

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

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

(Convenience translation of a review report originally issued in Turkish)

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Table of contents**

	<b><u>Page</u></b>
Review report on the interim financial information	1
Condensed interim statement of financial position	2 - 3
Condensed interim statement of profit or loss and other comprehensive income	4
Condensed interim statement of changes in equity	5
Condensed interim cash flow statement	6
Notes to condensed interim financial statements	7 - 39

**(Convenience translation of a review report and originally issued in Turkish)**

**Review Report on the Interim Financial Information**

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

*Introduction*

We have reviewed the accompanying condensed financial statements of Otokar Otomotiv ve Savunma Sanayi A.Ş. ("the Company") as of June 30, 2014, which comprise condensed statement of financial position and condensed statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the six-month-period then ended and a summary of explanatory notes ("interim condensed financial information"). The management of the Company is responsible for the preparation and fair presentation of the interim financial information in accordance with Turkish Accounting Standard No.34 "Interim Financial Reporting Standard" issued by the Public Oversight Accounting and Auditing Standards Authority. Our responsibility is to express a conclusion on these interim financial statements based on our review.

*Scope of Review*

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Turkish Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention which may cause us to conclude that the accompanying interim condensed financial information of Otokar Otomotiv ve Savunma Sanayi A.Ş. are not prepared, in all material respects, in accordance with Turkish Accounting Standard No.34 "Interim Financial Reporting Standard".

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

Erdem Tecer, SMMM  
Partner

July 24, 2014  
Istanbul, Turkey

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

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Interim condensed statement of financial position**

**as of June 30, 2014**

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

		<b>Current period</b>	Previous period
		<b>Reviewed</b>	<b>Audited</b>
	<b>Notes</b>	<b>June 30,</b>	December 31,
		<b>2014</b>	<b>2013</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	<b>7.536.684</b>	8.884.174
Trade receivables	7	<b>329.205.972</b>	399.220.867
- Due from related party	7, 21	<b>73.977.975</b>	71.374.049
- Other trade receivables	7	<b>255.227.997</b>	327.846.818
Other receivables		<b>61.105</b>	2.524
Inventories	8	<b>332.459.745</b>	297.797.165
Prepaid expenses	13	<b>73.381.839</b>	74.985.116
Other current assets	13	<b>13.495.018</b>	17.053.925
<b>Total current assets</b>		<b>756.140.363</b>	<b>797.943.771</b>
<b>Non-current assets</b>			
Trade receivables	7	<b>165.759.599</b>	192.938.324
Other receivables		<b>56.562</b>	58.112
Estimated earnings in excess of billings on uncompleted contracts	9	<b>104.960.109</b>	93.597.289
Financial investment	4	<b>239.280</b>	239.280
Property, plant and equipment	10	<b>115.945.639</b>	120.842.623
Intangibles	11	<b>132.191.788</b>	126.292.737
Deferred tax asset	19	<b>43.039.040</b>	43.338.020
<b>Total non-current assets</b>		<b>562.192.017</b>	<b>577.306.385</b>
<b>Total assets</b>		<b>1.318.332.380</b>	<b>1.375.250.156</b>

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

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

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

**Interim condensed statement of financial position**

**as of June 30, 2014**

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

		<b>Current period</b>	Previous period
		<b>Reviewed</b>	Audited
	<b>Notes</b>	<b>June 30,</b>	December 31,
		<b>2014</b>	<b>2013</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term financial liabilities	5	<b>5.810.420</b>	138.276.975
Short-term portion of long-term financial liabilities	5	<b>166.558.141</b>	2.686.797
Financial derivatives liabilities	6	<b>803.312</b>	1.231.950
Trade payables	7	<b>92.176.224</b>	102.434.509
- Due to related party	7, 21	<b>7.461.935</b>	13.154.537
- Other trade payables	7	<b>84.714.289</b>	89.279.972
Employee benefit obligations	13	<b>7.622.475</b>	19.143.540
Other payables		<b>10.820.750</b>	10.819.100
Deferred revenues	13	<b>226.966.516</b>	288.689.497
Government incentives and grants		<b>1.733.770</b>	1.467.624
Current tax liabilities for the current period income	19	<b>5.222.575</b>	7.043.047
Provisions	12	<b>139.707.091</b>	95.999.670
Other current liabilities	13	<b>851.074</b>	1.615.447
<b>Total current liabilities</b>		<b>658.272.348</b>	669.408.156
<b>Non-current liabilities</b>			
Financial liabilities	5	<b>348.568.305</b>	332.047.500
Government incentives and grants		<b>6.868.195</b>	7.055.794
Long-term provisions	12	<b>30.818.297</b>	26.957.401
- Employee termination benefits	12	<b>25.819.002</b>	20.616.223
-Other long term provisions	12	<b>4.999.295</b>	6.341.178
Deferred revenues	13	<b>55.567.858</b>	66.511.725
<b>Total non-current liabilities</b>		<b>441.822.655</b>	432.572.420
<b>Shareholders' equity</b>			
<b>Parent Company's equity</b>			
Paid-in share capital		<b>24.000.000</b>	24.000.000
Inflation adjustment on equity items		<b>52.743.030</b>	52.743.030
Restricted reserves		<b>38.958.147</b>	29.078.147
Accumulated other comprehensive income and expense that is not subject to reclassification to income or loss		<b>(5.032.138)</b>	(3.551.453)
Retained earnings		<b>61.119.856</b>	74.438.113
Net income for the period		<b>46.448.482</b>	96.561.743
<b>Total shareholders' equity</b>		<b>218.237.377</b>	273.269.580
<b>Total liabilities</b>		<b>1.318.332.380</b>	1.375.250.156

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

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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

	Notes	Current period		Previous period	
		Reviewed	Reviewed	Reviewed	Reviewed
		January 1 – June 30, 2014	April 1 – June 30, 2014	January 1 – June 30, 2013	April 1 – June 30, 2013
Net sales	14	641.430.304	358.183.998	709.054.889	374.677.057
Cost of sales (-)	14	(481.828.461)	(256.727.578)	(551.118.649)	(290.756.106)
<b>Gross profit</b>		<b>159.601.843</b>	<b>101.456.420</b>	157.936.240	83.920.951
Selling, marketing and distribution expense (-)		(56.230.214)	(31.669.433)	(51.687.875)	(28.330.442)
General and administrative expense (-)		(21.822.637)	(11.637.892)	(22.296.939)	(11.545.037)
Research and development expenses (-)		(15.204.683)	(7.495.305)	(11.565.972)	(5.670.120)
Other operating income	15	54.549.301	14.138.562	57.950.591	33.029.066
Other operating expense (-)	16	(44.601.702)	(10.277.037)	(51.912.585)	(31.035.571)
<b>Operating profit</b>		<b>76.291.908</b>	<b>54.515.315</b>	78.423.460	40.368.847
Income from investing activities		32.194	(3.110)	214.864	122.525
Expenses from investing activities (-)		-	-	-	-
<b>Operating profit before financial expense</b>		<b>76.324.102</b>	<b>54.512.205</b>	78.638.324	40.491.372
Financial income	17	8.341.764	2.919.310	1.635.008	1.119.177
Financial expense (-)	18	(29.625.950)	(13.015.632)	(19.249.465)	(11.074.776)
<b>Net income before taxes from continuing operations</b>		<b>55.039.916</b>	<b>44.415.883</b>	61.023.867	30.535.773
<b>Tax income/expense for continuing operations</b>					
- Current tax expense for the period	19	(7.922.283)	(4.869.891)	(29.276.094)	(19.665.193)
- Deferred tax income/(expense)	19	(669.151)	(2.243.199)	23.134.901	17.889.989
<b>Net income</b>		<b>46.448.482</b>	<b>37.302.793</b>	54.882.674	28.760.569
Actuarial gain / (loss) arising from defined benefit plans		(1.850.856)	22.402	(1.461.418)	(369.951)
Tax effect		370.171	(4.481)	292.284	19.417
<b>Other comprehensive income / (expense) after tax</b>		<b>(1.480.685)</b>	<b>17.921</b>	(1.169.134)	(350.534)
<b>Total comprehensive income:</b>		<b>44.967.797</b>	<b>37.320.714</b>	53.713.540	28.410.035
<b>Earnings per share (kr)</b>	20	<b>0,194</b>	<b>0,155</b>	0,229	0,120

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

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

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

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

				Accumulated other comprehensive income and expense that is not subject to reclassification to income or loss			
	Paid-in share capital	Inflation adjustment on equity items	Restricted reserves	Actuarial gains and losses arising from defined employee benefit plans	Retained earnings	Net income for the period	Total shareholders' equity
<b>January 1, 2013</b>	24.000.000	52.743.030	22.798.147	(2.526.430)	66.441.516	78.276.597	241.732.860
Transfer to retained earnings	-	-	-	-	78.276.597	(78.276.597)	-
Transfer to restricted reserves	-	-	6.280.000	-	(6.280.000)	-	-
Dividends paid	-	-	-	-	(64.000.000)	-	(64.000.000)
Net income	-	-	-	-	-	54.882.674	54.882.674
Other comprehensive income	-	-	-	(1.169.134)	-	-	(1.169.134)
<b>Total comprehensive income</b>	-	-	-	(1.169.134)	-	54.882.674	53.713.540
<b>June 30, 2013</b>	24.000.000	52.743.030	29.078.147	(3.695.564)	74.438.113	54.882.674	231.446.400
<b>January 1, 2014</b>	<b>24.000.000</b>	<b>52.743.030</b>	<b>29.078.147</b>	<b>(3.551.453)</b>	<b>74.438.113</b>	<b>96.561.743</b>	<b>273.269.580</b>
Transfer to retained earnings	-	-	-	-	96.561.743	(96.561.743)	-
Transfer to restricted reserves	-	-	9.880.000	-	(9.880.000)	-	-
Dividends paid	-	-	-	-	(100.000.000)	-	(100.000.000)
Net income	-	-	-	-	-	46.448.482	46.448.482
Other comprehensive income	-	-	-	(1.480.685)	-	-	(1.480.685)
<b>Total comprehensive income</b>	-	-	-	(1.480.685)	-	46.448.482	44.967.797
<b>June 30, 2014</b>	<b>24.000.000</b>	<b>52.743.030</b>	<b>38.958.147</b>	<b>(5.032.138)</b>	<b>61.119.856</b>	<b>46.448.482</b>	<b>218.237.377</b>

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

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

		Reviewed Current period	Reviewed Previous period
	Notes	June 30, 2014	June 30, 2013
<b>Cash flows from operating activities</b>			
Profit before tax		55.039.916	61.023.867
<b>Adjustments to reconcile net income to net cash flows from operating activities:</b>			
Depreciation and amortization expense	10, 11	23.116.208	19.365.905
Reserve for retirement pay		3.102.469	2.092.592
Provision for impairment of inventory		599.461	(80.472)
Provision for guarantees	12	9.969.447	14.933.886
Gain on sale of property, plant and equipment		(32.194)	(214.865)
Loan interest expense	18	18.563.925	15.608.947
Unrealized foreign exchange differences expense arising from bank borrowings		(669.000)	-
Interest income from bank deposit	17	(555.597)	(105.819)
Provision for doubtful receivables	7	(19.634)	1.094.043
Loss/ (gain) on forward transactions, net		(368.304)	4.816.546
<b>Operating income before changes in operating asset and liabilities</b>		<b>108.746.697</b>	<b>118.534.630</b>
Trade receivables and other receivables		97.156.223	(194.965.810)
Costs and estimated earnings in excess of billings on uncompleted contracts		(11.362.820)	(14.283.904)
Inventories		(35.262.041)	(34.690.376)
Other current assets		5.162.184	18.769.521
Trade payables		(10.258.285)	5.609.906
Other current liabilities		(37.040.257)	212.971.205
Realized (loss)/gain on forward transactions, net		(60.334)	(8.226.396)
Taxes paid		(9.742.755)	(9.207.683)
Guarantees paid	12	(13.601.518)	(9.823.391)
Employee termination benefits paid	12	(1.584.768)	(1.290.477)
<b>Net cash provided by operating activities</b>		<b>92.152.326</b>	<b>83.397.225</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	10	(3.589.917)	(4.848.026)
Purchase of intangible assets	11	(20.907.171)	(27.000.377)
Proceeds from sale of property, plant and equipment		411.008	677.232
<b>Net cash used in investing activities</b>		<b>(24.086.080)</b>	<b>(31.171.171)</b>
<b>Financing activities</b>			
Proceeds from bank borrowings		310.894.626	268.538.087
Repayments of bank borrowings		(272.669.474)	(161.193.000)
Interest payments		(8.194.485)	(10.105.315)
Interest received		555.597	105.819
Dividends payments		(100.000.000)	(64.000.000)
<b>Net cash provided by/ (used in) financing activities</b>		<b>(69.413.736)</b>	<b>33.345.591</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(1.347.490)</b>	<b>85.571.645</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>3</b>	<b>8.884.174</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>3</b>	<b>7.536.684</b>
			<b>133.477.890</b>

The accompanying explanatory notes on pages 7 through 39 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 June 30, 2014  
(Currency –Turkish Lira (TL) unless otherwise indicated)**

**1. Organisation and nature of operations**

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

The Company operates in the automotive industry and off road vehicles, armoured vehicles, minibuses, midibuses and buses, trailers, semi-trailers, light truck and cross-country comprises the majority of its production. The number of the personnel in the Company is 2.317. (December 31, 2013 – 2.264).

The registered addresses of the Company are as follows:

Headquarters

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

Factory:

Atatürk Cad. No: 6  
54580 Arifiye / Sakarya

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

Financial statements are authorized for issue by the Board of Directors of the Company after the approval of Audit Committee, on July 24, 2014, signed by Ahmet Serdar Görgüç and Hüseyin Odabaş on behalf of Board of Directors of the Company. The Board of Directors has the power to amend the financial statements after issue.

The Company conducts part of its business transactions with the Koç Holding A.Ş. and related parties and has both customer and supplier relationships with related parties. The Company is registered to the Capital Market Board (“CMB”) and its shares are listed on Borsa İstanbul (abbreviated as BIST) (Istanbul Stock Exchange (“ISE”) formerly called) since 1996. As of June 30, 2014, the shares listed on BIST are 26,67% of the total shares. As of June 30, 2014, 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
	<b>100,00</b>

The Parent Company (Koc Holding A.Ş.), is controlled by Koc Family and the companies owned by Koc Family.

The shareholder, Ünver Holding A.Ş., is controlled by Ünver Family.

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

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

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

**2.1 Basis of presentation of financial statements**

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

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

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

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

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

**Functional and presentation currency**

Functional and presentation currency of the Company is TL.

In accordance with the CMB's resolution dated March 17, 2005 and numbered 11/367, the financial statements were restated in accordance with Turkish Accounting Standards (TAS) 29 (Financial Reporting in Hyperinflationary Economies) for the last time as of December 31, 2004, since the objective conditions which require the application of restatement of financial statements have not been realized and that based on the existing data CMB has foreseen that the indications whether such conditions are going to be realized in the future is no longer probable. Therefore, non-monetary assets, liabilities and equity items including the share capital as of June 30, 2014 and December 31, 2013 have been restated by applying the relevant conversion factors through December 31, 2004 and carrying additions after December 31, 2004 at their nominal values.

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

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

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

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

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

**2.3 Changes in accounting policies**

**New and amended standards and interpretations:**

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

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

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

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the interim condensed consolidated financial statements of the Company.

**TRFS Interpretation 21 Levies**

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

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

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

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

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

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

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

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

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

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

**ii) Standards issued but not yet effective and not early adopted**

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

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

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The second package of amendments issued in November 2013 initiate further accounting requirements for financial instruments, which are explained separately below as 2013 amendment, and removed the 1 January 2015 mandatory effective date of IFRS 9. The IASB is currently working on drafting the final requirements on impairment. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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

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

**IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 -IFRS 9 (2013)**

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging relationships. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. The mandatory effective date of IFRS 9 has tentatively been decided as for annual periods beginning on or after 1 January 2018. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

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

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

**Improvements to IFRSs**

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective for annual reporting periods beginning on or after 1 July 2014.

***Annual Improvements to IFRSs – 2010–2012 Cycle***

*IFRS 2 Share-based Payment:*

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

*IFRS 3 Business Combinations*

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

*IFRS 8 Operating Segments*

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

*IFRS 13 Fair Value Measurement*

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

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

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

*IAS 24 Related Party Disclosures*

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

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

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

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

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

*IFRS 3 Business Combinations*

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

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

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

*IAS 40 Investment Property*

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

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

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

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

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

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

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

In May 2014, the IASB issued amendments to IAS 16 and IAS 38, prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

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

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

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

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

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

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

**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 June 30, 2014, since the Management believed the -indicators demonstrating that the Company will have taxable profits in the foreseeable future- are reliable, deferred tax asset has been recognized.
- c) Reserve for retirement pay is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates).

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

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

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

- d) The Company determines warranty provision by considering the past warranty expenses and remaining warranty period per vehicle.
- e) Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, other than related parties, are assessed with their prior year performances, their credit risk in the current market, and their individual performances after the balance sheet date up to the issuing date of the financial statements and furthermore, the renegotiation conditions with these debtors are considered.
- f) Inventory price lists after discount is used to calculate impairment for inventories. In such cases that sales price cannot be predicted, inventory aging and physical status are considered together with technical personnel's opinion. If anticipated expected net realizable value is less than the cost, impairment for the difference is provided for.
- g) When allocating provision for legal risks, the probabilities of failure in the cases and the possible liabilities to be arisen in the case of failure are evaluated by the management through being counseled by legal advisors of the Company. The management determines the amount of the provisions based on their best estimates.
- h) The Company has made certain important assumptions based on experiences of technical personnel in determining useful economic life of mainly related to tangible and intangible assets

**2.5 Summary of significant accounting policies**

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

**2.6 Segment reporting**

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

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

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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

3. Cash and cash equivalents

	June 30, 2014	December 31, 2013
Cash at banks		
- demand deposits	5.564.494	1.921.397
- time deposits	-	4.071.425
Checks and notes received	1.926.043	2.862.136
Other	46.147	29.216
	<b>7.536.684</b>	<b>8.884.174</b>

As of June 30, 2014, the Company does not have any time deposits. As of December 31, 2013, the time deposits denominated in foreign currencies amounts to TL 1.321.425 and have an annual interest rate of 0,5% and maturity of 2 days. The time deposits amounting to TL 2.750.000 are denominated in TL and have an annual interest rate of 6% and maturity of 2 days.

As of June 30, 2014, checks and notes received consist of checks and notes given to banks for collections which are overdue as of balance sheet date.

As of June 30, 2014, the Company has restricted bank deposit amounting to TL 87.002. (December 31, 2013 – 862 TL).

4. Financial investments

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

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

	June 30, 2014		
	Maturities	Interest rate (%)	Maturities
Short-term bank borrowings (*)			
Denominated in TL(***)	July 3, 2014	-	2.918.526
Denominated in Euro	July 1, 2014	5,73	2.891.894
<b>Total</b>			<b>5.810.420</b>
Payments of the long-term bank borrowings and interest accruals (*)			
Denominated in TL			
Denominated in Euro	July 25, 2014 – April 14, 2017	8,54-11,36	122.377.885
	February 9, 2015	2,04	44.180.256
<b>Total</b>			<b>166.558.141</b>

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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

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

			June 30, 2014
	Maturities	Interest rate (%)	TL
<b>Long-term bank borrowings (*) (**)</b>			
Denominated in TL	March 11, 2016-April 13, 2017	7,90-13,65	305.233.143
Denominated in Euro	June 29, 2015	3,66	43.335.162
<b>Total</b>			<b>348.568.305</b>

(\*) Bearing fixed interest rate

(\*\*) Weighted average maturity of long-term borrowings are 781 days.

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

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

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

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

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

(\*) Bearing fixed interest rate

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

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

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

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

**6. Derivative financial instruments**

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

		Current period	Fair value
	Contract amount	Contract maturity	Liabilities
June 30, 2014:			
Forward transactions	146.900.406	July 3, 2014- August 7, 2014	(803.312)
Short-term derivative financial instruments	146.900.406		(803.312)
<b>Total derivative financial instruments</b>	<b>146.900.406</b>		<b>(803.312)</b>
		Previous period	Fair value
	Contract amount	Contract maturity	Liabilities
December 31, 2013:			
Forward transactions	170.169.265	January 9, 2014 – February 13, 2014	(1.231.950)
Short-term derivative financial instruments	170.169.265		(1.231.950)
<b>Total derivative financial instruments</b>	<b>170.169.265</b>		<b>(1.231.950)</b>

**7. Trade receivables and payables**

**Trade receivables**

	June 30, 2014	December 31, 2013
Trade receivables, net	148.212.775	247.876.807
Notes receivables, net	128.956.521	101.931.133
	<b>277.169.296</b>	349.807.940
Less: provision for doubtful receivables	(21.941.299)	(21.961.122)
<b>Other short-term trade receivables</b>	<b>255.227.997</b>	327.846.818
Trade receivables from related parties	73.977.975	71.374.049
<b>Short-term trade receivables</b>	<b>329.205.972</b>	399.220.867
Long-term trade receivables, net	146.428.637	178.669.298
Long-term notes receivable, net	19.330.962	14.269.026
<b>Long-term trade receivables</b>	<b>165.759.599</b>	192.938.324

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

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

**7. Trade receivables and payables (continued)**

As of June 30,2014, the Company has offsetted TL 51.439.128 (December 31, 2013 - None) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

Guarantees received for trade receivables

Receivables of the Company mainly related to the sales to the minibus and bus dealers and trailer sales. As of June 30, 2014, the total trade receivable from the Company dealers amounting to TL 80.944.916 (December 31, 2013 - TL 47.451.597), after provision reserved for doubtful receivables, has been secured by mortgages and guarantees at the amount of TL 123.308.500 (December 31, 2013 - TL 115.573.500).

Aging analysis of trade receivables

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

<b>June 30, 2014</b>	<b>Trade receivables</b>
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	447.179
Over 5 year past due	-
<b>Total</b>	<b>447.179</b>
<b>Amount secured with guarantee (1)</b>	<b>445.886</b>

  

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

(1) Pledges on trailers.

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

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
January 1	21.961.122	19.747.448
Foreign currency difference	(189)	-
Additional provision	(19.634)	1.094.043
<b>Total</b>	<b>21.941.299</b>	<b>20.841.491</b>

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

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

**7. Trade receivables and payables (continued)**

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

**Trade payables**

	<b>June 30, 2014</b>	December 31, 2013
Trade payables, net	<b>84.501.739</b>	89.077.102
Notes payables, net	<b>212.550</b>	202.870
<b>Other short-term trade payables</b>	<b>84.714.289</b>	89.279.972
Trade payables to related parties	<b>7.461.935</b>	13.154.537
<b>Short-term trade payables</b>	<b>92.176.224</b>	102.434.509

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

**8. Inventories**

	<b>June 30, 2014</b>	December 31, 2013
Raw material	<b>137.192.691</b>	126.204.804
Work-in-process	<b>24.653.142</b>	3.974.688
Finished goods	<b>59.338.021</b>	42.478.530
Merchandise	<b>50.611.494</b>	43.191.637
Other inventory	<b>62.568.330</b>	83.251.978
(-) Impairment for inventories (*)	<b>(1.903.933)</b>	(1.304.472)
	<b>332.459.745</b>	297.797.165

(\*) TL 1.500.585 of impairment is related to finished goods (December 31,2013 - 1.049.500) and TL 403.348 is related to merchandises (December 31,2013 - 254.972). The impairment has been accounted under cost of sales account.

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

Receivable from costs and estimated earnings in excess of billings on uncompleted contracts is amounting to TL 104.960.109 as of June 30, 2014 (December 31, 2013 – TL 93.597.289) after netting with short term advance taken.

As of June 30, 2014, the short term advances taken by the Company related with ongoing projects which amounts to TL 163.829.944 was included in deferred revenue in the financial statements (December 31, 2013 – TL 232.113.373). The remaining amount of TL 43.269.219 which is included in deferred revenue comprise other advance taken from customers ( December 31, 2013 – TL 36.402.368) and TL 19.867.353 (December 31, 2013 – TL 20.173.756) is related to deferred maintenance income.

(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 June 30, 2014 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated)**

**10. Property, plant and equipment**

For the period ended June 30, 2014, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	January 1, 2014	Additions	Disposals	Transfers	June 30, 2014
<b>Cost:</b>					
Land	37.456.746	-	-	-	37.456.746
Land improvements	11.309.351	20.475	-	-	11.329.826
Buildings	60.170.668	-	-	-	60.170.668
Machinery, equipment and installations	111.943.555	693.689	(204.669)	95.406	112.527.981
Motor vehicles	7.957.194	1.055.202	(448.192)	-	8.564.204
Furniture and fixtures	31.761.624	1.300.038	(23.060)	20.710	33.059.312
Leasehold improvements	2.734.585	13.500	-	60.599	2.808.684
Construction in progress	1.778.321	507.013	-	(176.715)	2.108.619
	<b>265.112.044</b>	<b>3.589.917</b>	<b>(675.921)</b>	<b>-</b>	<b>268.026.040</b>
<b>Accumulated depreciation:</b>					
Land improvements	4.654.789	758.369	-	-	5.413.158
Buildings	29.073.222	1.409.005	-	-	30.482.227
Machinery, equipment and installations	86.240.277	3.902.296	(204.157)	-	89.938.416
Motor vehicles	4.071.036	357.558	(86.379)	-	4.342.215
Furniture and fixtures	18.760.344	1.501.958	(6.572)	-	20.255.730
Leasehold improvements	1.469.753	178.902	-	-	1.648.655
	<b>144.269.421</b>	<b>8.108.088</b>	<b>(297.108)</b>	<b>-</b>	<b>152.080.401</b>
<b>Net book value</b>	<b>120.842.623</b>				<b>115.945.639</b>

	January 1, 2013	Additions	Disposals	Transfers	June 30, 2013
<b>Cost:</b>					
Land	37.456.746	-	-	-	37.456.746
Land improvements	10.068.228	-	-	-	10.068.228
Buildings	59.598.896	-	-	-	59.598.896
Machinery, equipment and installations	108.789.029	834.551	(76.699)	-	109.546.881
Motor vehicles	8.703.831	841.540	(595.935)	-	8.949.436
Furniture and fixtures	27.791.048	1.184.201	(47.635)	-	28.927.614
Leasehold improvements	1.737.346	30.742	-	-	1.768.088
Construction in progress	867.007	1.956.992	-	-	2.823.999
	<b>255.012.131</b>	<b>4.848.026</b>	<b>(720.269)</b>	<b>-</b>	<b>259.139.888</b>
<b>Accumulated depreciation:</b>					
Land improvements	3.169.967	737.553	-	-	3.907.520
Buildings	26.329.510	1.367.961	-	-	27.697.471
Machinery, equipment and installations	78.767.835	3.927.644	(47.009)	-	82.648.470
Motor vehicles	3.798.622	376.401	(174.229)	-	4.000.794
Furniture and fixtures	16.542.448	1.158.619	(36.660)	-	17.664.407
Leasehold improvements	1.291.595	89.815	-	-	1.381.410
	<b>129.899.977</b>	<b>7.657.993</b>	<b>(257.898)</b>	<b>-</b>	<b>137.300.072</b>
<b>Net book value</b>	<b>125.112.154</b>				<b>121.839.816</b>

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

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

**10. Property, plant and equipment (continued)**

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

	<b>June 30, 2014</b>	June 30, 2013
Research and development expenses	<b>14.117.792</b>	11.011.291
Costs related to uncompleted contracts	<b>3.760.935</b>	3.436.648
Cost of goods sold	<b>2.492.384</b>	2.463.856
Development projects in process	<b>934.911</b>	852.562
Depreciation on outstanding inventories	<b>563.102</b>	633.510
General administrative expenses	<b>710.184</b>	577.790
Selling and marketing expenses	<b>536.900</b>	390.248
<b>Total</b>	<b>23.116.208</b>	19.365.905

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

	<b>June 30, 2014</b>	December 31, 2013
Machinery, equipment and installations	<b>68.010.597</b>	65.632.260
Motor vehicles	<b>2.588.360</b>	2.588.360
Furniture and fixtures	<b>12.342.880</b>	12.135.350
Leasehold improvements	<b>1.120.006</b>	1.120.006
	<b>84.061.843</b>	81.475.976

**11. Intangible assets**

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

	<b>January 1, 2014</b>	<b>Additions</b>	<b>Transfers</b>	<b>June 30, 2014</b>
<b>Cost:</b>				
Other intangible assets	<b>12.289.381</b>	<b>465.455</b>	-	<b>12.754.836</b>
Development costs	<b>147.369.338</b>	-	<b>4.143.717</b>	<b>151.513.055</b>
Development projects in process	<b>35.639.826</b>	<b>20.441.716</b>	<b>(4.143.717)</b>	<b>51.937.825</b>
	<b>195.298.545</b>	<b>20.907.171</b>	-	<b>216.205.716</b>
<b>Accumulated amortization:</b>				
Other intangible assets	<b>8.371.380</b>	<b>890.329</b>	-	<b>9.261.709</b>
Development costs	<b>60.634.428</b>	<b>14.117.791</b>	-	<b>74.752.219</b>
	<b>69.005.808</b>	<b>15.008.120</b>	-	<b>84.013.928</b>
<b>Net book value</b>	<b>126.292.737</b>			<b>132.191.788</b>

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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

11. Intangible assets (continued)

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

	January 1, 2013	Additions	June 30, 2013
<b>Cost:</b>			
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
<b>Accumulated amortization:</b>			
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
<b>Net book value</b>	100.041.870		115.334.335

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

	June 30, 2014	December 31, 2013
Other intangible assets	6.500.468	6.131.494
Development costs (amortized)	14.425.939	5.848.347
	20.926.407	11.979.841

12. Provisions, contingent assets and liabilities

Provisions-short term

	June 30, 2014	December 31, 2013
Provision for other cost (*)	108.965.945	76.011.181
Warranty provision	16.624.792	18.914.980
Provision for sales commission	6.233.595	735.433
Provision for personnel premium	5.960.000	-
Provision for imported material cost	851.208	135.774
Other	1.071.551	202.302
<b>Total</b>	<b>139.707.091</b>	<b>95.999.670</b>

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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

12. Provisions, contingent assets and liabilities (continued)

Provisions-long term

	June 30, 2014	December 31, 2013
Warranty provision	4.999.295	6.341.178
<b>Total</b>	<b>4.999.295</b>	<b>6.341.178</b>

Warranty provision

The movement of the warranty expense provision is as follows:

	June 30, 2014	June 30, 2013
January 1,	25.256.158	17.835.439
Additional provision	9.969.447	14.933.886
Payments	(13.601.518)	(9.823.391)
<b>June 30</b>	<b>21.624.087</b>	<b>22.945.934</b>

Provision for employee benefits

	June 30, 2014	December 31, 2013
Provision for employment termination benefit	19.541.699	16.173.142
Provision for vacation pay liabilities	6.277.303	4.443.081
<b>Total</b>	<b>25.819.002</b>	<b>20.616.223</b>

Provision for employment termination benefit

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

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

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

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

	June 30, 2014	December 31, 2013
Net discount rate (%)	4,78	4,78
Personnel turnover rate (%)	1,52	2,66

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

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

**12. Provisions, contingent assets and liabilities (continued)**

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

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

	<b>June 30, 2014</b>	June 30, 2013
January 1	<b>16.173.142</b>	13.716.119
Interest expense	<b>731.835</b>	685.806
Provision for the current period	<b>2.370.634</b>	1.406.786
Actuarial losses	<b>1.850.856</b>	1.461.418
Payment	<b>(1.584.768)</b>	(1.290.477)
<b>June 30, 2014</b>	<b>19.541.699</b>	15.979.652

**Provision for vacation pay liability**

The movements of vacation pay liabilities are as follows:

	<b>June 30, 2014</b>	June 30, 2013
January 1	<b>4.443.081</b>	3.313.961
Increase during the year	<b>1.834.222</b>	1.077.834
	<b>6.277.303</b>	4.391.795

**Commitments and contingencies**

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

	<b>June 30, 2014</b>	December 31, 2013
<b>Guarantees given by the Company</b>		
a. Total amount of guarantees, pledges and mortgages given in the name of legal entity	<b>716.492.047</b>	796.640.829
b. Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation.	-	-
c. Total amount of guarantees, pledges and mortgages given to third parties for their liabilities in the purpose of conducting the ordinary operations.	-	-
d. Total amount of other guarantees, pledges and mortgages	-	-
<b>Total</b>	<b>716.492.047</b>	796.640.829

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the condensed interim financial statements  
for the period ended June 30, 2014 (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:

	June 30, 2014		December 31, 2013	
	Original currency	TL	Original currency	TL
U.S. Dollars	244.339.411	518.830.305	274.909.369	586.739.066
Euro	38.456.325	111.211.846	40.592.173	119.198.916
SAR	-	-	22.000.000	12.519.320
Turkish Lira	86.449.896	86.449.896	78.183.527	78.183.527
		<b>716.492.047</b>		<b>796.640.829</b>

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

	June 30, 2014	December 31,2013
<b>Guarantee letters given</b>		
Under secretariat of Ministry of Defense	419.444.188	421.597.311
Other	297.047.859	375.043.518
	<b>716.492.047</b>	<b>796.640.829</b>

**Guarantee Letters**

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

	June 30, 2014	December 31, 2013
Bank letters of guarantee (*)	716.492.047	796.640.829
	<b>716.492.047</b>	<b>796.640.829</b>

(\*) Bank letters of guarantee amounting to TL 419.444.188 are given to Secretariat of Ministry of Defense for Altay Project (December 31, 2013– TL 421.597.311).

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

	June 30, 2014	December 31, 2013
Bank letters of guarantee (**)	339.755.631	331.750.195
Guarantee notes	29.788.684	37.121.748
Mortgages received	842.000	842.000
Guarantee bills	-	280.000
	<b>370.386.315</b>	<b>369.993.943</b>

(\*\*) Bank letters of guarantee amounting to TL 145.736.171 are obtained from the sub-contractors for Altay Project (December 31, 2013 – TL 146.570.489).

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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

12. Provisions, contingent assets and liabilities (continued)

Contingent asset

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

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

a) Prepaid expenses

	June 30, 2014	December 31, 2013
Advances given	69.831.331	70.119.606
Prepaid expenses	3.550.508	4.865.510
<b>Total</b>	<b>73.381.839</b>	<b>74.985.116</b>

b) Other current assets

	June 30, 2014	December 31, 2013
Value added tax receivables	12.919.997	16.242.267
Other	575.021	811.658
<b>Total</b>	<b>13.495.018</b>	<b>17.053.925</b>

c) Deferred revenue

	June 30, 2014	December 31, 2013
Deferred repair and maintenance revenue (*)	19.867.353	20.173.756
Advances received	207.099.163	268.515.741
<b>Deferred income- short term</b>	<b>226.966.516</b>	<b>288.689.497</b>
Deferred repair and maintenance revenue (*)	55.567.858	66.511.725
<b>Deferred income- long term</b>	<b>55.567.858</b>	<b>66.511.725</b>

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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

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

d) Employee benefit obligations

	June 30, 2014	December 31, 2013
Due to personnel	2.535.496	10.450.853
Social security premiums payable	3.755.784	3.393.459
Taxes and funds payable	1.331.195	5.299.228
<b>Total</b>	<b>7.622.475</b>	<b>19.143.540</b>

e) Other current liabilities:

	June 30, 2014	December 31, 2013
Taxes and funds payable	184.764	827.468
Deferred special consumption tax	332.256	447.325
Other	334.054	340.654
<b>Total</b>	<b>851.074</b>	<b>1.615.447</b>

14. Sales and cost of sales

Net sales

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Domestic sales	550.708.499	274.924.066	611.481.655	339.097.815
Export sales	91.760.287	83.918.891	97.815.526	35.679.506
<b>Gross sales</b>	<b>642.468.786</b>	<b>358.842.957</b>	<b>709.297.181</b>	<b>374.777.321</b>
Less: Sales discounts and sales returns	(1.038.482)	(658.959)	(242.292)	(100.264)
<b>Net sales</b>	<b>641.430.304</b>	<b>358.183.998</b>	<b>709.054.889</b>	<b>374.677.057</b>

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

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Commercial vehicles	319.529.442	161.875.799	432.640.289	232.038.500
Armored vehicles	186.586.331	130.702.331	162.260.345	80.640.261
Other sales (*)	135.314.531	65.605.868	114.154.255	61.998.296
	<b>641.430.304</b>	<b>358.183.998</b>	<b>709.054.889</b>	<b>374.677.057</b>

(\*) TL 89.354.129 of this amount is related to revenues of uncompleted contracts (June 30, 2013 - TL 68.329.211).

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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

14. Sales and cost of sales (continued)

Cost of sales

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Cost of finished goods sold	459.486.941	243.840.796	529.015.510	280.488.847
Cost of merchandise sold	22.341.520	12.886.782	22.103.139	10.267.259
<b>Cost of sales</b>	<b>481.828.461</b>	<b>256.727.578</b>	551.118.649	290.756.106

15. Other operating income

	January 1– June 30, 2014	April 1 – June 30, 2014	January 1– June 30, 2013	April 1 – June 30, 2013
Foreign exchange gain from trade receivable/ payables	37.543.560	5.711.699	39.520.077	28.501.420
Forward transaction income	3.908.186	2.202.773	11.261.073	(9.912)
Maturity difference income	9.353.781	4.322.711	4.400.262	3.108.432
Incentive income	789.240	422.334	438.974	271.344
Other income	2.954.534	1.479.045	2.330.205	1.157.782
<b>Total</b>	<b>54.549.301</b>	<b>14.138.562</b>	57.950.591	33.029.066

16. Other operating expenses

	January 1– June 30, 2014	April 1 – June 30, 2014	January 1– June 30, 2013	April 1 – June 30, 2013
Foreign exchange loss from trade receivable/ payables	(40.884.634)	(8.992.276)	(34.711.509)	(16.911.900)
Forward transaction expenses	(3.539.883)	(1.831.132)	(16.077.618)	(13.632.904)
Provision for doubtful receivables	19.634	644.722	(1.094.042)	(469.391)
Other expenses	(196.819)	(98.351)	(29.416)	(21.376)
<b>Total</b>	<b>(44.601.702)</b>	<b>(10.277.037)</b>	(51.912.585)	(31.035.571)

17. Financial income

	January 1– June 30, 2014	April 1 – June 30, 2014	January 1– June 30, 2013	April 1 – June 30, 2013
Interest income from time deposits	555.597	115.769	105.819	63.132
Foreign exchange gains on bank deposits	1.256.067	384.541	1.529.189	1.056.045
Foreign exchange gains on bank loans	6.530.100	2.419.000	-	-
<b>Total</b>	<b>8.341.764</b>	<b>2.919.310</b>	1.635.008	1.119.177

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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

18. Financial expense

	January 1– June 30, 2014	April 1 – June 30, 2014	January 1– June 30, 2013	April 1 – June 30, 2013
Interest expense on bank borrowings	(18.563.925)	(11.348.950)	(15.608.947)	(8.835.803)
Foreign exchange losses on bank deposits	(1.676.925)	(635.382)	(3.640.518)	(2.238.973)
Foreign exchange losses on bank loans	(9.385.100)	(1.031.300)	-	-
<b>Total</b>	<b>(29.625.950)</b>	<b>(13.015.632)</b>	<b>(19.249.465)</b>	<b>(11.074.776)</b>

19. Tax assets and liabilities

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

In Turkey, the corporation tax rate is 20% (2013 - 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one instalment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (2013 - 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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

	June 30, 2014	December 31, 2013
Income tax payable	7.922.283	43.641.898
(-) Prepaid tax	(2.699.708)	(36.598.851)
<b>Income tax payable</b>	<b>5.222.575</b>	<b>7.043.047</b>

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

	January 1 – June 30, 2014	January 1– June 30, 2013
Current tax charge	(7.922.283)	(29.276.094)
Deferred tax income		
- Tax charged to profit for the period	(669.151)	23.134.901
- Tax charged to other comprehensive income/expense	370.171	292.284
<b>Total tax (expense)/income</b>	<b>(8.221.263)</b>	<b>(5.848.909)</b>

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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

19. Tax assets and liabilities (continued)

As of June 30, 2014 and December 31, 2013, the breakdown of deferred tax bases and deferred tax liability computed using the current effective tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/(liability)	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Property, plant and equipment	<b>(11.012.167)</b>	(12.975.519)	<b>1.278.861</b>	886.191
Intangibles	<b>(18.558.816)</b>	(20.553.326)	<b>(3.711.763)</b>	(4.110.665)
Deferred financial expense	<b>(210.542)</b>	(501.791)	<b>(42.108)</b>	(100.358)
Inventories	<b>1.867.373</b>	1.373.503	<b>373.475</b>	274.701
Warranty reserve	<b>21.624.087</b>	25.256.158	<b>4.324.817</b>	5.051.232
Reserve for retirement pay	<b>19.541.699</b>	16.173.142	<b>3.908.340</b>	3.234.628
Deferred financial income	<b>16.294.363</b>	18.051.122	<b>3.258.873</b>	3.610.224
Other provisions	<b>18.658.891</b>	6.948.144	<b>3.731.779</b>	1.389.629
Deferred repair and maintenance income	<b>75.435.211</b>	86.685.480	<b>15.087.042</b>	17.337.095
Adjustment for percentage of completion method on construction projects	<b>68.076.143</b>	71.706.219	<b>13.615.229</b>	14.341.244
Other	<b>6.072.475</b>	7.120.490	<b>1.214.495</b>	1.424.099
<b>Deferred tax asset</b>			<b>43.039.040</b>	43.338.020

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

	June 30, 2014	June 30, 2013
At January 1	<b>43.338.020</b>	11.092.336
Deferred tax income		
- Tax charged to profit for the period	<b>(669.151)</b>	23.134.901
- Tax charged to other comprehensive income/expense	<b>370.171</b>	292.284
<b>At June 30</b>	<b>43.039.040</b>	34.519.521

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.

	January 1 - June 30, 2014	January 1 - June 30, 2013
Net income/(loss) attributable to shareholders (TL)	<b>46.448.482</b>	54.882.674
Weighted average number of issued shares	<b>24.000.000.000</b>	24.000.000.000
Earnings per share (Kr)	<b>0,194</b>	0,229

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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

21. Related party disclosures

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

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

Due from related parties	June 30, 2014	December 31, 2013
Ram Dış Ticaret A.Ş. (1) (*)	68.924.498	63.946.381
Otokar Europe SAS (3)	4.519.851	6.566.672
Ford Otosan A.Ş. (2)	532.449	32.773
Other (1)	1.177	828.223
<b>Total</b>	<b>73.977.975</b>	<b>71.374.049</b>

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

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

Due to related parties	June 30, 2014	December 31, 2013
Ram Dış Ticaret A.Ş. (1)	5.324.232	6.691.466
Zer Merkezi Hizmetler A.Ş. (1)	719.818	2.273.182
Eltek Elektrik Enerji İth.İhr.Top.Tic. A.Ş.(1)	400.418	372.365
Opet Fuchs Madeni Yağ A.Ş. (1)	275.279	280.439
Koç Holding A.Ş. (2)	250.065	74.846
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	204.125	271.553
Ram Sigorta Aracılık Hz. A.Ş. (1)	200.898	202.176
Setur Servis Turistik A.Ş.(1)	46.035	732.046
Setair Hava Taşımacılığı ve Hizm.A.Ş. (1)	22.849	-
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	10.767	235.919
Koçtaş Yapı Marketleri A.Ş.(1)	6.337	353.820
Koç Üniversitesi (1)	1.048	-
Divan Turizm İşletmeleri A.Ş. (1)	64	1.124
Arçelik A.Ş. (1)	-	213
KoçSistem Bilgi ve İletişim Hizm. A.Ş. (1)	-	1.573.987
Opet Petrolcülük A.Ş. (1)	-	91.401
<b>Total</b>	<b>7.461.935</b>	<b>13.154.537</b>

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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

21. Related party disclosures (continued)

ii) Major sales and purchase transactions with related parties:

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
<b>Product sales and service revenue</b>				
Ram Dış (1) (*)	75.224.075	73.854.684	88.001.687	28.863.884
Otokar Europe SAS (3)	6.739.756	4.117.694	2.336.101	1.730.047
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	3.995.402	2.129.432	3.270.563	1.685.049
Ford Otosan (2)	180.152	180.000	193	31
Aygaz A.Ş. (1)	17.041	14.909	117.165	64.739
Otokoç (1)	551	-	-	-
RMK Marine (1)	485	485	-	-
Arçelik (1)	-	-	122.850	-
<b>Total</b>	<b>86.157.462</b>	<b>80.297.204</b>	<b>93.848.559</b>	<b>32.343.750</b>

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

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

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
<b>Purchase of property, plant and equipment</b>				
Koç Sistem (1)	640.040	222.857	786.964	684.542
Otokoç (1)	65.563	-	172.282	112.503
Zer (1)	12.776	12.207	35.553	29.137
Koçtaş (1)	12.045	2.662	67.087	22.347
Arçelik (1)	4.748	3.418	5.564	3.275
Ark İnşaat (1)	-	-	438.503	438.503
<b>Total</b>	<b>735.172</b>	<b>241.144</b>	<b>1.505.953</b>	<b>1.290.307</b>

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
<b>Inventory purchases</b>				
Zer (1)	6.690.126	3.223.573	6.160.335	4.146.295
Ram Dış (1)	2.461.506	782.777	3.463.300	2.192.532
Akpa (1)	1.470.733	719.887	2.144.538	976.603
Opet Fuchs (1)	1.159.660	660.887	852.813	548.558
Opet (1)	883.308	416.400	803.241	437.936
Koçtaş (1)	608.621	211.820	595.983	268.504
Türk Traktör (1)	205.737	110.409	251.162	152.258
Ford Otosan (2)	34.220	34.220	-	-
Arçelik (1)	1.137	-	5.287	1.268
<b>Total</b>	<b>13.515.048</b>	<b>6.159.973</b>	<b>14.276.659</b>	<b>8.723.954</b>

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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

21. Related party disclosures (continued)

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
<b>Service purchases</b>				
Ram Dış (1)	2.265.479	976.578	5.740.112	1.969.863
Eltek (1)	2.134.929	1.018.835	802.954	802.954
Setur (1)	1.899.214	951.360	2.946.918	2.151.372
Koç Holding A.Ş. (2)	1.051.140	582.274	768.839	335.329
Otokar Europe SAS (3)	1.028.868	899.281	649.549	438.339
Otokoç (1)	824.903	335.378	617.325	194.293
Koç Sistem Bilgi (1)	518.995	258.116	174.576	(149.278)
Other (1)	173.167	135.787	409.555	283.962
<b>Total</b>	<b>9.896.695</b>	<b>5.157.609</b>	12.109.828	6.026.834

(1) Related parties of main shareholder

(2) Shareholder

(3) Company's subsidiary not in consolidation scope

	June 30, 2014	December 31, 2013
<b>Bank deposits</b>		
Yapı ve Kredi Bankası A.Ş. (1)		
- Demand Deposits	2.842.730	1.680.822
- Time Deposits	-	2.750.000
	<b>2.842.730</b>	4.430.822

	June 30, 2014	December 31, 2013
<b>Checks and notes in collection</b>		
Yapı ve Kredi Bankası A.Ş. (1)	26.983.409	33.393.531
	<b>26.983.409</b>	33.393.531

	June 30, 2014	December 31, 2013
<b>Loans</b>		
Yapı ve Kredi Bankası A.Ş. (1)	122.748.564	47.093.434
	<b>122.748.564</b>	47.093.434

Other operating income/expenses as of June 30, 2014

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
<b>Foreign exchange gain from trade receivable/ payables</b>				
Ram Dış Ticaret A.Ş. (1)	3.815.365	424.148	530.495	324.090
Otokar Europe SAS (3)	775.253	341.233	-	-
Other(1)	6.715	4.300	391	320
<b>Total</b>	<b>4.597.333</b>	<b>769.681</b>	530.886	324.410

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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

21. Related party disclosures (continued)

Foreign exchange losses from trade receivable/ payables	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Ram Dış Ticaret A.Ş. (1)	271.627	115.378	313.081	239.027
Otokar Europe SAS (3)	121.203	121.203	-	-
Other (1)	14.635	814	6.227	5.806
<b>Total</b>	<b>407.465</b>	<b>237.395</b>	<b>319.308</b>	<b>244.833</b>

Financial income and expense with related parties:

Interest income	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Yapı ve Kredi Bankası A.Ş. (1)	224.697	7.780	54.572	48.517
<b>Total</b>	<b>224.697</b>	<b>7.780</b>	<b>54.572</b>	<b>48.517</b>

Interest expense	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Yapı ve Kredi Bankası A.Ş. (1)	837.615	600.656	266.306	38.853
<b>Total</b>	<b>837.615</b>	<b>600.656</b>	<b>266.306</b>	<b>38.853</b>

(1) Related parties of main shareholder

Foreign exchange gains	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Yapı ve Kredi Bankası A.Ş. (1)	4.146.738	2.428.549	278.283	42.502
<b>Total</b>	<b>4.146.738</b>	<b>2.428.549</b>	<b>278.283</b>	<b>42.502</b>

Foreign exchange losses	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Yapı ve Kredi Bankası A.Ş. (1)	3.405.102	735.323	380.999	265.767
<b>Total</b>	<b>3.405.102</b>	<b>735.323</b>	<b>380.999</b>	<b>265.767</b>

Benefits provided to executives

Salaries and similar benefits provided to the executive management by the Company for the period ended June 30, 2014 amounted to TL 1.886.571 (June 30, 2013 - TL 2.133.570).

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

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

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

<b>Table of foreign currency position</b>				
<b>June 30, 2014</b>				
	<b>TL equivalent (functional currency)</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>
1. Trade receivables	190.725.093	21.748.321	50.011.222	(22.925)
2a. Monetary financial assets (including cash, bank accounts)	77.040.724	31.663.382	3.381.732	7.499
2b. Non-monetary financial assets	-	-	-	-
3. Other	32.635	4.304	8.125	-
<b>4. Current assets (1+2+3)</b>	<b>267.798.452</b>	<b>53.416.007</b>	<b>53.401.079</b>	<b>(15.426)</b>
5. Trade receivables	165.742.904	-	57.312.806	-
6a. Monetary financial assets	104.960.109	49.430.210	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	50.146	-	17.340	-
<b>8. Non-current assets (5+6+7)</b>	<b>270.753.159</b>	<b>49.430.210</b>	<b>57.330.146</b>	<b>-</b>
<b>9. Total assets(4+8)</b>	<b>538.551.611</b>	<b>102.846.217</b>	<b>110.731.225</b>	<b>(15.426)</b>
10. Trade payables	(43.749.408)	(16.931.101)	(2.515.750)	(144.791)
11. Financial liabilities	(47.072.150)	-	(16.277.240)	-
12a. Monetary other liabilities	(308.634.854)	(143.697.686)	(1.212.762)	-
12b. Non-monetary other liabilities	(19.867.353)	-	(6.870.000)	-
<b>13. Current liabilities (10+11+12)</b>	<b>(419.323.765)</b>	<b>(160.628.787)</b>	<b>(26.875.752)</b>	<b>(144.791)</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	(43.335.161)	-	(14.985.014)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	(55.567.858)	-	(19.215.000)	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>(98.903.019)</b>	<b>-</b>	<b>(34.200.014)</b>	<b>-</b>
<b>18. Total liabilities (13+17)</b>	<b>(518.226.784)</b>	<b>(160.628.787)</b>	<b>(61.075.766)</b>	<b>(144.791)</b>
19. Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	(15.390.812)	61.933.500	(50.797.194)	-
19a. Hedged total assets amount	131.509.594	61.933.500	-	-
19b. Hedged total liabilities amount	(146.900.406)	-	(50.797.194)	-
<b>20. Net foreign currency asset/(liability) position (9+18+19)</b>	<b>4.934.015</b>	<b>4.150.930</b>	<b>(1.141.735)</b>	<b>(160.217)</b>
<b>21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>95.677.257</b>	<b>(57.786.873)</b>	<b>75.714.993</b>	<b>(160.217)</b>
22. Total fair value of financial instruments used for foreign currency hedging	(15.390.812)	61.933.500	(50.797.194)	-
23. Export (As of June 30, 2014)	91.759.805	25.245.883	13.320.945	20.038
24. Import (As of June 30, 2014)	203.090.332	50.900.469	30.466.276	670.840

## Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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

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

		Table of foreign currency position			
		December 31, 2013			
		TL equivalent (functional currency)	USD	EUR	GBP
1.	Trade receivables	242.862.263	15.865.101	70.938.481	196.654
2a.	Monetary financial assets (including cash, bank accounts)	76.038.246	31.703.749	2.844.479	5.731
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	<b>Current assets (1+2+3)</b>	<b>318.900.509</b>	<b>47.568.850</b>	<b>73.782.960</b>	<b>202.385</b>
5.	Trade receivables	192.938.324	-	65.703.499	-
6a.	Monetary financial assets	93.597.289	43.853.858	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	<b>Non-current assets (5+6+7)</b>	<b>286.535.613</b>	<b>43.853.858</b>	<b>65.703.499</b>	<b>-</b>
9.	<b>Total assets(4+8)</b>	<b>605.436.122</b>	<b>91.422.708</b>	<b>139.486.459</b>	<b>202.385</b>
10.	Trade payables	(27.457.608)	(8.662.260)	(2.582.391)	(394.873)
11.	Financial liabilities	(106.228.231)	-	(36.175.117)	-
12a.	Monetary other liabilities	(340.701.500)	(159.450.691)	(131.412)	-
12b.	Non-monetary other liabilities	(20.173.756)	-	(6.870.000)	-
13.	<b>Current liabilities (10+11+12)</b>	<b>(494.561.095)</b>	<b>(168.112.951)</b>	<b>(45.758.920)</b>	<b>(394.873)</b>
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(44.408.262)	-	(15.122.854)	-
16a.	Monetary other liabilities	-	-	-	-
16b.	Non-monetary other liabilities	(66.511.725)	-	(22.650.000)	-
17.	<b>Non-current liabilities (14+15+16)</b>	<b>(110.919.987)</b>	<b>-</b>	<b>(37.772.854)</b>	<b>-</b>
18.	<b>Total liabilities (13+17)</b>	<b>(605.481.082)</b>	<b>(168.112.951)</b>	<b>(83.531.774)</b>	<b>(394.873)</b>
19.	Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	(1.231.950)	79.222.719	(58.000.000)	-
19a.	Hedged total assets amount	169.085.050	79.222.719	-	-
19b.	Hedged total liabilities amount	(170.317.000)	-	(58.000.000)	-
20.	<b>Net foreign currency asset/(liability) position (9+18+19)</b>	<b>(1.276.910)</b>	<b>2.532.476</b>	<b>(2.045.315)</b>	<b>(192.488)</b>
21.	<b>Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>86.640.521</b>	<b>(76.690.243)</b>	<b>85.474.685</b>	<b>(192.488)</b>
22.	Total fair value of financial instruments used for foreign currency hedging	(1.231.950)	79.222.719	(58.000.000)	-
23.	Export (As of June 30, 2013)	97.815.526	34.289.563	14.313.550	862.475
24.	Import (As of June 30, 2013)	217.752.159	50.743.549	50.254.136	2.370.574

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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

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 June 30, 2014 and December 31, 2013:

Exchange rate sensitivity analysis table		
June 30, 2014		
	Profit/(loss) before tax	Profit/(loss) before tax
	Appreciation of foreign currency	Depreciation of foreign currency
<i>In case 10% appreciation of USD against TL:</i>		
1- USD net asset/liability	881.408	(881.408)
2- Amount hedged for USD risk (-)	-	-
3- <b>USD net effect (1+2)</b>	881.408	(881.408)
<i>In case 10% appreciation of EUR against TL:</i>		
4- EUR net asset/liability	(330.178)	330.178
5- Amount hedged for EUR risk (-)	-	-
6- <b>EUR net effect (4+5)</b>	(330.178)	330.178
<i>In case 10% appreciation of GBP against TL:</i>		
7- GBP net asset/liability	(57.829)	57.829
8- Amount hedged for GBP risk (-)	-	-
9- <b>GBP net effect (7+8)</b>	(57.829)	57.829
<b>Total (3+6+9)</b>	<b>493.401</b>	<b>(493.401)</b>

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

**Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**

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

**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 June 30, 2014 and December 31, 2013:

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>June 30, 2014</u>				
Derivative financial instruments	-	<b>803.312</b>	-	<b>803.312</b>
<b>Total</b>	-	<b>803.312</b>	-	<b>803.312</b>
<hr/>				
<b>Liabilities</b>				
<hr/>				
<u>December 31, 2013</u>				
Derivative financial instruments	-	1.231.950	-	1.231.950
<b>Total</b>	-	1.231.950	-	1.231.950

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

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

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

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

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

(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 June 30, 2014 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated)**

**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.