

# **Otokar Otomotiv ve Savunma Sanayi Anonim Őirketi**

**Convenience translation into English of condensed  
financial statements and notes for the interim period  
between 1 January – 30 September 2014 (originally issued  
in Turkish)**

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Interim condensed statement of financial position  
as of September 30, 2014  
(Currency –Turkish Lira (TL) unless otherwise indicated)**

		<b>Current period</b>	Previous period
		<b>Reviewed</b>	Audited
	<b>Notes</b>	<b>September 30, 2014</b>	December 31, 2013
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	<b>28.354.149</b>	8.884.174
Trade receivables	7	<b>278.279.936</b>	399.220.867
- Due from related party	7,21	<b>80.964.834</b>	71.374.049
- Other trade receivables	7	<b>197.315.102</b>	327.846.818
Other receivables		<b>48.930</b>	2.524
Inventories	8	<b>321.209.045</b>	297.797.165
Financial derivatives assets	6	<b>223.691</b>	-
Prepaid expenses	13	<b>77.058.719</b>	74.985.116
Other current assets	13	<b>13.782.367</b>	17.053.925
<b>Total current assets</b>		<b>718.956.837</b>	797.943.771
<b>Non-current assets</b>			
Trade receivables	7	<b>160.173.614</b>	192.938.324
Other receivables		<b>57.485</b>	58.112
Estimated earnings in excess of billings on uncompleted contracts	9	<b>118.555.939</b>	93.597.289
Financial investment	4	<b>239.280</b>	239.280
Property, plant and equipment	10	<b>113.140.494</b>	120.842.623
Intangibles	11	<b>135.873.710</b>	126.292.737
Deferred tax asset	19	<b>43.240.526</b>	43.338.020
<b>Total non-current assets</b>		<b>571.281.048</b>	577.306.385
<b>Total assets</b>		<b>1.290.237.885</b>	1.375.250.156

The accompanying explanatory notes on pages 7 through 41 form an integral part of the financial statements.

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

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Interim condensed statement of financial position  
as of September 30, 2014  
(Currency –Turkish Lira (TL) unless otherwise indicated)**

		Current period	Previous period
		Reviewed	Audited
	Notes	September 30, 2014	December 31, 2013
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term financial liabilities	5	37.442.510	138.276.975
Short-term portion of long-term financial liabilities	5	136.234.357	2.686.797
Financial derivatives liabilities	6	-	1.231.950
Trade payables	7	76.994.022	102.434.509
- Due to related party	7, 21	6.149.907	13.154.537
- Other trade payables	7	70.844.115	89.279.972
Employee benefit obligations	13	7.571.679	19.143.540
Other payables		10.785.050	10.819.100
Deferred revenues	13	198.759.858	288.689.497
Government incentives and grants		1.811.414	1.467.624
Current tax liabilities for the current period income	19	-	7.043.047
Provisions	12	164.590.941	95.999.670
Other current liabilities	13	794.902	1.615.447
<b>Total current liabilities</b>		<b>634.984.733</b>	<b>669.408.156</b>
<b>Non-current liabilities</b>			
Financial liabilities	5	350.001.633	332.047.500
Government incentives and grants		6.563.874	7.055.794
Long-term provisions	12	28.519.698	26.957.401
- Employee termination benefits	12	23.479.083	20.616.223
- Other long term provisions	12	5.040.615	6.341.178
Deferred revenues	13	50.592.272	66.511.725
<b>Total non-current liabilities</b>		<b>435.677.477</b>	<b>432.572.420</b>
<b>Shareholders' equity</b>			
<b>Parent Company's equity</b>			
Paid-in share capital		24.000.000	24.000.000
Inflation adjustment on equity items		52.743.030	52.743.030
Restricted reserves		38.958.147	29.078.147
Accumulated other comprehensive income and expense that is not subject to reclassification to income or loss		(5.017.214)	(3.551.453)
Retained earnings		61.119.856	74.438.113
Net income for the period		47.771.856	96.561.743
<b>Total shareholders' equity</b>		<b>219.575.675</b>	<b>273.269.580</b>
<b>Total liabilities</b>		<b>1.290.237.885</b>	<b>1.375.250.156</b>

The accompanying explanatory notes on pages 7 through 41 form an integral part of the financial statements.

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

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Interim condensed statement of profit or loss and other comprehensive income for the period ended September 30, 2014**  
(Currency –Turkish Lira (TL) unless otherwise indicated)

	Notes	Current period		Previous period	
		Reviewed	Reviewed	Reviewed	Reviewed
		January 1 – September 30, 2014	July 1 – September 30, 2014	January 1 – September 30, 2013	July 1 – September 30, 2013
Net sales	14	875.088.533	233.658.229	1.007.821.301	298.766.412
Cost of sales (-)	14	(663.351.784)	(181.523.323)	(783.132.072)	(232.013.423)
<b>Gross profit</b>		<b>211.736.749</b>	<b>52.134.906</b>	224.689.229	66.752.989
Selling, marketing and distribution expense (-)		(88.063.058)	(31.832.844)	(81.508.302)	(29.820.427)
General and administrative expense (-)		(29.073.461)	(7.250.824)	(30.068.847)	(7.771.908)
Research and development expenses (-)		(22.016.010)	(6.811.327)	(18.246.260)	(6.680.288)
Other operating income	15	57.197.800	2.648.499	76.019.559	18.068.969
Other operating expense (-)	16	(42.263.907)	2.337.795	(66.562.578)	(14.649.993)
<b>Operating profit</b>		<b>87.518.113</b>	<b>11.226.205</b>	104.322.801	25.899.342
Income from investing activities		16.580	(15.614)	268.535	53.670
Expenses from investing activities (-)		-	-	-	-
<b>Operating profit before financial expense</b>		<b>87.534.693</b>	<b>11.210.591</b>	104.591.336	25.953.012
Financial income	17	11.910.830	3.569.066	2.269.771	634.763
Financial expense (-)	18	(45.360.477)	(15.734.527)	(32.836.039)	(13.586.575)
<b>Net income before taxes from continuing operations</b>		<b>54.085.046</b>	<b>(954.870)</b>	74.025.068	13.001.200
<b>Tax income/expense for continuing operations</b>					
- Current tax income/ (expense) for the period	19	(5.849.256)	2.073.027	(38.471.090)	(9.194.996)
- Deferred tax income/(expense)	19	(463.934)	205.217	31.786.205	8.651.304
<b>Net income</b>		<b>47.771.856</b>	<b>1.323.374</b>	67.340.183	12.457.508
Actuarial gain / (loss) arising from defined benefit plans		(1.832.201)	18.655	(1.480.061)	(18.643)
Tax effect		366.440	(3.731)	296.012	3.728
<b>Other comprehensive income / (expense) after tax</b>		<b>(1.465.761)</b>	<b>14.924</b>	(1.184.049)	(14.915)
<b>Total comprehensive income:</b>		<b>46.306.095</b>	<b>1.338.298</b>	66.156.134	12.442.593
<b>Earnings per share (kr)</b>	20	<b>0,199</b>	<b>0,006</b>	0,281	0,052

The accompanying explanatory notes on pages 7 through 41 form an integral part of the financial statements.

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

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Interim statement of changes in equity  
for the period ended September 30, 2014  
(Currency –Turkish Lira (TL) unless otherwise indicated)**

				Accumulated other comprehensive income and expense that is not subject to reclassification to income or loss			
	Paid-in share capital	Inflation adjustment on equity items	Restricted reserves	Actuarial gains and losses arising from defined employee benefit plans	Retained earnings	Net income for the period	Total shareholders' equity
<b>January 1, 2013</b>	24.000.000	52.743.030	22.798.147	(2.526.430)	66.441.516	78.276.597	241.732.860
Transfer to retained earnings	-	-	-	-	78.276.597	(78.276.597)	-
Transfer to restricted reserves	-	-	6.280.000	-	(6.280.000)	-	-
Dividends paid	-	-	-	-	(64.000.000)	-	(64.000.000)
Net income	-	-	-	-	-	67.340.183	67.340.183
Other comprehensive income/ (loss)	-	-	-	(1.184.049)	-	-	(1.184.049)
<b>Total comprehensive income</b>	-	-	-	(1.184.049)	-	67.340.183	66.156.134
<b>September 30, 2013</b>	24.000.000	52.743.030	29.078.147	(3.710.479)	74.438.113	67.340.183	243.888.994
<b>January 1, 2014</b>	<b>24.000.000</b>	<b>52.743.030</b>	<b>29.078.147</b>	<b>(3.551.453)</b>	<b>74.438.113</b>	<b>96.561.743</b>	<b>273.269.580</b>
Transfer to retained earnings	-	-	-	-	96.561.743	(96.561.743)	-
Transfer to restricted reserves	-	-	9.880.000	-	(9.880.000)	-	-
Dividends paid	-	-	-	-	(100.000.000)	-	(100.000.000)
Net income	-	-	-	-	-	47.771.856	47.771.856
Other comprehensive income/ (loss)	-	-	-	(1.465.761)	-	-	(1.465.761)
<b>Total comprehensive income</b>	-	-	-	(1.465.761)	-	47.771.856	46.306.095
<b>September 30, 2014</b>	<b>24.000.000</b>	<b>52.743.030</b>	<b>38.958.147</b>	<b>(5.017.214)</b>	<b>61.119.856</b>	<b>47.771.856</b>	<b>219.575.675</b>

The accompanying explanatory notes on pages 7 through 41 form an integral part of the financial statements.

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi****Cash flow statement  
for the period ended September 30, 2014  
(Currency –Turkish Lira (TL) unless otherwise indicated)**

		Reviewed	Reviewed
		Current period	Previous period
	Notes	September 30, 2014	September 30, 2013
<b>Cash flows from operating activities</b>			
Profit before tax		54.085.046	74.025.068
<b>Adjustments to reconcile net income to net cash flows from operating activities:</b>			
Depreciation and amortization expense	10,11	34.414.916	30.623.153
Reserve for retirement pay		3.019.665	3.450.084
Provision for impairment of inventory		395.890	(80.472)
Provision for guarantees	12	19.292.011	21.242.224
Gain on sale of property, plant and equipment		(16.580)	(268.535)
Loan interest expense	18	30.802.209	24.523.627
Unrealized foreign exchange differences expense arising from bank borrowings		(375.200)	2.860.000
Interest income from bank deposit	17	(744.216)	(311.794)
Provision for doubtful receivables	7	119.341	3.162.620
Loss/ (gain) on forward transactions, net		(7.246.532)	16.895.393
<b>Operating income before changes in operating asset and liabilities</b>		<b>133.746.550</b>	<b>176.121.368</b>
Trade receivables and other receivables		153.540.521	(237.398.905)
Costs and estimated earnings in excess of billings on uncompleted contracts		(24.958.650)	(20.959.300)
Inventories		(23.807.770)	(70.867.410)
Other current assets		1.197.955	65.420.713
Trade payables		(25.440.487)	22.396.112
Other current liabilities		(45.799.983)	91.521.401
Realized (loss)/gain on forward transactions, net		5.790.891	(16.275.586)
Taxes paid		(12.892.303)	(28.494.613)
Guarantees paid	12	(23.891.970)	(15.686.760)
Employee termination benefits paid	12	(2.722.033)	(1.888.990)
<b>Net cash provided by operating activities</b>		<b>134.762.721</b>	<b>(36.111.970)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	10	(5.237.205)	(8.945.726)
Purchase of intangible assets	11	(31.487.174)	(37.687.819)
Proceeds from sale of property, plant and equipment		447.199	1.139.353
<b>Net cash used in investing activities</b>		<b>(36.277.180)</b>	<b>(45.494.192)</b>
<b>Financing activities</b>			
Proceeds from bank borrowings		345.677.465	306.395.256
Repayments of bank borrowings		(301.193.474)	(186.193.000)
Interest payments		(24.243.773)	(18.010.776)
Interest received		744.216	311.794
Dividends payments		(100.000.000)	(64.000.000)
<b>Net cash provided by/ (used in) financing activities</b>		<b>(79.015.566)</b>	<b>38.503.274</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>19.469.975</b>	<b>(43.102.888)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	3	<b>8.884.174</b>	<b>47.906.245</b>
<b>Cash and cash equivalents at the end of the period</b>	3	<b>28.354.149</b>	<b>4.803.357</b>

The accompanying explanatory notes on pages 7 through 41 form an integral part of the financial statements.

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Notes to the condensed interim financial statements  
for the period ended September 30, 2014  
(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, light truck and cross-country comprises the majority of its production. The number of the personnel in the Company is 2.115. (December 31, 2013 – 2.264).

The registered addresses of the Company are as follows:

Headquarters

Aydınevler Mahallesi, Dumlupınar Cad. No: 58 A Bl.  
34854 Küçükyalı / İstanbul

Factory:

Atatürk Cad. No: 6  
54580 Arifiye / Sakarya

The Company has a subsidiary named "Otokar Europe SAS" with a capital of Euro 100.000, established on August 18, 2011 for the purpose of organizing export activities and increasing export sales. Since “Otokar Europe SAS” operations does not materially affect the financial statements, it has not been subject to consolidation and has been presented at historical cost value (Not 4).

Financial statements are authorized for issue by the Board of Directors of the Company after the approval of Audit Committee, on October 24, 2014, 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 Borsa İstanbul (abbreviated as BIST) (Istanbul Stock Exchange (“ISE”) formerly called) since 1996. As of September 30, 2014, the shares listed on BIST are 26,97 % of the total shares. As of September 30, 2014, 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
	<b>100,00</b>

The Parent Company (Koc Holding A.Ş.), is controlled by Koc 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 condensed interim financial statements  
for the period ended September 30, 2014 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated)**

**2. Basis of presentation of financial statements**

**2.1 Basis of presentation of financial statements**

The accompanying condensed interim financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (the Communiqué) announced by the Capital Markets Board (“CMB”) (hereinafter will be referred to as “the CMB Accounting Standards”) on 13 June 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Accounting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority (“POA”).

The condensed interim financial statements for the nine month period ended September 30, 2014 have been prepared in accordance with TAS 34 Interim Financial Reporting. The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as of December 31, 2013.

The Company maintains their books of account in Turkish Lira (“TL”) in accordance with Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

The condensed interim financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority. The adjustments are mainly related with deferred taxation, retirement pay liability, prorated and useful life depreciation adjustment of fixed assets, accounting of provisions, construction accounting for tank project and discount of receivables and payables.

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

**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 Turkish Accounting Standards (TAS) 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, 2014 and December 31, 2013 have been restated by applying the relevant conversion factors through December 31, 2004 and carrying additions after December 31, 2004 at their nominal values.

**2.2 Comparative information and reclassifications in prior period financial statements**

In order to be inline with current period financial statements, the Company reclassified deferred maintenance revenue amounting to TL 17.637.017 from short term deferred revenue to long term deferred revenue as of December 31, 2013.

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Notes to the condensed interim financial statements  
for the period ended September 30, 2014 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated)**

**2. Basis of presentation of financial statements (continued)**

**2.3 Changes in accounting policies**

**New and amended standards and interpretations:**

The accounting policies adopted in preparation of the interim condensed financial statements as at 30 September 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

**i) The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:**

**TAS 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 TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the interim condensed financial statements of the Company.

**TRFS Interpretation 21 Levies**

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

**TAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial assets**

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the interim condensed financial statements of the Company.

**TAS 39 Financial Instruments: Recognition and Measurement (Amended)- Novation of Derivatives and Continuation of Hedge Accounting**

Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the interim condensed financial statements of the Company.

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Notes to the condensed interim financial statements  
for the period ended September 30, 2014 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated)**

**2. Basis of presentation of financial statements (continued)**

**TFRS 10 Consolidated Financial Statements (Amendment)**

TFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with TFRS. This amendment does not have any impact on the financial position or performance of the Company.

**ii) 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 condensed financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the interim condensed financial statements and disclosures, when the new standards and interpretations become effective.

**TFRS 9 Financial Instruments – Classification and measurement**

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 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. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

**TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)**

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position or performance of the Company.

**TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)**

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

**Annual Improvements to TAS/TFRSs**

In September 2014, Public Oversight Authority (POA) has issued the below amendments to the standards in relation to “Annual Improvements - 2010–2012 Cycle” and “Annual Improvements - 2011–2013 Cycle. The changes are effective for annual reporting periods beginning on or after 1 July 2014.

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Notes to the condensed interim financial statements  
for the period ended September 30, 2014 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated)**

**2. Basis of presentation of financial statements (continued)**

***Annual Improvements - 2010–2012 Cycle***

*TFRS 2 Share-based Payment:*

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

*TFRS 3 Business Combinations*

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

*TFRS 8 Operating Segments*

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

*TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets*

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows:i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

*TAS 24 Related Party Disclosures*

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

***Annual Improvements – 2011–2013 Cycle***

*TFRS 3 Business Combinations*

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

*Amendment to the Basis for Conclusions on TFRS 13 Fair Value Measurement*

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

*TAS 40 Investment Property*

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Notes to the condensed interim financial statements  
for the period ended September 30, 2014 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated)**

**2. Basis of presentation of financial statements (continued)**

The Company do not expect that these amendments will have significant impact on the financial position or performance of the Company.

**The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)**

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its interim condensed financial statements after the new standards and interpretations are issued and become effective under TFRS.

***Annual Improvements – 2010–2012 Cycle***

*IFRS 13 Fair Value Measurement*

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

***Annual Improvements – 2011–2013 Cycle***

**IFRS 11 - Acquisition of an Interest in a Joint Operation (Amendment)**

In May 2014 the IASB amended IFRS 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

**IFRS 15 – Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Notes to the condensed interim financial statements  
for the period ended September 30, 2014 (continued)  
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**2. Basis of presentation of financial statements (continued)**

**IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendment)– Bearer Plants**

In June 2014, the IASB issued amendments that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in IAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**IFRS 9 Financial Instruments - Final standard (2014)**

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

**IAS 27 - Equity Method in Separate Financial Statements -Amendments to IAS 27**

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
  - In accordance with IFRS 9 (or IAS 39),
- Or
- Using the equity method

The entity must apply the same accounting for each category of investments.

The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Notes to the condensed interim financial statements  
for the period ended September 30, 2014 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated)**

**2. Basis of presentation of financial statements (continued)**

**Annual Improvements to IFRSs - 2012-2014 Cycle**

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. . The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

**IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments**

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors’ interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**2.4 Significant accounting judgments and estimates**

The preparation of the 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 deductible temporary differences. For the period ended September 30, 2014, since the Management believed the -indicators demonstrating that the Company will have taxable profits in the foreseeable future- are reliable, deferred tax asset has been recognized.

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Notes to the condensed interim financial statements  
for the period ended September 30, 2014 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated)**

**2. Basis of presentation of financial statements (continued)**

- 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, and 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.
- f) Inventory price lists after discount is used to calculate impairment for inventories. In such cases that sales price cannot be predicted, inventory aging and physical status are considered together with technical personnel's opinion. If anticipated expected net realizable value is less than the cost, impairment for the difference is provided for.
- g) When allocating provision for legal risks, the probabilities of failure in the cases and the possible liabilities to be arisen in the case of failure are evaluated by the management through being counseled by legal advisors of the Company. The management determines the amount of the provisions based on their best estimates.
- h) The Company has made certain important assumptions based on experiences of technical personnel in determining useful economic life of mainly related to tangible and intangible assets.

**2.5 Summary of significant accounting policies**

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of annual financial statements for the year ended December 31, 2013 except for the reclassifications disclosed in Note 2.2. These financial statements should be analyzed together with the financial statements for the year ended at December 31, 2013.

**2.6 Segment reporting**

As stated in Note 4, "Otokar Europe SAS" operations does not materially affect the financial statements, it has not been subject to consolidation and has been presented at historical cost value. Since the Company does not have different geographical and operational units, the Company does not make segment reporting and follows financial statements by one segment.

**2.7 Convenience translation into English of financial statements originally issued in Turkish**

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosures requirement of the POA.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the condensed interim financial statements  
for the period ended September 30, 2014 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated)

3. Cash and cash equivalents

	September 30, 2014	December 31, 2013
Cash at banks		
- demand deposits	264.361	1.921.397
- time deposits	26.876.120	4.071.425
Checks and notes received	1.171.648	2.862.136
Other	42.020	29.216
	<b>28.354.149</b>	<b>8.884.174</b>

As of September 30, 2014, the time deposit denominated in foreign currencies amounts to TL 5.376.120 and have an annual interest rate of 1,14% and maturity of 1 day. The time deposits amounting to TL 21.500.000 are denominated in TL and have an annual interest rate of 10,50% and maturity of 1 day. (As of December 31, 2013, the time deposits denominated in foreign currencies amounts to TL 1.321.425 and have an annual interest rate of 0,5% and maturity of 2 days. The time deposits amounting to TL 2.750.000 are denominated in TL and have an annual interest rate of 6% and maturity of 2 days.)

As of September 30, 2014, 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, 2014, the Company has restricted bank deposit amounting to TL 862. (December 31, 2013 – 862 TL).

4. Financial investments

The Company has a subsidiary titled as "Otokar Europe SAS" with a capital of Euro 100.000 (TL 239.280), established in France, 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.

5. Financial liabilities and short-term portion of long-term financial liabilities

	September 30, 2014		
	Maturities	Interest rate (%)	TL
Short-term bank borrowings (*)			
Denominated in TL (***)	October 3, 2014	-	2.681.264
Denominated in Euro	October 1, 2014	2,88	34.761.246
<b>Total</b>			<b>37.442.510</b>
Payments of the long-term bank borrowings and interest accruals (*)			
Denominated in TL	March 3, 2015 – April 14, 2017	8,54-13,87	91.833.097
Denominated in Euro	February 9, 2015	2,04	44.401.260
<b>Total</b>			<b>136.234.357</b>

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the condensed interim financial statements  
for the period ended September 30, 2014 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated)

5. Financial liabilities and short-term portion of long-term financial liabilities (continued)

			September 30, 2014
	Maturities	Interest rate (%)	TL
<b>Long-term bank borrowings (*)(**)</b>			
Denominated in TL	March 11, 2016 – April 14, 2017	7,97-13,87	306.273.679
Denominated in Euro	June 29, 2016	3,66	43.727.954
<b>Total</b>			<b>350.001.633</b>

(\*) Bearing fixed interest rate

(\*\*) Weighted average maturity of long-term borrowings are 712 days.

(\*\*\*) Interest free loans used for instution payments.

			December 31, 2013
	Maturities	Interest rate (%)	TL
<b>Short-term bank borrowings (*)</b>			
Denominated in T	January 2, 2014 – July 25, 2014	11,36	32.048.744
Denominated in EUR	January 2, 2014	2,59-2,64	106.228.231
<b>Total</b>			<b>138.276.975</b>

Payments of the long-term bank borrowings and interest accruals (\*)

Denominated in T	January 26, 2015 – June 3, 2016	8,36-11,90	2.326.037
Denominated in EUR	February 9, 2015	2,04	360.760
<b>Total</b>			<b>2.686.797</b>

			December 31, 2013
	Maturities	Interest rate (%)	TL
<b>Long-term bank borrowings (*)(**)</b>			
Denominated in TL	January 26, 2015 – June 3, 2016	8,36-11,90	288.000.000
Denominated in EUR	February 9, 2015	2,04	44.047.500
<b>Total</b>			<b>332.047.500</b>

(\*) Bearing fixed interest rate

(\*\*) Weighted average maturity days of long-term borrowings are 828 days.

As of September 30, 2014, the Company has not provided any guarantees for the borrowings received (December 31, 2013 - None).

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the condensed interim financial statements  
for the period ended September 30, 2014 (continued)  
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6. Derivative financial instruments

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

	Contract amount	Current period Contract maturity	Fair value Assets
<b>September, 30 2014:</b>			
Forward transactions	125.775.900	October, 16 2014 – November 6, 2014	223.691
Short-term derivative financial instruments	125.775.900		223.691
<b>Total derivative financial instruments</b>	<b>125.775.900</b>		<b>223.691</b>

	Contract amount	Previous period Contract maturity	Fair value Liabilities
<b>December 31, 2013:</b>			
Forward transactions	170.169.265	January 9, 2014 – February 13, 2014	(1.231.950)
Short-term derivative financial instruments	170.169.265		(1.231.950)
<b>Total derivative financial instruments</b>	<b>170.169.265</b>		<b>(1.231.950)</b>

7. Trade receivables and payables

Trade receivables

	September 30, 2014	December 31, 2013
Trade receivables, net	99.946.850	247.876.807
Notes receivables, net	119.448.526	101.931.133
	<b>219.395.376</b>	349.807.940
Less: provision for doubtful receivables	(22.080.274)	(21.961.122)
<b>Other short-term trade receivables</b>	<b>197.315.102</b>	327.846.818
Trade receivables from related parties	80.964.834	71.374.049
<b>Short-term trade receivables</b>	<b>278.279.936</b>	399.220.867
Long-term trade receivables, net	142.091.561	178.669.298
Long-term notes receivable, net	18.082.053	14.269.026
<b>Long-term trade receivables</b>	<b>160.173.614</b>	192.938.324

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Notes to the condensed interim financial statements  
for the period ended September 30, 2014 (continued)  
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7. Trade receivables and payables (continued)

As of September 30,2014, the Company has offsetted TL 38.572.675 (December 31, 2013 - None) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

Guarantees received for trade receivables

Receivables of the Company mainly related to the sales to the minibus and bus dealers and trailer sales. As of September 30, 2014, the total trade receivable from the Company dealers amounting to TL 68.838.606 (December 31, 2013 - TL 47.451.597), after provision reserved for doubtful receivables, has been secured by mortgages and guarantees at the amount of TL 126.068.500 (December 31, 2013 - TL 115.573.500).

Aging analysis of trade receivables

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

<b>September 30, 2014</b>	<b>Trade receivables</b>
1- 30 day past due	122.935
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	356.104
Over 5 year past due	53.964
<b>Total</b>	<b>533.003</b>
<b>Amount secured with guarantee (1)</b>	<b>531.710</b>
<b>December 31, 2013</b>	<b>Trade receivables</b>
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	275.818
Over 5 year past due	-
<b>Total</b>	<b>275.818</b>
<b>Amount secured with guarantee (1)</b>	<b>275.818</b>

(1) Pledges on trailers.

The movement of the provision for doubtful receivables for the period ended September 30, 2014 and September 30, 2013 are as follows:

	<b>September 30, 2014</b>	September 30, 2013
January 1	21.961.122	19.747.449
Foreign currency difference	(189)	-
Additional provision	119.341	3.162.620
<b>Total</b>	<b>22.080.274</b>	<b>22.910.069</b>

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Notes to the condensed interim financial statements  
for the period ended September 30, 2014 (continued)  
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**7. Trade receivables and payables (continued)**

As of September 30, 2014, average collection term for trade receivables is 60 - 90 days. (December 31, 2013 – 60 - 90 days).

**Trade payables**

	<b>September 30, 2014</b>	December 31, 2013
Trade payables, net	<b>70.625.715</b>	89.077.102
Notes payables, net	<b>218.400</b>	202.870
<b>Other short-term trade payables</b>	<b>70.844.115</b>	89.279.972
Trade payables to related parties	<b>6.149.907</b>	13.154.537
<b>Short-term trade payables</b>	<b>76.994.022</b>	102.434.509

As of September 30, 2014, average payment term for trade payables is 45 - 60 days. (December 31, 2013 – 45 - 60 days).

**8. Inventories**

	<b>September 30, 2014</b>	December 31, 2013
Raw material	<b>104.756.996</b>	126.204.804
Work-in-process	<b>36.409.777</b>	3.974.688
Finished goods	<b>59.964.598</b>	42.478.530
Merchandise	<b>51.242.740</b>	43.191.637
Other inventory	<b>70.535.296</b>	83.251.978
(-) Impairment for inventories (*)	<b>(1.700.362)</b>	(1.304.472)
<b>Total</b>	<b>321.209.045</b>	297.797.165

(\*) TL 1.329.499 of impairment is related to finished goods (December 31,2013 - 1.049.500) and TL 370.863 is related to merchandises (December 31,2013 - 254.972). The impairment has been accounted under cost of sales account.

**9. Costs and billings on uncompleted contracts and other payables**

Receivable from costs and estimated earnings in excess of billings on uncompleted contracts is amounting to TL 118.555.939 as of September 30, 2014 (December 31, 2013 – TL 93.597.289) after netting with short term advance taken.

As of September 30, 2014, the short term advances taken by the Company related with ongoing projects which amounts to TL 139.460.166 was included in deferred revenue in the financial statements (December 31, 2013 – TL 232.113.373). The remaining amount of TL 39.435.774 which is included in deferred revenue comprise other advance taken from customers ( December 31, 2013 – TL 36.402.368) and TL 19.863.918 (December 31, 2013 – TL 20.173.756) is related to deferred maintenance income.

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Notes to the condensed interim financial statements  
for the period ended September 30, 2014 (continued)  
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10. Property, plant and equipment

For the periods ended September 30, 2014 and September 30, 2013, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	January 1, 2014	Additions	Disposals	Transfers	September 30, 2014
<b>Cost:</b>					
Land	37.456.746	-	-	-	37.456.746
Land improvements	11.309.351	20.475	-	263.225	11.593.051
Buildings	60.170.668	-	-	-	60.170.668
Machinery, equipment and installations	111.943.555	1.199.894	(406.993)	162.013	112.898.469
Motor vehicles	7.957.194	1.161.792	(448.192)	-	8.670.794
Furniture and fixtures	31.761.624	1.523.022	(115.418)	168.633	33.337.861
Leasehold improvements	2.734.585	13.500	-	79.599	2.827.684
Construction in progress	1.778.321	1.318.522	-	(950.847)	2.145.996
	<b>265.112.044</b>	<b>5.237.205</b>	<b>(970.603)</b>	<b>(277.377)</b>	<b>269.101.269</b>
<b>Accumulated depreciation:</b>					
Land improvements	4.654.789	1.140.583	-	-	5.795.372
Buildings	29.073.222	2.113.507	-	-	31.186.729
Machinery, equipment and installations	86.240.277	5.871.844	(359.772)	-	91.752.349
Motor vehicles	4.071.036	549.610	(86.379)	-	4.534.267
Furniture and fixtures	18.760.344	2.284.868	(93.833)	-	20.951.379
Leasehold improvements	1.469.753	270.926	-	-	1.740.679
	<b>144.269.421</b>	<b>12.231.338</b>	<b>(539.984)</b>	<b>-</b>	<b>155.960.775</b>
<b>Net book value</b>	<b>120.842.623</b>				<b>113.140.494</b>
	January 1, 2013	Additions	Disposals	Transfers	September 30, 2013
<b>Cost:</b>					
Land	37.456.746	-	-	-	37.456.746
Land improvements	10.068.228	91.020	-	91.020	10.250.268
Buildings	59.598.896	-	-	-	59.598.896
Machinery, equipment and installations	108.789.029	1.769.325	(437.234)	339.181	110.460.301
Motor vehicles	8.703.831	1.087.219	(1.088.654)	-	8.702.396
Furniture and fixtures	27.791.048	2.598.121	(188.208)	213.136	30.414.097
Leasehold improvements	1.737.346	33.254	-	-	1.770.600
Construction in progress	867.007	3.366.787	-	(643.337)	3.590.457
	<b>255.012.131</b>	<b>8.945.726</b>	<b>(1.714.096)</b>	<b>-</b>	<b>262.243.761</b>
<b>Accumulated depreciation:</b>					
Land improvements	3.169.967	1.106.835	-	-	4.276.802
Buildings	26.329.510	2.051.942	-	-	28.381.452
Machinery, equipment and installations	78.767.835	5.904.658	(407.543)	-	84.264.950
Motor vehicles	3.798.622	538.582	(259.851)	-	4.077.353
Furniture and fixtures	16.542.448	1.787.805	(175.885)	-	18.154.368
Leasehold improvements	1.291.595	118.640	-	-	1.410.235
	<b>129.899.977</b>	<b>11.508.462</b>	<b>(843.279)</b>	<b>-</b>	<b>140.565.160</b>
<b>Net book value</b>	<b>125.112.154</b>				<b>121.678.601</b>

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Notes to the condensed interim financial statements  
for the period ended September 30, 2014 (continued)  
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10. Property, plant and equipment (continued)

For the periods ended September 30, 2014 and September 30, 2013, the allocation of depreciation and amortization expenses of property, plant and equipment and intangibles has been as follows:

	September 30, 2014	September 30, 2013
Research and development expenses	20.819.861	17.124.888
Costs related to uncompleted contracts	5.694.199	5.179.546
Cost of goods sold	3.713.299	4.059.575
Development projects in process	1.417.620	2.242.879
Depreciation on outstanding inventories	860.075	591.144
General administrative expenses	1.090.604	872.814
Selling and marketing expenses	819.258	552.307
<b>Total</b>	<b>34.414.916</b>	<b>30.623.153</b>

As of September 30, 2014 and December 31, 2013, gross values of fully depreciated items which are still in use are as follows:

	September 30, 2014	December 31, 2013
Machinery, equipment and installations	68.524.341	65.632.260
Motor vehicles	2.588.360	2.588.360
Furniture and fixtures	12.295.062	12.135.350
Leasehold improvements	1.120.006	1.120.006
	<b>84.527.769</b>	<b>81.475.976</b>

11. Intangible assets

For the period ended September 30, 2014, the movement of intangibles and accumulated amortization is as follows:

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

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**Notes to the condensed interim financial statements  
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**11. Intangible assets (continued)**

For the period ended September 30, 2013, the movement of intangibles and accumulated amortization is as follows:

	January 1, 2013	Additions	Transfers	September 30, 2013
<b>Cost:</b>				
Other intangible assets	10.181.064	197.332	-	10.378.396
Development costs	114.200.265	-	11.469.506	125.669.771
Development projects in process	19.674.691	37.490.487	(11.469.506)	45.695.672
	144.056.020	37.687.819	-	181.743.839
<b>Accumulated amortization:</b>				
Other intangible assets	6.882.799	1.038.529		7.921.328
Development costs	37.131.351	18.076.162		55.207.513
	44.014.150	19.114.691		63.128.841
<b>Net book value</b>	100.041.870			118.614.998

As of September 30, 2014 and December 31, 2013, the gross values of fully amortized intangible assets which are still in use are as follows:

	September 30, 2014	December 31, 2013
Other intangible assets	6.517.661	6.131.494
Development costs (amortized)	18.494.386	5.848.347
	25.012.047	11.979.841

**12. Provisions, contingent assets and liabilities**

**Provisions-short term**

	September 30, 2014	December 31, 2013
Provision for other cost (*)	133.001.526	76.011.181
Warranty provision	15.615.584	18.914.980
Provision for sales commission	7.057.211	735.433
Provision for personnel premium	7.130.000	-
Provision for imported material cost	458.782	135.774
Other	1.327.838	202.302
<b>Total</b>	<b>164.590.941</b>	<b>95.999.670</b>

(\*) 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 by the subcontractors.

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Notes to the condensed interim financial statements  
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**12. Provisions, contingent assets and liabilities (continued)**

**Provisions-long term**

	<b>September 30, 2014</b>	December 31, 2013
Warranty provision	<b>5.040.615</b>	6.341.178
<b>Total</b>	<b>5.040.615</b>	6.341.178

**Warranty provision**

The movement of the warranty expense provision is as follows:

	<b>September 30, 2014</b>	September 30, 2013
January 1,	<b>25.256.158</b>	17.835.439
Additional provision	<b>19.292.011</b>	21.242.224
Payments	<b>(23.891.970)</b>	(15.686.760)
<b>September 30</b>	<b>20.656.199</b>	23.390.903

**Provision for employee benefits**

	<b>September 30, 2014</b>	December 31, 2013
Provision for employment termination benefit	<b>18.302.975</b>	16.173.142
Provision for vacation pay liabilities	<b>5.176.108</b>	4.443.081
<b>Total</b>	<b>23.479.083</b>	20.616.223

**Provision for employment termination benefit**

The retirement pay liability as at 30 September 2014 is subject to a ceiling of full TL 3.438 (31 December 2013 – full TL 3.254) per monthly salary for each service year.

The liability is not funded and accordingly there are no plan assets for the defined benefits as there is no funding requirement.

Provision for employment termination benefit is calculated by forecasting the present value of the total amount of the defined benefits paid to employees whose employment has ended due to retirement or for reasons other than resignation or misconduct.

According to Turkish Accounting Standards, actuarial valuation methods is required to use in the calculation of the regarding provision. Actuarial assumptions used in the calculation of the total employment termination benefit are as follows:

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Notes to the condensed interim financial statements  
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12. Provisions, contingent assets and liabilities (continued)

	September 30, 2014	December 31, 2013
Net discount rate (%)	4,78	4,78
Personnel turnover rate (%)	2,39	2,66

The principal assumption is based on proportional increase between expected rate of ceiling increase and inflation. Thus, inflation would be adjusted from expected effects and indicate the actual rate.

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

	September 30, 2014	September 30, 2013
January 1	16.173.142	13.716.119
Interest expense	1.097.752	685.806
Provision for the current period	1.921.913	2.764.279
Actuarial losses	1.832.201	1.480.061
Payment	(2.722.033)	(1.888.990)
<b>September 30</b>	<b>18.302.975</b>	<b>16.757.275</b>

Provision for vacation pay liability

The movements of vacation pay liabilities are as follows:

	September 30, 2014	September 30, 2013
January 1	4.443.081	3.313.961
Increase during the year	733.027	1.146.715
<b>September 30</b>	<b>5.176.108</b>	<b>4.460.676</b>

Commitments and contingencies

As of September 30, 2014 and December 31, 2013, the tables which represent the position of guarantees, pledges and mortgages are as follow:

Guarantees given by the Company	September 30, 2014	December 31, 2013
a. Total amount of guarantees, pledges and mortgages given in the name of legal entity	736.387.769	796.640.829
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	-	-
<b>Total</b>	<b>736.387.769</b>	<b>796.640.829</b>

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the condensed interim financial statements  
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12. Provisions, contingent assets and liabilities (continued)

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

	September 30, 2014		December 31, 2013	
	Original currency	TL	Original currency	TL
U.S. Dollars	233.966.384	533.185.994	274.909.369	586.739.066
Euro	39.137.103	113.161.019	40.592.173	119.198.916
SAR	-	-	22.000.000	12.519.320
Turkish Lira	90.040.756	90.040.756	78.183.527	78.183.527
		<b>736.387.769</b>		<b>796.640.829</b>

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

	September 30, 2014	December 31, 2013
<b>Guarantee letters given</b>		
Under secretariat of Ministry of Defense	450.160.761	421.597.311
Other	286.227.008	375.043.518
	<b>736.387.769</b>	<b>796.640.829</b>

**Guarantee Letters**

a) Guarantees given as of September 30, 2014 and December 31, 2013 is as follows:

	September 30, 2014	December 31, 2013
Bank letters of guarantee (*)	736.387.769	796.640.829
	<b>736.387.769</b>	<b>796.640.829</b>

(\*) Bank letters of guarantee amounting to TL 450.160.761 are given to Secretariat of Ministry of Defense for Altay Project (December 31, 2013– TL 421.597.311).

b) Guarantees received as of September 30, 2014 and December 31, 2013 is as follows:

	September 30, 2014	December 31, 2013
Bank letters of guarantee (**)	350.181.989	331.750.195
Guarantee notes	29.783.743	37.121.748
Mortgages received	842.000	842.000
Guarantee bills	6.548.000	280.000
	<b>387.355.732</b>	<b>369.993.943</b>

(\*\*) Bank letters of guarantee amounting to TL 155.291.815 are obtained from the sub-contractors for Altay Project (December 31, 2013 – TL 146.570.489).

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Notes to the condensed interim financial statements  
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12. Provisions, contingent assets and liabilities (continued)

Contingent asset

The legal case related to tax deduction for the R&D activities in 2010 has concluded in favor of the Company and TL 2.923.627 has been refunded to the Company. The same case of 2011 is still in progress at appeal phase. The expected refund amount for 2011 is TL 3.963.320. Also cases have been filed for the years 2012 and 2013 and the expected refunds are TL 6.851.730 and TL 20.922.191, respectively.

13. Prepaid expenses, deferred revenue and other assets and liabilities

a) Prepaid expenses

	September 30, 2014	December 31, 2013
Advances given	74.769.853	70.119.606
Prepaid expenses	2.288.866	4.865.510
<b>Total</b>	<b>77.058.719</b>	<b>74.985.116</b>

b) Other current assets

	September 30, 2014	December 31, 2013
Value added tax receivables	12.455.150	16.242.267
Other	1.327.217	811.658
<b>Total</b>	<b>13.782.367</b>	<b>17.053.925</b>

c) Deferred revenue

	September 30, 2014	December 31, 2013
Deferred repair and maintenance revenue (*)	19.863.918	20.173.756
Advances received	178.895.940	268.515.741
<b>Deferred income- short term</b>	<b>198.759.858</b>	<b>288.689.497</b>

	September 30, 2014	December 31, 2013
Deferred repair and maintenance revenue (*)	50.592.272	66.511.725
<b>Deferred income- long term</b>	<b>50.592.272</b>	<b>66.511.725</b>

(\*) Deferred revenue consists of deferred repair and maintenance revenue of vehicles sold within the scope of the contract.

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

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13. Prepaid expenses, deferred revenue and other assets and liabilities (continued)

d) Employee benefit obligations

	September 30, 2014	December 31, 2013
Due to personnel	2.558.139	10.450.853
Social security premiums payable	3.491.453	3.393.459
Taxes and funds payable	1.522.087	5.299.228
<b>Total</b>	<b>7.571.679</b>	<b>19.143.540</b>

e) Other current liabilities

	September 30, 2014	December 31, 2013
Taxes and funds payable	314.876	827.468
Deferred special consumption tax	128.114	447.325
Other	351.912	340.654
<b>Total</b>	<b>794.902</b>	<b>1.615.447</b>

14. Sales and cost of sales

Net sales

	January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
Domestic sales	734.831.429	184.122.930	861.189.523	249.707.868
Export sales	141.702.988	49.942.701	147.016.766	49.201.240
<b>Gross sales</b>	<b>876.534.417</b>	<b>234.065.631</b>	<b>1.008.206.289</b>	<b>298.909.108</b>
Less: Sales discounts and sales returns	(1.445.884)	(407.402)	(384.988)	(142.696)
<b>Net sales</b>	<b>875.088.533</b>	<b>233.658.229</b>	<b>1.007.821.301</b>	<b>298.766.412</b>

As of September 30, 2014 and September 30, 2013 a breakdown of net sales in terms of categories are as follows:

	January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
Commercial vehicles	429.280.853	109.751.411	612.909.129	180.268.840
Armored vehicles	236.368.475	49.782.144	212.827.514	50.567.169
Other sales (*)	209.439.205	74.124.674	182.084.658	67.930.403
	<b>875.088.533</b>	<b>233.658.229</b>	<b>1.007.821.301</b>	<b>298.766.412</b>

(\*)TL 133.150.207 of this amount is related to revenues of uncompleted contracts. (September 30, 2013 – 106.127.241 TL)

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Notes to the condensed interim financial statements  
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14. Sales and cost of sales (continued)

Cost of sales

	January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
Cost of finished goods sold	626.887.372	167.400.431	745.635.110	216.619.600
Cost of merchandise sold	36.464.412	14.122.892	37.496.962	15.393.823
<b>Cost of sales</b>	<b>663.351.784</b>	<b>181.523.323</b>	<b>783.132.072</b>	<b>232.013.423</b>

15. Other operating income

	January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
Foreign exchange gain from trade receivable/ payables	26.188.087	(11.355.473)	54.554.475	15.034.398
Forward transaction income	11.391.972	7.483.786	11.208.077	(52.997)
Maturity difference income	13.517.861	4.164.080	6.729.128	2.328.866
Incentive income	1.183.860	394.620	658.460	219.486
Other income	4.916.020	1.961.486	2.869.419	539.216
<b>Total</b>	<b>57.197.800</b>	<b>2.648.499</b>	<b>76.019.559</b>	<b>18.068.969</b>

16. Other operating expenses

	January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
Foreign exchange loss from trade receivable/ payables	(37.706.308)	3.178.326	(35.216.366)	(504.857)
Forward transaction expenses	(4.145.440)	(605.557)	(28.103.470)	(12.025.852)
Provision for doubtful receivables	(119.341)	(138.975)	(3.162.620)	(2.068.578)
Other expenses	(292.818)	(95.999)	(80.122)	(50.706)
<b>Total</b>	<b>(42.263.907)</b>	<b>2.337.795</b>	<b>(66.562.578)</b>	<b>(14.649.993)</b>

17. Financial income

	January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
Interest income from time deposits	744.216	188.619	311.794	205.975
Foreign exchange gains on bank deposits	2.129.514	873.447	1.900.477	371.288
Foreign exchange gains on bank loans	9.037.100	2.507.000	57.500	57.500
<b>Total</b>	<b>11.910.830</b>	<b>3.569.066</b>	<b>2.269.771</b>	<b>634.763</b>

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18. Financial expense

	January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
Interest expense on bank borrowings	(30.802.209)	(12.238.284)	(24.523.627)	(8.914.680)
Foreign exchange losses on bank deposits	(2.261.468)	(584.543)	(5.394.912)	(1.754.395)
Foreign exchange losses on bank loans	(12.296.800)	(2.911.700)	(2.917.500)	(2.917.500)
<b>Total</b>	<b>(45.360.477)</b>	<b>(15.734.527)</b>	<b>(32.836.039)</b>	<b>(13.586.575)</b>

19. Tax assets and liabilities

The Company is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey. However, Otokar Europe SAS is subject to taxation in accordance with the tax regulation and the legislation effective in France.

In Turkey, the corporation tax rate is 20% (2013 - 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% (2013 - 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

As of September 30, 2014 and December 31, 2013, income tax payables net off prepaid taxes presented in the balance sheet is as follows:

	September 30, 2014	December 31, 2013
Income tax payable	5.849.256	43.641.898
(-) Prepaid tax	(5.849.256)	(36.598.851)
<b>Income tax payable</b>	<b>-</b>	<b>7.043.047</b>

The breakdown of total tax expense for the period ended September 30, 2014 and 2013 is as follows:

	January 1– September 30, 2014	January 1– September 30, 2013
Current tax charge	(5.849.256)	(38.471.090)
Deferred tax income		
- Tax charged to profit for the period	(463.934)	31.786.205
- Tax charged to other comprehensive income/expense	366.440	296.012
<b>Total tax (expense)/income</b>	<b>(5.946.750)</b>	<b>(6.388.873)</b>

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19. Tax assets and liabilities (continued)

As of September 30, 2014 and December 31, 2013, 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, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Property, plant and equipment	(10.484.224)	(12.975.519)	1.384.450	886.191
Intangibles	(17.974.943)	(20.553.326)	(3.594.989)	(4.110.665)
Deferred financial expense	(219.537)	(501.791)	(43.907)	(100.358)
Inventories	1.688.833	1.373.503	337.767	274.701
Warranty reserve	20.656.199	25.256.158	4.131.240	5.051.232
Reserve for retirement pay	18.302.975	16.173.142	3.660.595	3.234.628
Deferred financial income	14.738.017	18.051.122	2.947.603	3.610.224
Other provisions	19.454.518	6.948.144	3.890.904	1.389.629
Deferred repair and maintenance income	70.456.189	86.685.480	14.091.238	17.337.095
Adjustment for percentage of completion method on construction projects	76.953.658	71.706.219	15.390.732	14.341.244
Other	5.224.465	7.120.490	1.044.893	1.424.099
<b>Deferred tax asset</b>			<b>43.240.526</b>	<b>43.338.020</b>

The movement of deferred tax asset for the period ended September 30, 2014 and 2013 is as follows:

	September 30, 2014	September 30, 2013
At January 1	43.338.020	11.092.336
Deferred tax income		
- Tax charged to profit for the period	(463.934)	31.786.205
- Tax charged to other comprehensive income/expense	366.440	296.012
<b>At September 30</b>	<b>43.240.526</b>	<b>43.174.553</b>

20. Earnings per share

Earnings per share are calculated by dividing net profit by the weighted average number of shares that have been outstanding during the 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.

Earnings per share are calculated by dividing net profit by the weighted average number of shares that have been outstanding.

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20. Earnings per share (continued)

	September 30, 2014	September 30, 2013
Net income/(loss) attributable to shareholders (TL)	47.771.856	67.340.183
Weighted average number of issued shares	24.000.000.000	24.000.000.000
Earnings per share (Kr)	0,199	0,281

21. Related party disclosures

Due from and due to the related parties at the period ends and transactions with related parties during the periods are as follows:

i) Due from and due to related party balances as of September 30, 2014 and December 31, 2013:

Due from related parties	September 30, 2014	December 31, 2013
Ram Dış Ticaret A.Ş. (1) (*)	73.235.966	63.946.381
Otokar Europe SAS (3)	6.957.011	6.566.672
Ford Otosan A.Ş. (2)	324.923	32.773
Other (1)	446.934	828.223
<b>Total</b>	<b>80.964.834</b>	<b>71.374.049</b>

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

- (1) Related parties of main shareholder  
(2) Shareholder  
(3) Company's subsidiary not in consolidation scope

Due to related parties	September 30, 2014	December 31, 2013
Ram Dış Ticaret A.Ş. (1)	4.465.531	6.691.466
Zer Merkezi Hizmetler A.Ş. (1)	755.089	2.273.182
Opet Fuchs Madeni Yağ A.Ş. (1)	364.939	280.439
Setur Servis Turistik A.Ş.(1)	222.965	732.046
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	158.561	271.553
Ram Sigorta Aracılık Hz. A.Ş. (1)	136.386	202.176
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	35.683	235.919
KoçSistem Bilgi ve İletişim Hizm. A.Ş. (1)	6.363	1.573.987
Divan Turizm İşletmeleri A.Ş. (1)	2.255	1.124
Koçtaş Yapı Marketleri A.Ş.(1)	1.777	353.820
Aygaz A.Ş. (1)	358	-
Arçelik A.Ş. (1)	-	213
Eltek Elektrik Enerji İth.İhr.Top.Tic. A.Ş.(1)	-	372.365
Koç Holding A.Ş. (2)	-	74.846
Opet Petrolcülük A.Ş. (1)	-	91.401
<b>Total</b>	<b>6.149.907</b>	<b>13.154.537</b>

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21. Related party disclosures (continued)

ii) Major sales and purchase transactions with related parties:

	January 1- September 30, 2014	July 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2013
<b>Product sales and service revenue</b>				
Ram Dış (1) (*)	109.749.587	34.525.512	122.104.995	34.103.308
Otokar Europe SAS (3)	10.708.947	3.969.191	6.573.140	4.237.039
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	5.323.130	1.327.728	5.629.501	2.358.938
Ford Otosan (2)	180.456	304	461	268
Aygaz A.Ş. (1)	92.564	75.523	284.560	167.395
Otokoç (1)	551	-	128.000	128.000
RMK Marine Gemi Yap. San. İşl. A.Ş. (1)	485	-	257	257
Arçelik (1)	-	-	122.850	-
<b>Total</b>	<b>126.055.720</b>	<b>39.898.258</b>	<b>134.843.764</b>	<b>40.995.205</b>

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

(1) Related parties of main shareholder

(2) Shareholder

(3) Company's subsidiary not in consolidation scope

	January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
<b>Purchase of property, plant and equipment</b>				
Koç Sistem (1)	949.849	309.809	1.643.054	856.090
Otokoç (1)	65.563	-	172.282	-
Zer (1)	16.566	3.790	36.801	1.248
Arçelik (1)	16.242	11.494	6.695	1.131
Koçtaş (1)	12.045	-	83.993	16.906
Ark İnşaat (1)	-	-	630.663	192.159
<b>Total</b>	<b>1.060.265</b>	<b>325.093</b>	<b>2.573.488</b>	<b>1.067.534</b>

	January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
<b>Inventory purchases</b>				
Zer (1)	11.059.569	4.369.443	10.734.402	4.574.067
Ram Dış (1)	3.333.847	872.341	6.077.319	2.614.019
Akpa (1)	2.075.415	604.682	3.071.130	926.592
Opet Fuchs (1)	1.552.874	393.214	1.287.686	434.873
Opet (1)	1.468.719	585.411	1.242.626	439.385
Koçtaş (1)	641.768	33.147	995.494	399.511
Türk Traktör (1)	342.036	136.299	446.160	194.998
Ford Otosan (2)	37.879	3.659	-	-
Arçelik (1)	3.330	2.193	7.934	2.647
<b>Total</b>	<b>20.515.437</b>	<b>7.000.389</b>	<b>23.862.751</b>	<b>9.586.092</b>

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the condensed interim financial statements  
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21. Related party disclosures (continued)

	January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
<b>Service purchases</b>				
Ram Dış (1)	3.096.946	831.467	6.316.334	576.222
Setur (1)	3.049.788	1.150.574	4.210.337	1.263.419
Eltek (1)	3.006.365	871.436	2.259.143	1.456.189
Otokar Europe SAS (3)	1.955.690	926.822	1.626.803	977.254
Koç Holding A.Ş. (2)	1.688.781	637.641	903.625	134.786
Otokoç (1)	1.444.401	619.498	1.033.098	415.773
Koç Sistem (1)	751.245	232.250	588.386	413.810
Other (1)	250.192	77.025	637.081	227.526
<b>Total</b>	<b>15.243.408</b>	<b>5.346.713</b>	<b>17.574.807</b>	<b>5.464.979</b>

(1) Related parties of main shareholder

(2) Shareholder

(3) Company's subsidiary not in consolidation scope

	September 30, 2014	December 31, 2013
<b>Bank deposits</b>		
Yapı ve Kredi Bankası A.Ş. (1)		
- Demand Deposits	63.931	1.680.822
- Time Deposits	289.140	2.750.000
<b>Total</b>	<b>353.071</b>	<b>4.430.822</b>

	September 30, 2014	December 31, 2013
<b>Checks and notes in collection</b>		
Yapı ve Kredi Bankası A.Ş. (1)	14.773.252	33.393.531
<b>Total</b>	<b>14.773.252</b>	<b>33.393.531</b>

	September 30, 2014	December 31, 2013
<b>Loans</b>		
Yapı ve Kredi Bankası A.Ş. (1)	124.402.894	47.093.434
<b>Total</b>	<b>124.402.894</b>	<b>47.093.434</b>

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the condensed interim financial statements  
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21. Related party disclosures (continued)

Other operating income/expenses as of September 30, 2014:

Foreign exchange gain from trade receivable/ payables	January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
Ram Dış Ticaret A.Ş. (1)	5.596.285	1.780.920	2.348.536	1.818.041
Otokar Europe SAS (3)	782.640	7.387	119.214	119.214
Other (1)	9.216	2.501	389	(2)
<b>Total</b>	<b>6.388.141</b>	<b>1.790.808</b>	<b>2.468.139</b>	<b>1.937.253</b>

Foreign exchange losses from trade receivable/ payables	January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
Ram Dış Ticaret A.Ş. (1)	364.523	92.896	1.063.173	750.092
Otokar Europe SAS (3)	127.235	6.032	2.977	2.977
Other (1)	14.635	1	9.006	2.779
<b>Total</b>	<b>506.393</b>	<b>98.929</b>	<b>1.075.156</b>	<b>755.848</b>

(1) Related parties of main shareholder

(3) Company's subsidiary not in consolidation scope

Financial income and expense with related parties:

Interest income	January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
Yapı ve Kredi Bankası A.Ş. (1)	226.511	1.814	251.077	196.505
<b>Total</b>	<b>226.511</b>	<b>1.814</b>	<b>251.077</b>	<b>196.505</b>

Interest expense	January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
Yapı ve Kredi Bankası A.Ş. (1)	2.595.824	1.758.209	585.552	319.246
<b>Total</b>	<b>2.595.824</b>	<b>1.758.209</b>	<b>585.552</b>	<b>319.246</b>

Foreign exchange gains	January 1 - September 30, 2014	July 1 - September 30, 2014	January 1 - September 30, 2013	July 1 - September 30, 2013
Yapı ve Kredi Bankası A.Ş. (1)	6.565.498	2.418.760	506.929	228.646
<b>Total</b>	<b>6.565.498</b>	<b>2.418.760</b>	<b>506.929</b>	<b>228.646</b>

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

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Notes to the condensed interim financial statements  
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**21. Related party disclosures (continued)**

<b>Foreign exchange losses</b>	<b>January 1 - September 30, 2014</b>	<b>July 1 - September 30, 2014</b>	<b>January 1 - September 30, 2013</b>	<b>July 1 - September 30, 2013</b>
Yapı ve Kredi Bankası A.Ş. (1)	<b>5.758.478</b>	<b>2.353.376</b>	3.808.010	3.427.011
<b>Total</b>	<b>5.758.478</b>	<b>2.353.376</b>	3.808.010	3.427.011

(1) Related parties of main shareholder

**Benefits provided to executives**

Salaries and similar benefits provided to the executive management by the Company for the period ended September 30, 2014 amounted to TL 2.869.479 (September 30, 2013 - TL 3.213.251).

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi****Notes to the condensed interim financial statements  
for the period ended September 30, 2014 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated)****22. Nature and level of risks arising from financial instruments****Foreign currency risk and related sensitivity analysis**

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

The accompanying table represents the foreign currency risk of the Company as of September 30, 2014;

		<b>Table of foreign currency position</b>			
		<b>September 30,</b>			
		<b>2014</b>			
		<b>TL equivalent (functional currency)</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>
1.	Trade receivables	204.305.848	27.020.961	49.391.746	(22.612)
2a.	Monetary financial assets (including cash, bank accounts)	81.547.340	32.581.502	2.515.171	6.765
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	16.675	4.304	2.375	-
4.	<b>Current assets (1+2+3)</b>	<b>285.869.863</b>	<b>59.606.767</b>	<b>51.909.292</b>	<b>(15.847)</b>
5.	Trade receivables	160.126.966	-	55.380.427	-
6a.	Monetary financial assets	118.555.939	52.023.318	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	50.137	-	17.340	-
8.	<b>Non-current assets (5+6+7)</b>	<b>278.733.042</b>	<b>52.023.318</b>	<b>55.397.767</b>	<b>-</b>
9.	<b>Total assets (4+8)</b>	<b>564.602.905</b>	<b>111.630.085</b>	<b>107.307.059</b>	<b>(15.847)</b>
10.	Trade payables	(15.846.184)	(3.236.324)	(2.547.836)	(298.950)
11.	Financial liabilities	(79.162.506)	-	(27.378.607)	-
12a.	Monetary other liabilities	(302.872.113)	(131.517.888)	(1.091.512)	-
12b.	Non-monetary other liabilities	(19.863.918)	-	(6.870.000)	-
13.	<b>Current liabilities (10+11+12)</b>	<b>(417.744.721)</b>	<b>(134.754.212)</b>	<b>(37.887.955)</b>	<b>(298.950)</b>
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(43.727.954)	-	(15.123.454)	-
16a.	Monetary other liabilities	-	-	-	-
16b.	Non-monetary other liabilities	(50.592.272)	-	(17.497.500)	-
17.	<b>Non-current liabilities (14+15+16)</b>	<b>(94.320.226)</b>	<b>-</b>	<b>(32.620.954)</b>	<b>-</b>
18.	<b>Total liabilities (13+17)</b>	<b>(512.064.947)</b>	<b>(134.754.212)</b>	<b>(70.508.909)</b>	<b>(298.950)</b>
19.	Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	(51.634.509)	32.533.850	(43.500.000)	-
19a.	Hedged total assets amount	74.141.391	32.533.850	-	-
19b.	Hedged total liabilities amount	(125.775.900)	-	(43.500.000)	-
20.	<b>Net foreign currency asset/(liability) position (9+18+19)</b>	<b>903.449</b>	<b>9.409.723</b>	<b>(6.701.850)</b>	<b>(314.797)</b>
21.	<b>Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>122.927.336</b>	<b>(23.128.431)</b>	<b>61.145.935</b>	<b>(314.797)</b>
22.	Total fair value of financial instruments used for foreign currency hedging	(51.634.509)	32.533.850	(43.500.000)	-
23.	Export (As of September 30, 2014)	141.702.414	33.128.492	24.776.428	24.854
24.	Import (As of September 30, 2014)	256.782.882	64.354.191	38.072.835	1.442.671

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Notes to the condensed interim financial statements  
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## 22. Nature and level of risks arising from financial instruments (continued)

		Table of foreign currency position			
		December 31, 2013			
		TL equivalent (functional currency)	USD	EUR	GBP
1.	Trade receivables	242.862.263	15.865.101	70.938.481	196.654
2a.	Monetary financial assets (including cash, bank accounts)	76.038.246	31.703.749	2.844.479	5.731
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	<b>Current assets (1+2+3)</b>	<b>318.900.509</b>	<b>47.568.850</b>	<b>73.782.960</b>	<b>202.385</b>
5.	Trade receivables	192.938.324	-	65.703.499	-
6a.	Monetary financial assets	93.597.289	43.853.858	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	<b>Non-current assets (5+6+7)</b>	<b>286.535.613</b>	<b>43.853.858</b>	<b>65.703.499</b>	-
9.	<b>Total assets(4+8)</b>	<b>605.436.122</b>	<b>91.422.708</b>	<b>139.486.459</b>	<b>202.385</b>
10.	Trade payables	(27.457.608)	(8.662.260)	(2.582.391)	(394.873)
11.	Financial liabilities	(106.228.231)	-	(36.175.117)	-
12a.	Monetary other liabilities	(340.701.500)	(159.450.691)	(131.412)	-
12b.	Non-monetary other liabilities	(20.173.756)	-	(6.870.000)	-
13.	<b>Current liabilities (10+11+12)</b>	<b>(494.561.095)</b>	<b>(168.112.951)</b>	<b>(45.758.920)</b>	<b>(394.873)</b>
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(44.408.262)	-	(15.122.854)	-
16a.	Monetary other liabilities	-	-	-	-
16b.	Non-monetary other liabilities	(66.511.725)	-	(22.650.000)	-
17.	<b>Non-current liabilities (14+15+16)</b>	<b>(110.919.987)</b>	-	<b>(37.772.854)</b>	-
18.	<b>Total liabilities (13+17)</b>	<b>(605.481.082)</b>	<b>(168.112.951)</b>	<b>(83.531.774)</b>	<b>(394.873)</b>
19.	Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	(1.231.950)	79.222.719	(58.000.000)	-
19a.	Hedged total assets amount	169.085.050	79.222.719	-	-
19b.	Hedged total liabilities amount	(170.317.000)	-	(58.000.000)	-
20.	<b>Net foreign currency asset/(liability) position (9+18+19)</b>	<b>(1.276.910)</b>	<b>2.532.476</b>	<b>(2.045.315)</b>	<b>(192.488)</b>
21.	<b>Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>86.640.521</b>	<b>(76.690.243)</b>	<b>85.474.685</b>	<b>(192.488)</b>
22.	Total fair value of financial instruments used for foreign currency hedging	(1.231.950)	79.222.719	(58.000.000)	-
23.	Export (As of September 30, 2013)	147.016.767	45.442.118	24.296.249	1.227.752
24.	Import (As of September 30, 2013)	314.286.874	70.285.892	69.070.917	5.205.829

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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, 2014 and December 31, 2013:

Exchange rate sensitivity analysis table		
September 30, 2014		
	Profit/(loss) before tax	Profit/(loss) before tax
	Appreciation of foreign currency	Depreciation of foreign currency
<i>In case 10% appreciation of USD against TL:</i>		
1- USD net asset/liability	2.144.382	(2.144.382)
2- Amount hedged for USD risk (-)	-	-
<b>3- USD net effect (1+2)</b>	<b>2.144.382</b>	<b>(2.144.382)</b>
<i>In case 10% appreciation of EUR against TL:</i>		
4- EUR net asset/liability	(1.937.773)	1.937.773
5- Amount hedged for EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>(1.937.773)</b>	<b>1.937.773</b>
<i>In case 10% appreciation of GBP against TL:</i>		
7- GBP net asset/liability	(116.264)	116.264
8- Amount hedged for GBP risk (-)	-	-
<b>9- GBP net effect (7+8)</b>	<b>(116.264)</b>	<b>116.264</b>
<b>Total (3+6+9)</b>	<b>90.345</b>	<b>(90.345)</b>

Exchange rate sensitivity analysis table		
December 31, 2013		
	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	540.506	(540.506)
2- Amount hedged for USD risk (-)	-	-
<b>3- USD net effect (1+2)</b>	<b>540.506</b>	<b>(540.506)</b>
<i>In case 10% appreciation of EUR against TL:</i>		
4- EUR net asset/liability	(600.607)	600.607
5- Amount hedged for EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>(600.607)</b>	<b>600.607</b>
<i>In case 10% appreciation of GBP against TL:</i>		
7- GBP net asset/liability	(67.590)	67.590
8- Amount hedged for GBP risk (-)	-	-
<b>9- GBP net effect (7+8)</b>	<b>(67.590)</b>	<b>67.590</b>
<b>Total (3+6+9)</b>	<b>(127.691)</b>	<b>127.691</b>

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**Notes to the condensed interim financial statements  
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**23. Financial instruments**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's assets that are measured at fair value at September 30, 2014 and December 31, 2013:

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>September 30, 2014</u>				
Derivative financial instruments	-	<b>223.691</b>	-	<b>223.691</b>
<b>Total</b>	-	<b>223.691</b>	-	<b>223.691</b>
<u>Liabilities</u>				
<u>December 31, 2013</u>				
Derivative financial instruments	-	1.231.950	-	1.231.950
<b>Total</b>	-	1.231.950	-	1.231.950

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

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

Company considers that carrying amounts reflect fair values of the financial instruments.

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

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

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**Notes to the condensed interim financial statements  
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**24. Subsequent events**

None.

**25. 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**

None.