	1.918
Arçelik A.Ş. (1)	-	1.764
Total	4.427.376	5.086.142

(1) Shareholder's subsidiary/ Business Associate

(2) Shareholder

(3) Company's subsidiary

Bank deposits	June 30, 2012	December 31, 2011
Yapı ve Kredi Bankası A.Ş. (1)		
- Demand Deposits	1.240.885	1.600.896
- Time Deposits	10.976.592	-
	12.217.477	1.600.896

Checks and notes in collection	June 30, 2012	December 31, 2011
Yapı ve Kredi Bankası A.Ş. (1)	33.412.906	45.089.091
	33.412.906	45.089.091

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ii) Major sales and purchase transactions with related parties:

	January 1 - June 30, 2012	April 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2011
Product sales and service revenue				
Ram Dış (1) (*)	104.016.979	66.421.082	16.978.229	13.530.064
Türk Traktör (1)	3.534.229	2.331.721	1.713.972	1.338.972
Zer (1)	704.283	353.995	444.553	197.289
Otokar Europe SAS (3)	317.939	317.939	-	-
Aygaz A.Ş. (Aygaz) (1)	230.000	230.000	76.788	32.920
Ford (1)	1.431	190	190	76
Total	108.804.861	69.654.927	19.213.732	15.099.321

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

	January 1 - June 30, 2012	April 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2011
Purchase of property, plant and equipment				
Ark İnşaat (1)	3.143.299	1.954.782	-	-
Koç Sistem (1)	660.957	290.603	631.354	418.480
Zer (1)	55.514	9.107	28.196	22.426
Otokoç Otom.ve Tic. San. A.Ş. (1)	39.789	39.789	-	-
Arçelik A.Ş. (Arçelik) (1)	22.123	2.554	7.603	2.101
Bilkom A.Ş. (Bilkom) (1)	-	-	8.006	932
Total	3.921.682	2.296.835	675.159	443.939

	January 1 - June 30, 2012	April 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2011
Inventory purchases				
Zer (1)	4.547.125	2.872.051	3.859.720	2.595.385
Ram Dış (1)	3.000.327	1.799.830	4.893.091	3.153.335
Akpa (1)	1.494.170	799.289	1.194.614	779.594
Türk Traktör ve Ziraat Mak. A.Ş. (1)	536.459	348.317	-	-
Koçtaş (1)	442.116	289.847	26.016	24.743
Opet (1)	371.506	290.368	297.775	195.318
Opet Fuchs Madeni Yağ A.Ş. (1)	231.174	120.791	-	-
Arçelik (1)	206	100	-	-
Ford (1)	88	-	-	-
Aygaz Doğalgaz (1)	-	-	726.360	399.777
Total	10.623.171	6.520.593	10.997.576	7.148.152

(1) Shareholder's subsidiary/ Business Associate

(2) Shareholder

(3) Company's subsidiary

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**Notes to the interim condensed financial statements****For the period ended June 30, 2012****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. Related party disclosures (continued)**

	January 1 - June 30, 2012	April 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2011
Services received				
Ram Dış Ticaret (1)	3.289.078	2.737.074	524.060	32.557
Setur Servis Turistik A.Ş. (1)	2.101.582	1.615.544	1.031.052	621.633
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	637.163	329.206	320.642	214.621
Otokar Europa SAS (3)	626.439	321.687	-	-
Koç Holding A.Ş. (2)	617.500	325.900	541.299	284.034
KoçSistem A.Ş. (1)	362.554	213.766	281.287	158.745
Promena Elektronik Ticaret A.Ş. (1)	46.772	24.566	46.021	9.920
Koç Üniversitesi (1)	39.527	17.037	147.200	359
Ram Sigorta Aracılık Hz. A.Ş. (1)(*)	32.001	6.217	599.914	97.003
Setair Hava Taş. ve Hizm. A.Ş. (1)	24.550	24.550	21.355	21.355
Yapı Kredi Sigorta A.Ş. (1)	17.146	-	23.520	-
Palmira Turizm Ticaret A.Ş. (1)	6.626	-	4.264	1.813
Bilkom A.Ş. (1)	1.152	1.152	1.444	65
Rahmi Koç Vakfı Müzesi (1)	694	694	-	-
Eltek Elektrik Enerji A.Ş. (1)	-	-	1.690.458	905.567
Koç.net Hbl.Tek.İlt.Hz.A.Ş. (1) (**)	-	-	133.067	73.491
V. Koç Vakfı Amerikan Hastanesi (1)	-	-	1.758	1.758
Total	7.802.784	5.617.393	5.367.341	2.422.921

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

(**) It includes the services received before November 30, 2011 because Koç.net Hbl.Tek.İlt. Hz. A.Ş. has been sold to a third party which is not a related party of the company at November 30, 2011.

Financial income and expense with related parties:

	January 1 - June 30, 2012	April 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2011
Interest income				
Yapı ve Kredi Bankası A.Ş. (1)	151.145	64.732	90.119	42.908
Total	151.145	64.732	90.119	42.908

	January 1 - June 30, 2012	April 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2011
Foreign exchange gains				
Ram Dış (1)	9.187.441	2.905.513	4.279.059	2.040.793
Yapı ve Kredi Bankası A.Ş. (1)	255.915	237.432	201.877	81.235
Other (1)	7.113	152	-	-
Total	9.450.469	3.143.097	4.480.936	2.122.028

(1) Shareholder's subsidiary/ Business Associate

(2) Shareholder

(3) Company's subsidiary

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19. Related party disclosures (continued)

	January 1 - June 30, 2012	April 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2011
Foreign exchange losses				
Ram Dış (1)	4.968.570	2.747.175	4.505.516	3.288.526
Yapı ve Kredi Bankası A.Ş. (1)	1.226.618	289.773	1.014.599	550.033
Other (1)	1.441	893	86	-
Total	6.196.629	3.037.841	5.520.201	3.838.559

	January 1 - June 30, 2012	April 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2011
Forward expenses				
Yapı ve Kredi Bankası A.Ş. (1)	(21.000)	(19.400)	-	-
Total	(21.000)	(19.400)	-	-

	January 1 - June 30, 2012	April 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2011
Interest Expenses				
Yapı ve Kredi Bankası A.Ş. (1)	10	10	77.480	77.480
Total	10	10	77.480	77.480

Benefits provided to executives

Salaries and similar benefits provided to the executive management by the Company for the period ended June 30, 2012 amounted to TL 1.621.391 (June 30, 2011 - TL 1.361.339).

20. 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.

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20. 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 June 30, 2012;

		Table of foreign currency position			
		June 30, 2012			
		TL equivalent (functional currency)	USD	EUR	GBP
1.	Trade receivables	196.234.009	40.883.064	53.411.235	322.839
2a.	Monetary financial assets (including cash, bank accounts)	190.534.628	89.328.782	12.195.198	506.048
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets (1+2+3)	386.768.637	130.211.846	65.606.433	828.887
5.	Trade receivables	64.166.709	-	28.215.069	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets (5+6+7)	64.166.709	-	28.215.069	-
9.	Total assets(4+8)	450.935.346	130.211.846	93.821.502	828.887
10.	Trade payables	(19.802.038)	(4.255.682)	(4.649.264)	(546.070)
11.	Financial liabilities	-	-	-	-
12a.	Monetary other liabilities	(425.224.931)	(235.243.293)	(113.412)	-
12b.	Non-monetary other liabilities	-	-	-	-
13.	Current liabilities (10+11+12)	(445.026.969)	(239.498.975)	(4.762.676)	(546.070)
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)	(445.026.969)	(239.498.975)	(4.762.676)	(546.070)
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)	5.908.377	(109.287.129)	89.058.826	282.817
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	5.908.377	(109.287.129)	89.058.826	282.817
22.	Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23.	Export	110.704.368	48.121.182	10.337.132	366.770
24.	Import	162.868.738	42.067.514	34.825.197	2.156.983

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

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

		Table of foreign currency position			
		December 31,			
		2011			
		TL equivalent (functional currency)	USD	EUR	GBP
1.	Trade receivables	174.028.497	23.283.527	53.135.721	66.907
2a.	Monetary financial assets (including cash, bank accounts)	118.520.882	53.071.795	7.377.015	84.203
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets (1+2+3)	292.549.379	76.355.322	60.512.736	151.110
5.	Trade receivables	81.455.466	-	33.331.478	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets (5+6+7)	81.455.466	-	33.331.478	-
9.	Total assets(4+8)	374.004.845	76.355.322	93.844.214	151.110
10.	Trade payables	(31.669.169)	(3.534.468)	(6.277.392)	(3.308.955)
11.	Financial liabilities	-	-	-	-
12a.	Monetary other liabilities	(331.684.237)	(175.426.410)	(131.472)	-
12b.	Non-monetary other liabilities	-	-	-	-
13.	Current liabilities (10+11+12)	(363.353.406)	(178.960.878)	(6.408.864)	(3.308.955)
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)	(363.353.406)	(178.960.878)	(6.408.864)	(3.308.955)
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)	10.651.439	(102.605.556)	87.435.350	(3.157.845)
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	10.651.439	(102.605.556)	87.435.350	(3.157.845)
22.	Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23.	Export (As of June 30, 2011)	72.602.245	34.931.557	8.094.803	79.131
24.	Import (As of June 30, 2011)	146.381.942	29.083.691	41.095.681	3.379.806

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20. 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 June 30, 2012 and December 31, 2011:

Exchange rate sensitivity analysis table		
June 30, 2012		
	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	(19.742.720)	19.742.720
2- Amount hedged for USD risk (-)		
3- USD net effect (1+2)	(19.742.720)	19.742.720
<i>In case 10% appreciation of EUR against TL:</i>		
4- EUR net asset/liability	20.253.758	(20.253.758)
5- Amount hedged for EUR risk (-)		
6- EUR net effect (4+5)	20.253.758	(20.253.758)
<i>In case 10% appreciation of GBP against TL:</i>		
7- GBP net asset/liability	79.800	(79.800)
8- Amount hedged for GBP risk (-)		
9- GBP net effect (7+8)	79.800	(79.800)
Total (3+6+9)	590.838	(590.838)

Exchange rate sensitivity analysis table		
December 31, 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	(19.381.163)	19.381.163
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	(19.381.163)	19.381.163
<i>In case 10% appreciation of EUR against TL:</i>		
4- EUR net asset/liability	21.367.451	(21.367.451)
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	21.367.451	(21.367.451)
<i>In case 10% appreciation of GBP against TL:</i>		
7- GBP net asset/liability	(921.144)	921.144
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	(921.144)	921.144
Total (3+6+9)	1.065.144	(1.065.144)

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

For the period ended June 30, 2012

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)

21. Subsequent events

None.