

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 2013 (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 balance sheet as of September 30, 2013
(Currency –Turkish Lira (TL) unless otherwise indicated)

		Current period	Previous period
		Not Reviewed	(Audited)
	Notes	September 30,	December 31,
		2013	2012 <i>(Restated)</i>
Assets			
Current assets			
Cash and cash equivalents	3	4.803.357	47.906.245
Trade receivables	7	374.624.706	224.693.650
- Due from related parties	7,21	31.030.288	24.550.065
- Other trade receivable	7	343.594.418	200.143.585
Other receivables		44.418	1.715
Inventories	8	323.580.869	252.632.987
Prepaid expenses	13	72.737.754	133.453.785
Other current assets	13	16.775.896	21.480.578
Total current assets		792.567.000	680.168.960
Non-current assets			
Trade receivables	7	143.654.110	59.397.503
Other receivables		53.890	47.971
Estimated earnings in excess of billings on uncompleted contracts	9	82.284.346	61.325.046
Financial investment	4	239.280	239.280
Property, plant and equipment	10	121.678.601	125.112.154
Intangibles	11	118.614.998	100.041.870
Deferred tax asset	19	43.174.553	11.092.336
Total non-current assets		509.699.778	357.256.160
Total assets		1.302.266.778	1.037.425.120

The accompanying explanatory notes on pages 7 through 43 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 balance sheet as of September 30, 2013
(Currency –Turkish Lira (TL) unless otherwise indicated)

		Current period	Previous period
		Not Reviewed	Audited
		September 30,	December 31,
	Notes	2013	2012 <i>(Restated)</i>
Liabilities			
Current liabilities			
Short-term financial liabilities	5	109.249.556	48.064.941
Short-term portion of long-term financial liabilities	5	3.146.325	2.028.308
Financial derivatives liabilities	6	2.812.818	2.193.011
Trade payables	7	107.422.710	85.026.598
- Due to related parties	7, 21	5.355.940	8.988.915
- Other trade payables	7	102.066.770	76.037.683
Employee benefit obligations	13	7.198.221	17.165.965
Other payables	13	10.785.977	1.441.022
Deferred revenues	13	341.757.359	146.855.524
Government incentives and grants		1.007.806	670.521
Current tax liabilities for the current period income	19	9.976.477	-
Short-term provisions	12	79.200.893	225.619.049
Other current liabilities	13	705.015	1.076.908
Total current liabilities		673.263.157	530.141.847
Non-current liabilities			
Financial liabilities	5	303.372.227	236.099.752
Government incentives and grants		5.404.042	2.332.562
Long-term provisions	12	27.463.651	21.474.019
- Employee benefit provisions	12	21.217.951	17.030.080
- Long-term provisions	12	6.245.700	4.443.939
Deferred revenues	13	48.874.707	5.644.080
Total non-current liabilities		385.114.627	265.550.413
Shareholders' equity			
Parent Company's equity			
Paid-in share capital		24.000.000	24.000.000
Inflation adjustment on equity items		52.743.030	52.743.030
Restricted reserves		29.078.147	22.798.147
Accumulated other comprehensive income and expense that is not subject to reclassification to income or loss		(3.710.479)	(2.526.430)
Retained earnings		74.438.113	66.441.516
Net income for the period		67.340.183	78.276.597
Total shareholders' equity		243.888.994	241.732.860
Total liabilities		1.302.266.778	1.037.425.120

The accompanying explanatory notes on pages 7 through 43 form an integral part of the financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Interim comprehensive income statement for the period ended September 30, 2013
(Currency –Turkish Lira (TL) unless otherwise indicated)

	Notes	Current period Not reviewed		Previous period Not reviewed	
		January 1 – September 30, 2013	July 1 – September 30, 2013	January 1 – September 30, 2012 (Restated)	July 1 – September 30, 2012 (Restated)
Net sales	14	1.007.821.301	298.766.412	670.684.179	235.483.095
Cost of sales (-)	14	(783.132.072)	(232.013.423)	(517.769.670)	(184.969.829)
Gross profit		224.689.229	66.752.989	152.914.509	50.513.266
Marketing, sales and distribution expenses (-)		(81.508.302)	(29.820.427)	(52.065.223)	(20.274.168)
General and administrative expenses (-)		(30.068.847)	(7.771.908)	(22.687.249)	(7.114.095)
Research and development expenses (-)		(18.246.260)	(6.680.288)	(12.622.483)	(4.193.707)
Other operating income	15	76.019.559	18.068.969	94.839.064	25.595.012
Other operating expense (-)	16	(66.562.578)	(14.649.993)	(80.579.260)	(18.767.602)
Operating profit		104.322.801	25.899.342	79.799.358	25.758.706
Income from investing activities		268.535	53.670	19.236	(77.579)
Expenses from investing activities (-)		-	-	-	-
Operating profit before financial expense		104.591.336	25.953.012	79.818.594	25.681.127
Financial income	17	2.269.771	634.763	4.788.294	974.233
Financial expense (-)	18	(32.836.039)	(13.586.575)	(26.028.955)	(8.713.660)
Net income before taxes from continuing operations		74.025.068	13.001.200	58.577.933	17.941.700
Tax income/expense for continuing operations					
- Current tax expense for the period	19	(38.471.090)	(9.194.996)	(6.270.541)	(3.101.683)
- Deferred tax income	19	31.786.205	8.651.304	2.958.471	1.708.074
Net income		67.340.183	12.457.508	55.265.863	16.548.091
Calculated actuarial losses for employee benefits		(1.480.061)	(18.643)	(2.330.767)	(100.183)
Tax effect		296.012	3.728	466.153	20.036
Other comprehensive income / (expense) after tax		(1.184.049)	(14.915)	(1.864.614)	(80.147)
Total comprehensive income:		66.156.134	12.442.593	53.401.249	16.467.944
Earnings per share	20	0,0281	0,0052	0,0230	0,0069

The accompanying explanatory notes on pages 7 through 43 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

Cash flow statement for the period ended September 30, 2013

(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 related to employee termination benefits	Retained earnings	Net income for the period	Total shareholders' equity
January 1, 2012	24.000.000	52.743.030	18.118.147	-	63.640.101	54.846.604	213.347.882
Changes in accounting policies (Note 2.3)	-	-	-	(634.811)	-	634.811	-
January 1, 2012 (restated)	24.000.000	52.743.030	18.118.147	(634.811)	63.640.101	55.481.415	213.347.882
Transfer to retained earnings	-	-	-	-	55.481.415	(55.481.415)	-
Transfer to restricted reserves	-	-	4.680.000	-	(4.680.000)	-	-
Dividends paid	-	-	-	-	(48.000.000)	-	(48.000.000)
Net income	-	-	-	-	-	55.265.863	55.265.863
Other comprehensive income/(expense) (Not 19)	-	-	-	(1.864.614)	-	-	(1.864.614)
Total comprehensive income	-	-	-	(1.864.614)	-	55.265.863	53.401.249
September 30, 2012	24.000.000	52.743.030	22.798.147	(2.499.425)	66.441.516	55.265.863	218.749.131
January 1, 2013	24.000.000	52.743.030	22.798.147	-	65.806.705	76.384.978	241.732.860
Changes in accounting policies (Note 2.3)	-	-	-	(2.526.430)	634.811	1.891.619	-
January 1, 2013 (restated)	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	-	-	-	(1.184.049)	-	-	(1.184.049)
Total comprehensive income	-	-	-	(1.184.049)	-	67.340.183	66.156.134
September 30, 2013	24.000.000	52.743.030	29.078.147	(3.710.479)	74.438.113	67.340.183	243.888.994

The accompanying explanatory notes on pages 7 through 43 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

Cash flow statement for the period ended September 30, 2013
(Currency –Turkish Lira (TL) unless otherwise indicated)

		Not reviewed Current period September 30, 2013	Not reviewed Previous period September 30, 2012 (Restated)
	Notes		
Cash flows from operating activities			
Income before provision for taxes		74.025.068	58.577.934
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization expense	10	30.623.153	21.777.116
Provision for employee termination benefits		3.450.084	2.694.915
Provision for impairment of inventory		(80.472)	566.228
Provision for guarantees		21.242.224	14.299.446
Gain on sale of property, plant and equipment		(268.535)	(19.236)
Interest expense	18	24.523.627	19.739.038
Unrealized foreign exchange losses from loans		2.860.000	-
Interest income	17	(311.794)	(989.276)
Provision for doubtful receivables		3.162.620	973.437
Forward transactions, net		16.895.393	(2.228.692)
Operating income before changes in operating asset and liabilities		176.121.368	115.390.910
Trade receivables and other receivables		(237.398.905)	(24.469.340)
Estimated earnings in excess of billings on uncompleted contracts		(20.959.300)	(10.124.616)
Inventories		(70.867.410)	(122.921.654)
Other current assets		65.420.713	(39.802.417)
Trade payables		22.396.112	6.114.428
Other current and long-term liabilities		91.521.401	101.877.115
Taxes paid		(28.494.613)	(166.158)
Guarantees paid		(15.686.760)	(14.405.495)
Employee termination benefits paid		(1.888.990)	(1.312.176)
Net cash (used in) / provided by operating activities		(19.836.384)	10.180.597
Investing activities			
Cash paid for the purchase of property, plant and equipment	10	(8.945.726)	(18.406.000)
Cash paid for the purchase of intangible assets	11	(37.687.818)	(29.857.819)
Proceeds from sale of property, plant and equipment		1.139.352	810.821
Interest received		311.794	989.276
Net cash used in investing activities		(45.182.398)	(46.463.722)
Financing activities			
Increase on spot borrowings, net		33.000.948	35.252.246
Proceeds from bank borrowings		87.201.308	50.576.750
Repayments of bank borrowings		(16.275.586)	17.660.593
Realized gain on realized forward transactions		(18.010.776)	(13.156.066)
Interest payments		(64.000.000)	(48.000.000)
Net cash provided by financing activities		21.915.894	42.333.523
Net (decrease) / increase in cash and cash equivalents		(43.102.888)	6.050.398
Cash and cash equivalents at the beginning of the period		47.906.245	4.470.424
Cash and cash equivalents at the end of the period		4.803.357	10.520.822

The accompanying explanatory notes on pages 7 through 43 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, 2013
(Currency –Turkish Lira (TL) unless otherwise indicated)**

Organization and nature of operations

Otokar Otomotiv ve Savunma Sanayi A.Ş. (“Otokar” or “the Company”) was established in 1963 and is registered in Istanbul, Turkey and operating under the Turkish Commercial Code.

The Company operates in the automotive industry and off road vehicles, armoured vehicles, minibuses, midibuses and buses, trailers, semi-trailers and light truck comprises the majority of its production. The number of the personnel in the Company is 2.546. (December 31, 2012 – 2.281).

The registered addresses of the Company are as follows:

Headquarters

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

Factory:

Atatürk Cad. No: 6
54580 Arifiye / Sakarya

The Company has a subsidiary named "Otokar Europe SAS" with a capital of Euro 100.000 (TL 239.280), registered in France and 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 on October 30, 2013, signed by Ahmet Serdar Görgüç and Hüseyin Odabaş on behalf of Board of Directors of the Company. The Board of Directors has the power to amend the financial statements after issue.

The Company conducts part of its business transactions with the Koç Holding A.Ş. and related parties and has both customer and supplier relationships with related parties. The Company is registered to the Capital Market Board (“CMB”) and its shares are listed on the Borsa Istanbul (“BIST”) (Previous name :Istanbul Stock Exchange (“ISE”)) since 1996. As of September 30, 2013, the shares listed on the BIST are 29,91% of the total shares. As of September 30, 2013, the principal shareholders and their respective shareholding percentages are as follows:

	%
Koc Holding A.Ş.	44,68
Unver Holding A.Ş.	24,81
Other	30,51
	100,00

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, 2013 (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, 2013 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, 2012.

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.

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, 2013 and December 31, 2012 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 restatement of prior period financial statements

Pursuant to the decree taken in the CMB’s meeting dated June 7, 2013 and numbered 20/670, for capital market board institutions within the scope of the Communiqué on Principles Regarding Financial Reporting in the Capital Market, financial statement templates and a user guide have been published, effective as of the interim periods ended after March 31, 2013. Various classifications were made in the Company’s balance sheet and comprehensive income statement pursuant to these formats which have taken effect.

The reclassifications that are made at the Company’s balance sheet as of December 31, 2012 are as follows;

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

**Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
(Currency –Turkish Lira (TL) unless otherwise indicated)**

- Prepaid expenses amounting to TL 1.834.083 is reclassified from other current assets to prepaid expenses as a separate line in balance sheet,
- Deferred revenues amounting to TL 1.595.339 and TL 5.644.080 is reclassified to deferred revenues-current and deferred revenues-non-current as separate lines in balance sheet from other short-term liabilities and other long-term liabilities respectively,
- Due to personnel amounting to TL 8.828.874 is reclassified from other short-term liabilities to employee benefit obligations,
- Social security premiums payable amounting to TL 3.152.862 and taxes and funds payable amounting to 5.184.229 is reclassified from other short-term liabilities to employee benefit obligations,
- Short-term portion of long-term financial liabilities amounting to TL 2.028.308 is reclassified from short-term financial liabilities to short-term portion of long-term financial liabilities as a separate line in balance sheet,
- Advances given amounting to TL 131.619.702 is reclassified from other current assets to prepaid expenses,
- Advances taken amounting to TL 145.260.185 is reclassified from other payables to deferred revenues as a separate line in balance sheet.

The reclassifications made at the Company's comprehensive income statement for the period ended September 30, 2012 are as follows:

- Income from sales of fixed assets amounting to TL 96.815 is reclassified from other operating income to income from investing activities,
- Foreign exchange losses and foreign exchange gains amounting to TL 61.418.725 and TL 59.718.996 respectively related to trade receivables and payables, are reclassified from financial expense and financial income accounts to other operating expenses and operating income, respectively.
- Maturity difference income amounting to TL 10.871.443 is reclassified from financial income to other operating income.
- Foreign exchange losses and gains amounting to TL 18.061.669 and TL 20.290.361 arising from forward transactions the Company entered against exchange risk of receivables is reclassified from financial expense and financial income accounts to other operating expenses and operating income inline with the reclassification of foreign exchanges losses and gains arising from trade receivables.

Accounting policies that are adopted in preparation of interim financial statements are consistent with the annual financial statements of December 31,2012 except the following policy that is changed within the framework of IAS 19, "Employee benefits".

The following changes are made at the Company's financial statements as of December 31,2012 and September 30,2012 prepared in accordance with Communiqué.

Within the scope of the amendments to TAS 19 – Employee benefits, actuarial gains/losses related to employee termination benefits are recognized under equity. This practice is effective for the periods starting as of January 1, 2013 and has been implemented retrospectively. In its statement of comprehensive income, the Company has classified the actuarial loss amounting to TL 1.864.614 (with deferred tax impact netted off) under other comprehensive income, which was recognized under "general administrative expense", "cost of sales", "selling and marketing expense", "research and development expense" and "deferred tax income/expense" accounts in the period ended September 30, 2012. The Company has classified the actuarial loss amounting to TL 1.891.619, with the deferred tax impact netted off, from net income to accumulated other comprehensive income and expense that is not subject to reclassification to income or loss in the balance sheet dated December 31, 2012..

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**Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
(Currency –Turkish Lira (TL) unless otherwise indicated)**

2. Basis of presentation of financial statements (continued)

As of December 31, 2012, vacation pay liability amounting to TL 3.313.961 presented in short term provisions has been reclassified to long term provisions for employee benefits due to amendments in TAS 19 “Employee Benefits” which has been effective as of 1 January 2013. According to revised TAS 19, the short term benefits provided to employees comprise the ones which are expected to be settled wholly in twelve months after the end of the reporting period. The Company’s expectation is not to settle the whole vacation pay liability within twelve months after the end of the reporting period, so the related vacation pay liabilities has been reclassified as other long-term employee benefits and the necessary amendments on the previous period financial statements has been made by the Company.

2.3 Changes in accounting policies

New and amended standards and interpretations:

The accounting policies adopted in preparation of the interim financial statements as of September 30, 2013 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 2013. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2013 are as follows:

TFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)

The amendment requires the disclosure of the rights of the entity relating to the offsetting of the financial instruments and some information about the related regulations (eg, collateral agreements). New disclosures would provide users of financial statements with information that is useful in;

- i) evaluating the effect or potential effect of netting arrangements on an entity’s financial position and,
- ii) analyzing and comparing financial statements prepared in accordance with TFRSs and other generally accepted accounting standards.

New disclosures have to be provided for all the financial instruments in the balance sheet that have been offset according to TAS 32. Such disclosures are applicable to financial instruments in the balance sheet that have not been offset according to TAS 32 but are available for offsetting according to main applicable offsetting regulations or other financial instruments that are subject to a similar agreement. The amendment affects disclosures only and did not have any impact on the interim condensed financial statements of the Company.

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

The amendments to TAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and will have no impact on the financial position or performance of the Company.

TAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous

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**Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
(Currency –Turkish Lira (TL) unless otherwise indicated)**

2. Basis of presentation of financial statements (continued)

amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The most important change in the context of the amendment will be reclassification of actuarial gain/losses from income statement to other comprehensive income statement. The Company used to recognize the actuarial gain and loss in profit and loss statement before this amendment. The retrospective effects of the amendment to recognise actuarial gain and loss in the comprehensive income are disclosed in Note 2.2. In addition, based on the change in the presentation of short term and long term employee benefits, vacation pay liabilities presented in short provisions are reclassified to long term provisions related to employee benefits retrospectively.

TAS 27 Separate Financial Statements (Amended)

As a consequential amendment to TFRS 10 and TFRS 12, the POA also amended TAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This amendment did not have any impact on the financial position or performance of the Company.

TAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to TFRS 11 and TFRS 12, the POA also amended TAS 28, which has been renamed TAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to TFRS 11. This amendment did not have any impact on the financial position or performance of the Company.

TFRS 10 Consolidated Financial Statements

TFRS 10 replaces the portion of TAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This amendment did not have any impact on the financial position or performance of the Company.

TFRS 11 Joint Arrangements

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This amendment did not have any impact on the financial position or performance of the Company.

TFRS 12 Disclosure of Interests in Other Entities

TFRS 12 includes all of the requirements that are related to disclosures of an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Apart from the disclosures regarding the significant issues and transactions in the interim period, disclosures according to the new standards are not applicable to interim periods so the Company did not provide this disclosure in the interim period.

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**Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
(Currency –Turkish Lira (TL) unless otherwise indicated)**

2. Basis of preparation of financial statements (continued)

IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and will be adopted prospectively. Some of the disclosures about the financial instruments mentioned above, have to be provided in the interim condensed financial statements according to TAS 34.16 A (j). The Company has presented these disclosures in Note 23.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

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

The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as ‘the beginning of the annual reporting period in which IFRS 10 is applied for the first time’. The assessment of whether control exists is made at ‘the date of initial application’ rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and TAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons POA has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. These amendments did not have any impact on the financial position or performance of the Company.

Improvements to IFRSs

Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to standards with the effective date for annual periods beginning on or after January 1, 2013 did not have any impact on the financial position or performance of the Company.

TAS 1 Financial Statement Presentation:

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

TAS 16 Property, Plant and Equipment:

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

TAS 32 Financial Instruments: Presentation:

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

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**Notes to the condensed interim financial statements
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2. Basis of presentation of financial statements (continued)

TAS 34 Interim Financial Reporting:

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

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, after the new standards and interpretations become in effect.

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 are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new 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. Early adoption is permitted. The Company is in the process of assessing the impact of the amendment on 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 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 interim 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 financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 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 IFRS 9 Financial Instruments. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

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**Notes to the condensed interim financial statements
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2. Basis of presentation of financial statements (continued)

IFRIC 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 effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. The interpretation is not applicable for the Company and will not have any impact on the financial position or performance of the Company.

**IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets
(Amendment)**

The IASB, as a consequential amendment to IFRS 13 Fair Value Measurement, modified some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets. 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. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13. The Company does not expect that this amendment will have a significant impact on the financial position or performance of the Company.

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

In June 2013, the IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement that 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. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

Resolutions promulgated by the Public Oversight Authority

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. “The financial statement examples and user guide” became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after December 31, 2012.

2013-1 Financial Statement Examples and User Guide

The Public Oversight Authority promulgated “financial statement examples and user guide” on May 20, 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, individual retirement or capital market. The Company has made the classification adjustments stated in Note 2.2 in order to comply with the requirements of this regulation.

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**Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
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2. Basis of presentation of financial statements (continued)

2013-2 Accounting of Combinations under Common Control

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. These resolutions shall not have an impact on the financial statements of the Company.

2013-3 Accounting of Redeemed Share Certificates

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. These resolutions shall not have an impact on the financial statements of the Company.

2013-4 Accounting of Cross Shareholding Investments

If a subsidiary of an entity holds shares of the entity then this is defined as cross shareholding investment and accounting of this cross investment is assessed based on the type of the investment and different recognition principles adopted. With the subject resolution, this topic has been assessed under three main headings below and the recognition principles for each one of them has been determined.

- i) the subsidiary holding the equity based financial instruments of the parent,
- ii) the associates or joint ventures holding the equity based financial instruments of the parent,
- iii) the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 38 and TFRS 9 by the parent.

These resolutions shall not have an impact on the financial statements 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 30,2013, since the Management believed the indicators demonstrating that the Company will

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**Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
(Currency –Turkish Lira (TL) unless otherwise indicated)**

2. Basis of presentation of financial statements (continued)

have taxable profits in the foreseeable future are reliable, deferred tax asset has been recognized.

- c) Reserve for retirement pay is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates).
- d) The Company determines warranty provision by considering the past warranty expenses and remaining warranty period per vehicle.
- e) Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, other than related parties, are assessed with their prior year performances, their credit risk in the current market, 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) Provision is provided in the financial statements for the probable loss of court cases against the Company based on the Company's lawyers' assessments. Company Management determines the amount of provisions based on best estimates. Management determines the amount of provisions based on best estimates.

2.4 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, 2012 except for the restatements disclosed in Note 2.2.

2.5 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 except "Otokar Europe SAS", the Company does not make segment reporting and follows financial statements by one segment.

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**Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
(Currency –Turkish Lira (TL) unless otherwise indicated)**

3. Cash and cash equivalents

	September 30, 2013	December 31, 2012
Cash at banks		
- demand deposits	1.030.889	4.217.628
- time deposits	105.000	39.615.000
Checks and notes received	3.646.242	4.026.574
Other	21.226	47.043
	4.803.357	47.906.245

As of September 30, 2013, the effective interest rates of the time deposit amounting to TL 105.000 is 4.50 % annually and the maturity is 1 day on average (As of December 31, 2012, effective interest rates of time deposits which are originally amounting to TL 39.615.000 is annually 8% and the maturity is 1 day on average time deposit exists).

The 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, 2013, the Company has restricted bank deposit amounting to TL 869 (December 31, 2012 –1.362 TL).

4. Financial investments

The Company has a subsidiary titled as "Otokar Europe SAS", which it owns 100% of its paid-in capital amounting to Euro 100.000 (TL 239.280), registered in France and established on August 18, 2011 for the purpose of organizing export activities and increasing export sales. Since "Otokar Europe SAS" has not yet started its operations and does not materially affect the financial statements, it has not been subject to consolidation and is carried at cost values.

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

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Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
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5. Financial liabilities and short-term portion of long-term financial liabilities

			September 30, 2013	
	Maturities	Interest rate (%)	TL	
Short-term bank borrowings (*)				
Denominated in TL	October 1, 2013 – July 25, 2014	8,00-11,81	81.765.556	
Denominated in Euro	December 31, 2013	2,50	27.484.000	
Payments of the long-term bank borrowings and interest accruals (*)				
Denominated in TL	August 31, 2013 – December 14, 2013	8,80-9,45	3.146.325	
Total			112.395.881	

			September 30, 2013	
	Maturities	Interest rate (%)	TL	
Long-term bank borrowings (*) (**)				
Denominated in TL	Marc 3, 2015 – June 3, 2016	8,08-9,45	262.022.604	
Denominated in Euro	February 9, 2015	2,50	41.349.623	
Total			303.372.227	

(*) Bearing fixed interest rate

(**) Weighted average maturity days of long-term borrowings are 749 days.

			December 31, 2012	
	Maturities	Interest rate (%)	TL	
Short-term bank borrowings (***)				
Denominated in TL	January 2, 2013 – January 3, 2013	–	2.028.308	
Payments of the long-term bank borrowings and interest accruals (*)				
Denominated in TL	January 7, 2013 – June 14, 2013	8,72 – 11,81	48.064.941	
Total			50.093.249	

			December 31, 2012	
	Maturities	Interest rate (%)	TL	
Long-term bank borrowings (*) (**)				
Denominated in TL	March 26, 2014 – March 14, 2016	8,72 – 11,81	236.099.752	
Total			236.099.752	

(*) Bearing fixed interest rate

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

(***) Interest-free loans used for SGK payments.

As of September 30, 2013, the Company has not provided any guarantees for the borrowings received (December 31, 2012 - None).

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the condensed interim financial statements
for the period ended September 30, 2013 (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.

		Current period	Fair value
	Contract amount	Contract maturity	Liabilities
September 30, 2013:			
Forward transactions	261.098.000	October 10, 2013 – November 29, 2013	(2.812.818)
Short-term derivative financial instruments	261.098.000		(2.812.818)
Total derivative financial instruments	261.098.000		(2.812.818)

		Previous period	Fair value
		Contract maturity	Liabilities
December 31, 2012:			
Forward transactions	213.421.206	January 31, 2013 – February 28, 2013	(2.193.011)
Short-term derivative financial instruments	213.421.206		(2.193.011)
Total derivative financial instruments	213.421.206		(2.193.011)

7. Trade receivables and payables

Trade receivables

	September 30, 2013	December 31, 2012
Trade receivables, net	232.112.525	100.905.085
Notes receivable, net	134.391.962	118.985.948
	366.504.487	219.891.033
Less: provision for doubtful receivables	(22.910.069)	(19.747.448)
Other short-term trade receivables	343.594.418	200.143.585
Trade receivables from related parties	31.030.288	24.550.065
Short-term trade receivables	374.624.706	224.693.650
Long-term trade receivables, net	124.779.819	13.255.966
Long-term notes receivable, net	18.874.291	46.141.537
Long-term trade receivables	143.654.110	59.397.503

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Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
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7. Trade receivables and payables (continued)

Guarantees received for trade receivables

Receivables of the Company mainly relate to the sales to the minibus and bus dealers and trailer sales. As of September 30, 2013, the total trade receivable from dealers amounting to TL 81.908.237 (December 31, 2012 - TL 32.065.161), after provision reserved for doubtful receivables, has been secured by mortgages and guarantees at the amount of TL 103.538.500 (December 31, 2012 - TL 32.065.161).

Aging analysis of trade receivables

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

September 30, 2013	Trade receivables
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	702.142
Over 5 year past due	-
Total	702.142
Amount secured with guarantee (1)	601.052

December 31, 2012	Trade receivables
1- 30 day past due	-
1- 3 month past due	63.597
3- 12 month past due	-
1- 5 year past due	1.229.836
Over 5 year past due	-
Total	1.293.433
Amount secured with guarantee (1)	1.253.810

(1) Pledges on trailers.

The movement of the provision for doubtful receivables for the period ended September 30, 2013 and September 30, 2012 are as follows:

	September 30, 2013	September 30, 2013
January 1	19.747.449	18.337.536
Foreign exchange differences	-	(1.275.751)
Additional provision	3.162.620	973.437
Total	22.910.069	18.035.222

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**Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
(Currency –Turkish Lira (TL) unless otherwise indicated)**

7. Trade receivables and payables (continued)

As of September 30, 2013, average collection term for trade receivables is 60 - 90 days (December 31, 2012 – 60 - 90 days).

Trade payables

	September 30, 2013	December 31, 2012
Trade payables, net	101.868.190	75.851.383
Notes payables, net	198.580	186.300
Other short-term trade payables	102.066.770	76.037.683
Trade payables to related parties	5.355.940	8.988.915
Short-term trade payables	107.422.710	85.026.598

As of September 30, 2013, average payment term for trade payables is 45 - 60 days. (December 31, 2012 – 45 - 60 days).

8. Inventories

	September 30, 2013	December 31, 2012
Raw material	127.868.483	103.285.960
Work-in-process	25.973.685	22.257.093
Finished goods	45.826.581	49.091.664
Merchandise	41.471.882	30.152.329
Other inventory	83.975.454	49.461.629
(-) Impairment for inventories (*)	(1.535.216)	(1.615.688)
	323.580.869	252.632.987

(*) TL 1.314.428 of inventory impairment is related to finished goods (December 31,2012 - 1.394.900) and TL 220.788 is related to merchandises (December 31,2012 - 220.788). 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 amounts to TL 82.284.346 as of September 30, 2013 (December 31, 2012 – TL 61.325.046) after netting with short term advance taken.

As of September 30, 2013, the short term advances taken by the Company related with ongoing projects which amounts to TL 235.710.684 was included in deferred revenue in the financial statements (December 31, 2012 – TL 93.823.684). TL 74.290.197 which is included in deferred revenue is composed of other advance taken from customers (December 31, 2012 – TL 51.436.501) and TL 31.756.478 (December 31, 2012 – TL 1.595.339) which is included in deferred revenue is deferred maintenance income.

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Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
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10. Property, plant and equipment

For the period ended September 30, 2013 and September 30, 2012, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	January 1, 2013	Additions	Disposals	Transfers	September 30, 2013
Land					
Land improvements	37.456.746	-	-	-	37.456.746
Buildings	10.068.228	91.020	-	91.020	10.250.268
Machinery, equipment and installations	59.598.896	-	-	-	59.598.896
Motor vehicles	108.789.029	1.769.325	(437.234)	339.181	110.460.301
Furniture and fixtures	8.703.831	1.087.219	(1.088.654)	-	8.702.396
Leasehold improvements	27.791.048	2.598.121	(188.208)	213.136	30.414.097
Construction in progress	1.737.346	33.254	-	-	1.770.600
	867.007	3.366.787	-	(643.337)	3.590.457
	255.012.131	8.945.726	(1.714.096)	-	262.243.761
Accumulated depreciation:					
Land improvements					
Buildings	3.169.967	1.106.835	-	-	4.276.802
Machinery, equipment and installations	26.329.510	2.051.942	-	-	28.381.452
Motor vehicles	78.767.835	5.904.658	(407.543)	-	84.264.950
Furniture and fixtures	3.798.622	538.582	(259.851)	-	4.077.353
Leasehold improvements	16.542.448	1.787.805	(175.885)	-	18.154.368
Land	1.291.595	118.640	-	-	1.410.235
	129.899.977	11.508.462	(843.279)	-	140.565.160
Net book value	125.112.154				121.678.601
	January 1, 2012	Additions	Disposals	Transfers	September 30, 2012
Cost:					
Land	36.970.746	-	-	-	36.970.746
Land improvements	6.315.934	3.586.876	-	-	9.902.810
Buildings	57.228.511	-	-	-	57.228.511
Machinery, equipment and installations	88.778.684	3.644.767	(3.000)	9.720.946	102.141.397
Motor vehicles	6.936.226	893.286	(983.237)	33.498	6.879.773
Furniture and fixtures	23.123.058	2.374.946	(41.168)	30.614	25.487.450
Leasehold improvements	1.448.602	-	-	-	1.448.602
Construction in progress	10.604.273	7.906.125	-	(9.785.058)	8.725.340
	231.406.034	18.406.000	(1.027.405)	-	248.784.629
Accumulated depreciation:					
Land improvements	2.527.139	271.767	-	-	2.798.906
Buildings	23.662.910	1.992.683	-	-	25.655.593
Machinery, equipment and installations	72.176.019	4.967.356	(2.000)	-	77.141.375
Motor vehicles	3.601.725	351.343	(206.124)	-	3.746.944
Furniture and fixtures	14.891.289	1.204.433	(27.696)	-	16.068.026
Leasehold improvements	1.246.061	28.237	-	-	1.274.298
	118.105.143	8.815.819	(235.820)	-	126.685.142
Net book value	113.300.891				122.099.487

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**Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
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10. Property, plant and equipment (continued)

For the periods ended September 30, 2013 and September 30, 2012, the allocation of depreciation and amortization expenses of property, plant and equipment and intangibles has been as follows:

	September 30, 2013	December 31, 2012
Research and development expenses	17.124.888	11.902.169
Costs related to uncompleted contracts	5.179.546	3.095.336
Cost of goods sold	4.059.575	4.117.717
Development projects in process	2.242.879	823.540
Depreciation on outstanding inventories	591.144	538.397
General administrative expenses	872.814	859.218
Selling and marketing expenses	552.307	440.739
Total	30.623.153	21.777.116

As of September 30, 2013 and December 31, 2012, gross values of fully depreciated items which are still in use are as follows:

	September 30, 2013	December 31, 2012
Machinery, equipment and installations	63.814.761	61.596.818
Motor vehicles	2.588.360	2.556.760
Furniture and fixtures	12.088.602	11.966.130
Leasehold improvements	1.120.006	1.120.006
	79.611.729	77.239.714

11. Intangible assets

Intangible assets

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

	January 1, 2013	Additions	September 30, 2013
Cost:			
Other intangible assets	10.181.064	82.848	10.263.912
Development costs	114.200.265	-	114.200.265
Development projects in process	19.674.691	26.917.529	46.592.220
	144.056.020	27.000.377	171.056.397
Accumulated amortization:			
Other intangible assets	6.882.799	696.621	7.579.420
Development costs	37.131.351	11.011.291	48.142.642
	44.014.150	11.707.912	55.722.062
Net book value	100.041.870		115.334.335

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Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
(Currency –Turkish Lira (TL) unless otherwise indicated)

11. Intangible assets (continued)

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

	January 1, 2012	Additions	September 30, 2012	January 1, 2012
Cost:				
Other intangible assets	7.958.897	915.795	-	8.874.692
Development costs	80.600.486	-	930.913	81.531.399
Development projects in process	9.081.096	28.942.024	(930.913)	37.092.207
	97.640.479	29.857.819		127.498.298
Accumulated amortization:				
Other intangible assets	5.423.475	1.059.129	-	6.482.604
Development costs	20.742.682	11.902.168	-	32.644.850
	26.166.157	12.961.297		39.127.454
Net book value	71.474.322			88.370.844

As of September 30, 2013 and December 31, 2012, the gross values of fully amortized intangible assets which are still in use are as follows:

	September 30, 2013	December 31, 2012
Other intangible assets	5.374.180	3.839.842
Development costs (amortized)	2.550.970	2.550.970
	7.925.150	6.390.812

12. Provisions, contingent assets and liabilities

Provisions - short term

	September 30, 2013	December 31, 2012
Provision for other cost (*)	45.349.831	208.617.007
Warranty provision	17.145.203	13.391.500
Provision for wage difference	-	1.504.996
Provision for imported material cost	815.624	1.039.950
Provision for personnel premium	6.185.000	-
Provision for sales commission	6.014.146	894.634
Other	3.691.089	170.962
Total	79.200.893	225.619.049

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

**Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
(Currency –Turkish Lira (TL) unless otherwise indicated)**

12. Provisions, contingent assets and liabilities (continued)

- (*) Consists of 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.

Provisions-long term

	September 30, 2013	December 31, 2012
Warranty provision	6.245.700	4.443.939
Total	6.245.700	4.443.939

Warranty provision

The movement of the warranty expense provision is as follows:

	September 30, 2013	September 30, 2012
January 1,	17.835.439	18.768.929
Additional provision	21.242.224	14.299.446
Payments	(15.686.760)	(14.405.495)
September 30	23.390.903	18.662.880

Provision for employee benefits

	September 30, 2013	December 31, 2012
Provision for employment termination benefit	16.757.275	13.716.119
Provision for vacation pay liabilities	4.460.676	3.313.961
Total	21.217.951	17.030.080

Provision for employment termination benefit

The employment termination benefits to be paid is the equivalent of a one-month salary for each year of service, and as of September 30, 2013, this amount was limited to TL 3.254 TL (December 31, 2012 – 3.034 TL).

The liability is not subject to 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:

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
(Currency –Turkish Lira (TL) unless otherwise indicated)

12. Provisions, contingent assets and liabilities (continued)

	September 30, 2013	December 31, 2012
Net discount rate (%)	3.86	3.86
Personnel turnover rate (%)	2.61	3.71

The principal assumption is based on the proportion increase between the upper limit determined for each year of service and inflation. Thus, the applied discount rate is clear of the expected effects of the inflation and indicates the actual rate.

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

	September 30, 2013	September 30, 2012
January 1	13.716.119	9.110.483
Interest expense	685.806	455.524
Provision for the current period	2.764.279	2.239.392
Actuarial losses	1.480.061	2.330.767
Payment	(1.888.990)	(1.312.176)
September 30, 2013	16.757.275	12.823.990

Provision for vacation pay liability

The movements of vacation pay liabilities are as follows:

	September 30, 2013	September 30, 2012
January 1	3.313.961	2.235.464
Increase during the year	1.146.715	869.923
	4.460.676	3.105.387

Commitments and contingencies

As of September 30, 2013 and December 31, 2012, the tables which represent the position of guarantees, pledges and mortgages are as follows:

	September 30, 2013	December 31, 2012
Guarantees given by the Company		
a. Total amount of guarantees, pledges and mortgages given in the name of legal entity	765.776.516	637.586.146
b. Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation.	-	-
c. Total amount of guarantees, pledges and mortgages given to third parties for their liabilities in the purpose of conducting the ordinary operations.	-	-
d. Total amount of other guarantees, pledges and mortgages	-	-
Total	765.776.516	637.586.146

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
(Currency –Turkish Lira (TL) unless otherwise indicated)

12. Provisions, contingent assets and liabilities (continued)

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

	September 30, 2013		December 31, 2012	
	Original currency	TL	Original currency	TL
U.S. Dollars	271.394.701	552.071.100	301.585.793	537.606.836
Euro	41.868.775	115.072.141	15.175.004	35.687.056
GBP	-	-	9.192	26.387
SAR	22.000.000	11.932.800	-	-
Turkish Lira	86.700.475	86.700.475	64.265.867	64.265.867
		765.776.516		637.586.146

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

	September 30, 2013	December 31, 2012
Guarantee letters given		
Under secretariat of Ministry of Defense	401.824.135	405.591.826
Other	363.952.381	231.994.320
	765.776.516	637.586.146

Guarantee letters given

a) Guarantees given as of September 30, 2013 and December 31, 2012 is as follows:

	September 30, 2013	December 31, 2012
Bank letters of guarantee (*)	765.776.516	637.586.146
	765.776.516	637.586.146

(*) Bank letters of guarantee amounting to TL 401.824.135 are given to Secretariat of Ministry of Defense for Altay Project (December 31, 2012– TL 405.591.826).

b) Guarantees received as of September 30, 2013 and December 31, 2012 is as follows:

	September 30, 2013	December 31, 2012
Bank letters of guarantee (**)	310.037.869	285.704.758
Guarantee notes	50.731.171	56.509.498
Mortgages received	3.842.000	3.842.000
	381.502.712	346.056.256

(**) Bank letters of guarantee amounting to TL 144.038.066 are obtained from the sub-contractors for Altay Project (December 31, 2012– TL 157.770.977).

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
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12. Provisions, contingent assets and liabilities (continued)

Contingent asset

The case of tax deduction related to R&D discount for the R&D activities in 2010 has ended on behalf of the Company and TL 2.923.627 has been returned. For the same case of 2011, it is subject to legal case and not concluded yet. It is in the appeal phase. The expected return amount of 2011 is TL 3.963.320. The case has been opened for the year 2012 and the expected amount is TL 12.517.001.

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

	September 30, 2013	December 31, 2012
a) Prepaid expenses:		
Advances given	69.520.325	131.619.702
Prepaid expenses	3.217.429	1.834.083
Total	72.737.754	133.453.785

b) Other current assets

	September 30, 2013	December 31, 2012
Value added tax receivables	16.002.678	17.241.400
Prepaid tax	-	2.072.249
Other	773.218	2.166.929
Total	16.775.896	21.480.578

c) Deferred revenue

	September 30, 2013	December 31, 2012
Deferred income - short term		
Deferred repair and maintenance revenue (*)	31.756.478	1.595.339
Advances received	310.000.881	145.260.185
Total	341.757.359	146.855.524
Deferred income- long term		
Deferred repair and maintenance revenue (*)	48.874.707	5.644.080
Total	48.874.707	5.644.080

(*) 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)

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

**Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
(Currency –Turkish Lira (TL) unless otherwise indicated)**

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

d) Employee benefit obligations

	September 30, 2013	December 31, 2012
Due to personnel	2.392.405	8.828.874
Social security premiums payable	3.205.022	3.152.862
Taxes and funds payable	1.600.794	5.184.229
Total	7.198.221	17.165.965

e) Other liabilities:

	September 30, 2013	December 31, 2012
Other liabilities	10.785.977	1.441.022
Total	10.785.977	1.441.022

f) Other current liabilities:

	September 30, 2013	December 31, 2012
Deferred special consumption tax	352.515	249.277
Other	352.500	827.631
Total	705.015	1.076.908

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
(Currency –Turkish Lira (TL) unless otherwise indicated)

14. Sales and cost of sales

Net sales

	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Domestic sales	861.189.523	249.707.868	518.956.334	194.420.632
Export sales	147.016.766	49.201.240	152.153.302	41.446.620
Gross sales	1.008.206.289	298.909.108	671.109.636	235.867.252
Less: Sales discounts and sales returns	(384.988)	(142.696)	(425.457)	(384.157)
Net sales	1.007.821.301	298.766.412	670.684.179	235.483.095

As of September 30, 2013 and September 30, 2012 a breakdown of net sales in terms of categories are as follows:

	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Commercial vehicles	612.909.129	180.268.840	327.000.296	114.956.567
Armored vehicles	212.827.514	50.567.169	197.956.091	70.421.999
Other sales (*)	182.084.658	67.930.403	145.727.792	50.104.529
	1.007.821.301	298.766.412	670.684.179	235.483.095

(*) TL 106.127.241 of this amount is related to revenues of uncompleted contracts (September 30, 2012 – TL 83.201.929 TL)

Cost of sales

	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Cost of finished goods sold	745.635.110	216.619.600	487.946.580	177.468.552
Cost of merchandise sold	37.496.962	15.393.823	29.823.090	7.501.277
Cost of sales	783.132.072	232.013.423	517.769.670	184.969.829

15. Other operating income

	January 1– September 30, 2013	July 1 – September 30, 2013	January 1– September 30, 2012	July 1 – September 30, 2012
Foreign exchange gain from trade receivable/ payables	54.554.475	15.034.398	59.718.996	17.226.403
Forward transaction income	11.208.077	(52.997)	20.290.361	3.434.926
Maturity difference income	6.729.128	2.328.866	10.871.443	3.298.883
Incentive income	658.460	219.486	466.494	155.498
Other income	2.869.419	539.216	3.491.770	1.479.302
Total	76.019.559	18.068.969	94.839.064	25.595.012

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
(Currency –Turkish Lira (TL) unless otherwise indicated)

16. Other operating expenses

	January 1– September 30, 2013	July 1 – September 30, 2013	January 1– September 30, 2012	July 1 – September 30, 2012
Foreign exchange loss from trade receivable/ payables	(35.216.366)	(504.857)	(61.418.725)	(2.712.331)
Forward transaction expenses	(28.103.470)	(12.025.852)	(18.061.669)	(17.609.791)
Provision for doubtful receivables	(3.162.620)	(2.068.578)	(973.437)	1.568.484
Other expenses	(80.122)	(50.706)	(125.429)	(13.964)
Total	(66.562.578)	(14.649.993)	(80.579.260)	(18.767.602)

17. Financial income

	January 1– September 30, 2013	July 1 – September 30, 2013	January 1– September 30, 2012	July 1 – September 30, 2012
Interest income from time deposits	311.794	205.975	989.276	156.552
Foreign exchange gains on bank deposits	1.900.476	371.288	3.799.018	817.681
Total	2.269.771	634.763	4.788.294	974.233

18. Financial expense

	January 1– September 30, 2013	July 1 – September 30, 2013	January 1– September 30, 2012	July 1 – September 30, 2012
Interest expense on bank borrowings	(24.523.626)	(8.914.680)	(19.739.037)	(7.533.743)
Foreign exchange losses on bank deposits	(5.394.913)	(1.754.395)	(6.289.918)	(1.179.917)
Total	(32.836.039)	(13.586.575)	(26.028.955)	(8.713.660)

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

**Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
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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% (2012 - %20). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (2012 - 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, 2013 and December 31, 2012, income tax payables net off prepaid taxes presented in the balance sheet is as follows:

	September 30, 2013	December 31, 2012
Income tax payable	38.436.983	6.799.697
(-) Prepaid tax	(28.460.506)	(8.871.946)
Income tax payable	9.976.477	(2.072.249)

The breakdown of total tax expense for the period ended September 30, 2013 and 2012 is as follows:

	January 1 – September 30, 2012	January 1– September 30, 2011
Current corporate tax charge	(38.471.090)	(6.270.541)
Deferred tax income in the comprehensive statement of income		
Tax charged to profit for the period	31.786.205	2.958.471
Tax charged to other comprehensive income/expense	296.012	466.153
Total tax expense	(6.388.873)	(2.845.917)

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
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19. Tax assets and liabilities (continued)

As of September 30, 2013 and December 31, 2012, the breakdown of deferred tax bases and deferred tax liability computed using the current effective tax rates are as follows:

	Cumulative		Deferred tax	
	temporary	differences	assets/(liability)	
	September	December	September	December
	30,	31,	30,	31,
	2013	2012	2012	2012
Property, plant and equipment	(12.570.127)	12.960.293	967.269	889.236
Intangibles	(15.624.341)	(16.526.630)	(3.124.868)	(3.305.326)
Deferred financial expense	(418.712)	(305.425)	(83.742)	(61.085)
Inventories	(19.554)	1.779.547	(3.911)	355.909
Warranty provision	23.390.903	17.835.439	4.678.181	3.567.088
Provision for employee termination benefits	16.757.275	13.716.119	3.351.455	2.743.224
Deferred financial income	12.426.719	4.175.331	2.485.344	835.066
Other provisions	21.578.359	8.986.866	4.315.671	1.797.373
Deferred repair and maintenance income	80.631.185	6.937.515	16.126.237	1.387.503
Adjustment for percentage of completion method on construction projects	63.808.806	13.651.109	12.761.761	2.730.222
Other	8.505.780	765.627	1.701.156	153.126
Deferred tax asset			43.174.553	11.092.336

The movement of deferred tax asset for the period ended September 30, 2013 and 2012 is as follows:

	September 30,	September 30,
	2013	2012
At January 1	11.092.336	12.648.352
Deferred tax income		
Tax charged to profit for the period	31.786.205	2.958.471
Tax charged to other comprehensive income/expense	296.012	466.153
	43.174.553	16.072.976

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

**Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
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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. The capital of the Company is represented with a nominal value of 1 Kurus and 2.400.000.000 shares, earnings per share for a nominal value of 1 Kurus is as follows:

	September 30, 2013	September 30, 2012
Net income/(loss) attributable to shareholders (TL)	67.340.186	55.265.864
Weighted average number of issued shares	2.400.000.000	2.400.000.000
Earnings per share (kuruş)	0.028	0.023

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, 2013 and December 31, 2012:

Due from related parties	September 30, 2013	December 31, 2012
Ram Dış Ticaret A.Ş. (1) (*)	26.157.502	23.141.922
Otokar Europe SAS (3)	4.584.570	608.470
Aygaz A.Ş. (1)	173.675	-
Ford Otosan A.Ş. (2)	114.178	23.950
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	363	283.023
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	-	492.700
Total	31.030.288	24.550.065

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

- (1) Shareholder's subsidiary/ joint venture
(2) Shareholder
(3) Company's subsidiary

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21. Related party disclosures (continued)

Due to related parties	September 30, 2013	December 31, 2012
Ram Dış Ticaret A.Ş. (1)	3.047.601	2.471.861
Zer Merkezi Hizmetler A.Ş. (1)	952.166	1.583.589
Opet Fuchs Madeni Yağ A.Ş. (1)	307.844	154.030
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	285.510	494.223
Setur Servis Turistik A.Ş. (1)	191.303	904.628
Koç Holding A.Ş. (2)	158.490	49.343
Ram Sigorta Aracılık Hz. A.Ş. (1)	154.268	483.269
Koçtaş Yapı Marketleri A.Ş. (1)	150.501	221.594
KoçSistem Bilgi ve İletişim Hizm. A.Ş. (1)	91.869	1.588.261
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	13.516	195.013
Arçelik A.Ş. (1)	2.003	243.629
Opet Petrolcülük A.Ş. (1)	869	54.823
Ark İnşaat A.Ş. (1)	-	442.799
Bilkom A.Ş. (1)	-	1.463
Ford Otosan A.Ş. (2)	-	179
Divan Turizm İşletmeleri A.Ş. (1)	-	66.805
Promena Elektronik Ticaret A.Ş. (1)	-	33.406
Total	5.355.940	8.988.915

ii) Major sales and purchase transactions with related parties for the periods ended September 30, 2013 and September 30, 2012 are as follows:

Product sales and service revenue	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Ram Dış (1) (*)	122.104.995	34.103.308	135.299.391	31.282.412
Otokar Europe SAS (3)	6.573.140	4.237.039	332.593	14.654
Türk Traktör (1)	5.629.501	2.358.938	5.356.107	1.821.878
Aygaz (1)	284.560	167.395	246.198	16.198
Otokoç (1)	128.000	128.000	-	-
Arçelik (1)	122.850	-	-	-
Ford (2)	461	268	1.812	381
RMK Marine (1)	257	257	-	-
Zer (1)	-	-	1.145.751	441.468
Total	134.843.764	40.995.205	142.381.852	33.576.991

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

- (1) Shareholder's subsidiary/ joint venture
(2) Shareholder
(3) Company's subsidiary

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**Notes to the condensed interim financial statements
for the period ended September 30, 2013 (continued)
(Currency –Turkish Lira (TL) unless otherwise indicated)****21. Related party disclosures (continued)**

Purchase of property, plant and equipment	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Koç Sistem (1)	1.643.054	856.090	1.477.119	816.162
Ark İnşaat (1)	630.663	192.159	3.757.765	614.465
Otokoç (1)	172.282	-	39.789	-
Koçtaş (1)	83.993	16.906	4.640	4.640
Zer (1)	36.801	1.248	56.379	865
Arçelik (1)	6.695	1.131	26.611	4.488
Total	2.573.488	1.067.534	5.362.303	1.440.620

Inventory purchases	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Zer (1)	10.734.402	4.574.067	6.561.044	2.013.919
Ram Dış (1)	6.077.319	2.614.019	5.182.089	2.181.762
Akpa (1)	3.071.130	926.592	2.141.412	647.242
Opet Fuchs (1)	1.287.686	434.873	443.996	212.822
Opet (1)	1.242.626	439.385	591.081	219.575
Koçtaş (1)	995.494	399.511	681.253	239.137
Türk Traktör (1)	446.160	194.998	679.412	142.953
Arçelik (1)	7.934	2.647	790	584
Ford (2)	-	-	240	152
Total	23.862.751	9.586.092	16.281.317	5.658.146

Services received	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Ram Dış (1)	6.316.334	576.222	4.579.670	1.290.592
Setur Servis (1)	4.210.337	1.263.419	2.507.587	406.005
Eltek Elektrik Enerji İth.İhr.Top.Tic.A.Ş.(1)	2.259.143	1.456.189	-	-
Otokar Europe SAS (3)	1.626.803	977.254	835.943	209.504
Otokoç (1)	1.033.098	415.773	866.338	229.175
Koç Holding A.Ş.(2)	903.625	134.786	948.917	331.417
KoçSistem (1)	588.386	413.810	529.218	166.664
Yapı Kredi Kül. ve Sanat Yay. Tic.San. A.Ş. (1)	215.000	-	-	-
Koç Üniversitesi (1)	155.691	100.000	51.571	12.044
Divan Turizm (1)	84.994	71.753	7.131	505
Setair Hava Taş. ve Hizm. A.Ş.(1)	71.745	29.754	37.162	12.612
Ram Sigorta (1) (*)	51.706	-	33.887	1.886
Promena (1)	46.022	19.375	111.042	64.270
Rahmi Koç Vakfı Müzesi (1)	11.063	6.552	694	-
Vehbi Koç Vakfı Amerikan Hastanesi (1)	768	-	-	-
Tüpraş-Türkiye Petrol Rafinerileri A.Ş.(1)	92	92	-	-
Bilkom A.Ş.(1)	-	-	1.152	-
Yapı Kredi Sigorta A.Ş.(1)	-	-	17.146	-
Total	17.574.807	5.464.979	10.527.458	2.724.674

(*) It includes paid and accrued premium as of September 30, 2013 in accordance with insurance policies signed between unrelated insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is an insurance agency.

(1) Shareholder's subsidiary / joint venture

(2) Shareholder

(3) Company's subsidiary

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

Bank deposits	September 30, 2013	December 31, 2012
Yapı ve Kredi Bankası A.Ş. (1) - Demand Deposits	628.700	903.749
Total	628.700	903.749

Checks and notes in collection	September 30, 2013	December 31, 2012
Yapı ve Kredi Bankası A.Ş. (1)	24.906.051	37.314.908
Total	24.906.051	37.314.908

Loans	September 30, 2013	December 31, 2012
Yapı ve Kredi Bankası A.Ş. (1)	41.349.624	2.025.916
Total	41.349.624	2.025.916

1) Shareholder's subsidiary / joint venture

Other operating income/expenses from related parties for the years ended September 30, 2013:

Foreign exchange gain from trade receivable/ payables	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Ram Dış (1)	2.348.536	1.818.041	9.280.777	93.336
Otokar Europe SAS (3)	119.214	119.214	6.756	-
Other (1)	389	(2)	1.893	1.536
Total	2.468.139	1.937.253	9.289.426	94.872

Foreign exchange losses from trade receivable/ payables	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Ram Dış (1)	1.063.173	750.092	5.333.109	364.539
Other (1)	11.983	5.756	1.602	161
Total	1.075.156	755.848	5.334.711	364.700

(1) Shareholder's subsidiary / joint venture
(3) Company's subsidiary

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21. Related party disclosures (continued)

Forward expenses	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Yapı ve Kredi Bankası A.Ş. (1)	-	-	(21.000)	-
Total	-	-	(21.000)	-

Financial income and expense with related parties for the years ended September 30, 2013:

Interest income	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Yapı ve Kredi Bankası A.Ş. (1)	251.077	196.505	242.164	91.019
Total	251.077	196.505	242.164	91.019

Interest expenses	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Yapı ve Kredi Bankası A.Ş. (1)	585.552	319.246	12.543	12.533
Total	585.552	319.246	12.543	12.533

Foreign exchange gains	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Yapı ve Kredi Bankası A.Ş. (1)	506.929	228.646	322.356	66.441
Total	506.929	228.646	322.356	66.441

Foreign exchange losses	January 1 - September 30, 2013	July 1 - September 30, 2013	January 1 - September 30, 2012	July 1 - September 30, 2012
Yapı ve Kredi Bankası A.Ş. (1)	3.808.010	3.427.011	1.408.867	182.249
Total	3.808.010	3.427.011	1.408.867	182.249

(1) Shareholder's subsidiary / joint venture

Benefits provided to executives

Salaries and similar benefits provided to the executive management by the Company for the period ended September 30, 2013 amounts to TL 3.213.251 (September 30, 2012 - TL 2.455.673).

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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

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, 2013;

		Table of foreign currency position			
		September 30,			
		2013			
		TL equivalent (functional currency)	USD	EUR	GBP
1.	Trade receivables	290.227.166	6.136.393	101.031.320	21.440
2a.	Monetary financial assets (including cash, bank accounts)	74.068.652	31.687.559	3.489.561	5.850
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets (1+2+3)	364.295.818	37.823.952	104.520.882	27.290
5.	Trade receivables	143.654.111	-	52.268.269	-
6a.	Monetary financial assets	82.284.346	40.450.470	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets (5+6+7)	225.938.457	40.450.470	52.268.269	-
9.	Total assets(4+8)	590.234.275	78.274.422	156.789.151	27.290
10.	Trade payables	(36.721.494)	(6.318.409)	(6.695.722)	(1.673.370)
11.	Financial liabilities	(27.484.000)	-	(10.000.000)	-
12a.	Monetary other liabilities	(345.904.093)	(168.647.221)	(1.034.026)	-
12b.	Non-monetary other liabilities	(30.463.043)	-	(11.083.919)	-
13.	Current liabilities (10+11+12)	(440.572.630)	(174.965.630)	(28.813.667)	(1.673.370)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(41.349.623)	-	(15.044.980)	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary other liabilities	(48.874.707)	-	(17.782.967)	-
17.	Non-current liabilities (14+15+16)	(90.224.330)	-	(32.827.947)	-
18.	Total liabilities (13+17)	(530.796.960)	(174.965.630)	(61.641.614)	(1.673.370)
19.	Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	(54.443.419)	101.590.100	(95.000.000)	-
19a.	Amount of total hedged assets	206.654.581	101.590.100	-	-
19b.	Amount of total hedged liabilities	(261.098.000)	-	(95.000.000)	-
20.	Net foreign currency asset/(liability) position (9+18+19)	4.993.896	4.898.892	147.537	(1.646.080)
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	138.775.065	(96.691.208)	124.014.423	(1.646.080)
22.	Total fair value of financial instruments used for foreign currency hedging	(54.443.419)	101.590.100	(95.000.000)	-
23.	Export	147.016.767	45.442.118	24.296.249	1.227.752
24.	Import	314.286.874	70.285.892	69.070.917	5.205.829

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22. Nature and level of risks arising from financial instruments

		Table of foreign currency position			
		December 31, 2012			
		TL equivalent (functional currency)	USD	EUR	GBP
1.	Trade receivables	158.793.258	3.871.728	64.121.523	382.100
2a.	Monetary financial assets (including cash, bank accounts)	139.389.423	71.086.883	5.339.886	39.060
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets (1+2+3)	298.182.681	74.958.611	69.461.409	421.160
5.	Trade receivables	59.397.503	-	25.257.262	-
6a.	Monetary financial assets	61.325.046	34.402.023	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets (5+6+7)	120.722.549	34.402.023	25.257.262	-
9.	Total assets(4+8)	418.905.230	109.360.634	94.718.671	421.160
10.	Trade payables	(23.416.262)	(2.241.797)	(7.608.276)	(532.134)
11.	Financial liabilities	-	-	-	-
12a.	Monetary other liabilities	(331.799.032)	(185.715.363)	(138.031)	(145.680)
12b.	Non-monetary other liabilities	(1.293.435)	-	(550.000)	-
13.	Current liabilities (10+11+12)	(356.508.729)	(187.957.160)	(8.296.307)	(677.814)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	-	-	-	-
16a.	Monetary other liabilities	-	-	-	-
16b.	Non-monetary other liabilities	(5.644.080)	-	(2.400.000)	-
17.	Non-current liabilities (14+15+16)	(5.644.080)	-	(2.400.000)	-
18.	Total liabilities (13+17)	(362.152.809)	(187.957.160)	(10.696.307)	(677.814)
19.	Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	(62.253.705)	74.575.000	(83.000.000)	-
19a.	Hedged total assets amount	150.763.395	84.575.000	-	-
19b.	Hedged total liabilities amount	(213.017.100)	(10.000.000)	(83.000.000)	-
20.	Net foreign currency asset/(liability) position (9+18+19)	(5.501.284)	(4.021.526)	1.022.364	(256.654)
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	63.689.936	(78.596.526)	86.972.364	(256.654)
22.	Total fair value of financial instruments used for foreign currency hedging	(62.253.705)	74.575.000	(83.000.000)	-
23.	Export (As of December 31, 2012)	152.150.988	60.982.488	18.954.696	979.719
24.	Import (As of December 31, 2012)	254.610.698	64.284.060	56.317.255	3.409.612

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

The following table demonstrates the sensitivity to a possible change of 10% in the USD, Euro and GBP exchange rates, with all other variables held constant, on the Company's income before tax as of September 30, 2013 and December 31, 2012:

Exchange rate sensitivity analysis table		
September 30, 2013		
	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	996.533	(996.533)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	996.533	(996.533)
<i>In case 10% appreciation of EUR against TL:</i>		
4- EUR net asset/liability	40.549	(40.549)
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	40.549	(40.549)
<i>In case 10% appreciation of GBP against TL:</i>		
7- GBP net asset/liability	(537.692)	537.692
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	(537.692)	537.692
Total (3+6+9)	499.390	(499.390)

Exchange rate sensitivity analysis table		
December 31, 2012		
	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	(716.877)	716.877
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	(716.877)	716.877
<i>In case 10% appreciation of EUR against TL:</i>		
4- EUR net asset/liability	240.429	(240.429)
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	240.429	(240.429)
<i>In case 10% appreciation of GBP against TL:</i>		
7- GBP net asset/liability	(73.680)	73.680
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	(73.680)	73.680
Total (3+6+9)	(550.128)	550.128

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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, 2013 and December 31, 2012:

Liabilities	Level 1	Level 2	Level 3	Total
September 30, 2013				
Derivative financial instruments	-	2.812.818	-	2.812.818
Total	-	2.812.818	-	2.812.818
Liabilities				
December 31, 2012				
Derivative financial instruments	-	2.193.011	-	2.193.011
Total	-	2.193.011	-	2.193.011

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.

(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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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.