

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

Otokar Otomotiv ve Savunma Sanayi Anonim Őirketi

**Financial statements and review report of
independent auditors for the interim period
January 1 - June 30, 2011**

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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

Independent auditor's review report on the interim financial statements for the period of January 1 - June 30, 2011

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

We have reviewed the accompanying condensed financial statements of Otokar Otomotiv ve Savunma Sanayi A.Ş. ("the Company"), which comprise the condensed balance sheet as at June 30, 2011, the condensed comprehensive income statement, equity movement and cash flow statement for the six month period then ended. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with financial reporting standards issued by Capital Market Board. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

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

Conclusion

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

Additional paragraph for convenience translation to English

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

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

Erdem Tecer, SMMM
Engagement Partner

July 28, 2011
Istanbul, Turkey

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Interim balance sheet as of June 30, 2011

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

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

		Current period	Previous period
		Reviewed	Audited
	Notes	June 30, 2011	December 31, 2010
Assets			
Current assets			
Cash and cash equivalents	3	10.437.979	111.564.742
Trade receivables	5	189.192.922	136.241.771
Other receivables		46.786	594
Inventories	6	175.974.003	100.565.170
Estimated earnings in excess of billings on uncompleted contracts	7	32.292.085	22.646.544
Derivative financial instruments	10	-	182.808
Other current assets	12	113.922.055	60.395.307
Total current assets		521.865.830	431.596.936
Non-current assets			
Trade receivables	5	64.493.389	41.433.423
Other receivables		5.903	5.903
Property, plant and equipment	8	102.294.024	99.137.629
Intangibles	9	60.796.722	55.520.950
Deferred tax asset	16	11.311.585	7.944.450
Total non-current assets		238.901.623	204.042.355
Total assets		760.767.453	635.639.291

The accompanying policies and explanatory notes on pages 7 through 37 form an integral part of the financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Interim balance sheet as of June 30, 2011

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

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

		Current period	Previous period
		Reviewed	Audited
	Notes	June 30, 2011	December 31, 2010
Liabilities			
Current liabilities			
Financial liabilities	4	118.697.114	38.007.355
Derivative financial instruments	10	1.310.289	-
Trade payables	5	84.033.560	47.561.560
Other payables	7	160.620.107	162.029.312
Government incentives and grants		621.992	359.975
Current tax liabilities for the current period income	16	5.192.807	4.581.519
Provisions	11	149.976.856	103.611.153
Other current liabilities	12	4.248.154	7.131.327
Total current liabilities		524.700.879	363.282.201
Non-current liabilities			
Financial liabilities	4	40.165.695	90.875.102
Employee termination benefits		8.384.068	7.088.568
Government incentives and grants		1.233.991	892.142
Total non-current liabilities		49.783.754	98.855.812
Shareholders' equity			
Parent Company's equity			
Paid-in share capital		24.000.000	24.000.000
Inflation adjustment on equity items		52.743.030	52.743.030
Restricted reserves		18.118.147	16.738.147
Retained earnings		63.640.101	59.241.787
Net income for the period		27.781.542	20.778.314
Total shareholders' equity		186.282.820	173.501.278
Total liabilities		760.767.453	635.639.291

The accompanying policies and explanatory notes on pages 7 through 37 form an integral part of the financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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

	Notes	Current period		Previous period	
		Reviewed January 1 – June 30, 2011	Reviewed April 1 – June 30, 2011	Reviewed January 1 – June 30, 2010	Reviewed April 1 – June 30, 2010
Continuing operations					
Net sales	13	389.723.373	242.113.639	192.652.947	111.196.576
Cost of sales (-)	13	(303.763.955)	(189.533.688)	(165.254.957)	(96.310.242)
Gross profit		85.959.418	52.579.951	27.397.990	14.886.334
Selling, marketing and distribution expense (-)		(33.015.361)	(18.374.098)	(16.636.286)	(8.732.864)
General and administrative expense (-)		(11.532.074)	(5.702.287)	(11.293.336)	(5.287.280)
Research and development expenses (-)		(5.716.580)	(2.734.989)	(2.702.116)	(1.318.160)
Other operating income		2.035.512	937.931	1.680.112	885.628
Other operating expense (-)		(2.832.192)	(2.648.784)	(182.386)	(19.729)
Operating profit/(loss)		34.898.723	24.057.724	(1.736.022)	413.929
Financial income	14	35.347.681	16.501.462	19.118.619	10.632.729
Financial expense (-)	15	(37.994.675)	(18.533.616)	(26.480.562)	(13.298.393)
Net income/(loss) before taxes from continuing operations		32.251.729	22.025.570	(9.097.965)	(2.251.735)
Tax income/expense for continuing operations					
- Current tax expense for the period	16	(7.837.322)	(4.938.820)	-	-
- Deferred tax income	16	3.367.135	1.500.481	6.376.040	5.943.045
Net income/(loss)		27.781.542	18.587.231	(2.721.925)	3.691.310
Other comprehensive income:		-	-	-	-
Total comprehensive income/(loss)		27.781.542	18.587.231	(2.721.925)	3.691.310
Earnings/(loss) per share	17	0,00116	0,00077	(0,00011)	0,00015

The accompanying policies and explanatory notes on pages 7 through 37 form an integral part of the financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**Interim statement of changes in equity for the period ended June 30, 2011****Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market”****(Currency –Turkish Lira (TL) unless otherwise indicated)**

	Paid-in share capital	Inflation adjustment on equity items	Restricted reserves	Retained earnings	Net income / (loss) for the period	Total shareholders' equity
January 1, 2010	24.000.000	52.743.030	14.818.147	47.701.977	33.859.810	173.122.964
Transfer to retained earnings	-	-	-	33.859.810	(33.859.810)	-
Transfer to restricted reserves	-	-	1.920.000	(1.920.000)	-	-
Dividends paid	-	-	-	(20.400.000)	-	(20.400.000)
Total comprehensive loss	-	-	-	-	(2.721.925)	(2.721.925)
June 30, 2010	24.000.000	52.743.030	16.738.147	59.241.787	(2.721.925)	150.001.039
January 1, 2011	24.000.000	52.743.030	16.738.147	59.241.787	20.778.314	173.501.278
Transfer to retained earnings	-	-	-	20.778.314	(20.778.314)	-
Transfer to restricted reserves	-	-	1.380.000	(1.380.000)	-	-
Dividends paid	-	-	-	(15.000.000)	-	(15.000.000)
Total comprehensive income	-	-	-	-	27.781.542	27.781.542
June 30, 2011	24.000.000	52.743.030	18.118.147	63.640.101	27.781.542	186.282.820

The accompanying policies and explanatory notes on pages 7 through 37 form an integral part of the financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Cash flow statement for the period ended June 30, 2011

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

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

	Notes	June 30, 2011	June 30, 2010
Cash flows from operating activities			
Income/(loss) before provision for taxes		32.251.729	(9.097.965)
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization expense	8	10.245.016	7.442.662
Reserve for retirement pay		1.850.030	1.353.445
Gain on sale of property, plant and equipment		(946.705)	(10.720)
Interest expense	15	5.925.455	5.513.400
Unrealized foreign exchange gains from borrowings		-	(1.269.750)
Interest income	14	(1.225.829)	(127.806)
Provision for doubtful receivables		2.805.546	-
Loss/ (gain) on forward transactions		9.163.680	(5.468.618)
Operating income/(loss) before changes in operating asset and liabilities		60.068.922	(1.665.352)
Trade receivables and other receivables		(78.862.855)	42.982.773
Costs and estimated earnings in excess of billings on uncompleted contracts		(9.645.541)	(41.009.125)
Inventories		(75.408.833)	(5.343.895)
Other current assets		(53.526.748)	5.970.878
Trade payables		36.472.000	(25.031.941)
Provisions and other current and non-current liabilities		42.677.192	6.475.668
Taxes paid		(7.226.034)	-
Employee termination benefits paid		(554.530)	(691.790)
Net cash used in operating activities		(86.006.427)	(18.312.784)
Investing activities			
Purchase of property, plant and equipment	8	(8.228.754)	(3.017.568)
Purchase of intangible assets	9	(11.178.703)	(11.454.889)
Proceeds from sale of property, plant and equipment		1.676.979	143.377
Interest received		1.225.829	127.809
Net cash used in investing activities		(16.504.649)	(14.201.271)
Financing activities			
Increase on spot borrowings, net		21.704.506	56.597.358
Proceeds from bank borrowings		40.165.695	40.664.600
Realized (loss)/gain on realized forward transactions		(7.670.583)	204.648
Repayments of bank borrowings		(36.735.103)	(59.514.302)
Interest payments		(1.080.202)	(2.349.488)
Dividends paid		(15.000.000)	(20.400.000)
Net cash provided by financing activities		1.384.313	15.202.816
Net decrease in cash and cash equivalents		(101.126.763)	(17.311.239)
Cash and cash equivalents at the beginning of the period	3	111.564.742	31.881.177
Cash and cash equivalents at the end of the period	3	10.437.979	14.569.938

The accompanying policies and explanatory notes on pages 7 through 37 form an integral part of the financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

For the period ended June 30, 2011

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

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

1. Organisation and nature of operations

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

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

The registered addresses of the Company are as follows:

Headquarters:

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

Factory:

Atatürk Cad. No: 9
54580 Arifiye / Sakarya

Financial statements are authorized for issue by the Board of Directors of the Company on July 28, 2011, signed by Ahmet Serdar Görgüç and Hüseyin Odabaş on behalf of Board of Directors of the Company. The Board of Directors has the power to amend the financial statements after issue.

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

	%
Koç Holding A.Ş.	44,68
Ünver Holding A.Ş.	24,81
Other	30,51
	100,00

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

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

For the period ended June 30, 2011

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

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

2. Basis of presentation

2.1 Basis of presentation

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

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

Reclassifications made in 2010 year's financial statements

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

Functional and presentation currency

Functional and presentation currency of the Company is TL.

In accordance with the CMB's resolution dated March 17, 2005 and numbered 11/367, the financial statements were restated in accordance with International Accounting Standards (IAS) 29 (Financial Reporting in Hyperinflationary Economies) for the last time as of December 31, 2004, since the objective conditions which require the application of restatement of financial statements have not been realized and that based on the existing data CMB has foreseen that the indications whether such conditions are going to be realized in the future is no longer probable. Therefore, non-monetary assets, liabilities and equity items including the share capital as of June 30, 2011 and December 31, 2010 have been restated by applying the relevant conversion factors through December 31, 2004 and carrying additions after December 31, 2004 at their nominal values.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

For the period ended June 30, 2011

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

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

2. Basis of presentation (continued)

2.2 Summary of significant accounting policies

New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim condensed financial statements as at June 30, 2011 are consistent with those followed in the preparation of the consolidated financial statements of 31 December, 2010, except for the adoption of new standards and IFRIC interpretations summarized below.

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

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)

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

IAS 32 Classifications on Rights Issues (Amended)

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

IAS 24 Related Party Disclosures (Amended)

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

For the period ended June 30, 2011

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

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

2. Basis of presentation (continued)

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

IFRS1 First-time adoption

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

IFRS 3 Business Combinations

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

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

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

IFRS 7 Financial Instruments: Disclosures

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

IAS 1 Presentation of Financial Statements

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

IAS 27 Consolidated and Separate Financial Statements

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

For the period ended June 30, 2011

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

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

2. Basis of presentation (continued)

IAS 34 Interim Financial Reporting

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

IFRIC 13 Customer Loyalty Programmes

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

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

Standards issued but not yet effective and not early adopted

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

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

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

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

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

Notes to the interim condensed financial statements

For the period ended June 30, 2011

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

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

2. Basis of presentation (continued)

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

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

IFRS 10 Consolidated Financial Statements

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

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

IFRS 11 Joint Arrangements

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

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

IFRS 12 Disclosure of Interests in Other Entities

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

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

For the period ended June 30, 2011

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

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

2. Basis of presentation (continued)

IFRS 13 Fair Value Measurement

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

IAS 27 Separate Financial Statements (Amended)

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

IAS 28 Investments in Associates and Joint Ventures (Amended)

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

IAS 19 Employee Benefits (Amended)

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

IAS 1 Presentation of Financial Statements (Amended)

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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For the period ended June 30, 2011

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

2. Basis of presentation (continued)

2.3 Summary of significant accounting policies

There have been no significant changes in accounting policies which were disclosed in financial statements prepared as of December 31, 2010.

2.4 Segment reporting

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

2.5 Seasonality of operations

There are no effects of seasonality on the condensed interim financial statements of the Company.

3. Cash and cash equivalents

	June 30, 2011	December 31, 2010
Cash at banks		
- demand deposits	1.635.093	9.675.762
- time deposits	7.271.641	100.799.200
Checks and notes received	1.501.450	1.028.005
Other	29.795	61.775
	10.437.979	111.564.742

As of June 30, 2011, effective interest rates of time deposits which are originally amounting to USD 4.000.000 and TL 750.000 are annually 4% for USD and %6 for TL and their maturities are 1 days on average (As of December 31, 2010, effective interest rates of time deposits which are originally amounting to USD 65.200.000 are annually 1,55% and the maturity is 3 days on average).

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

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

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4. Financial liabilities

				June 30, 2011
	Maturities	Interest rate (%)	Amount in original currency	TL
Short-term bank borrowings (*)(**)				
Denominated in TL	July 1, 2011 – March 15, 2012	%8,50 - %9,55	118.697.114	118.697.114
Total			118.697.114	

				June 30, 2011
	Maturities	Interest rate (%)	Amount in original currency	TL
Long-term bank borrowings (*) (**)				
Denominated in TL	January 7, 2013	%10,80	40.165.695	40.165.695
Total			40.165.695	

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

(**) Bearing fixed interest rate

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

				December 31, 2010
	Maturities	Interest rate (%)	Amount in original currency	TL
Long-term bank borrowings (*)(**)				
Denominated in EUR	February 24, 2012- April 18, 2012	%3,76	7.549.304	15.469.278
Denominated in TL	April 28, 2012	%8,55-8,75	75.405.825	75.405.824
Total			90.875.102	

(*) Principles of long- term borrowings outstanding at June 30, 2010 will be repaid on their maturity days with all interests accrued.

(**) Bearing fixed interest rate.

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

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

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5. Trade receivables and payables

Trade receivables

	June 30, 2011	December 31, 2010
Trade receivables, net	74.667.629	44.185.538
Notes receivables, net	104.597.741	83.706.200
	179.265.370	127.891.738
Less: Provision for doubtful receivables	(13.331.499)	(10.540.246)
Other short-term trade receivables	165.933.871	117.351.492
Trade receivables from related parties (Note 18)	23.259.051	18.890.279
Short-term trade receivables	189.192.922	136.241.771
Long-term notes receivable, net	64.493.389	41.433.423
Long-term receivables	64.493.389	41.433.423

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

Guarantees received for trade receivables

Receivables of the Company mainly relate to the sales to the minibus and bus dealers, trailer sales and military vehicle sales. As of June 30, 2011, the total trade receivable from dealers amounting to TL 49.823.584 (December 31, 2010 - TL 53.131.516), after provision reserved for doubtful receivables, has been secured by mortgages and guarantees at the amount of TL 47.222.743 (December 31, 2010 - TL 46.846.000).

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

	June 30, 2011	June 30, 2010
January 1	10.540.246	9.032.435
Collections	(14.293)	-
Additional provision	2.805.546	-
Total	13.331.499	9.032.435

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5. Trade receivables and payables (continued)

Trade receivables aging analysis

As of June 30, 2011, trade receivables amounting to TL 2.047.779 (December 31, 2010 - TL 2.657.582) have not been collected on their due dates.

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

June 30, 2011	Trade receivables
1- 30 day past due	-
1- 3 month past due	268.451
3- 12 month past due	-
1- 5 year past due	1.779.328
Over 5 year past due	-
Amount secured with guarantee (1)	1.719.328
December 31, 2010	Trade receivables
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	53.604
1- 5 year past due	2.603.978
Over 5 year past due	-
Amount secured with guarantee (1)	2.094.954

(1) Pledges on trailers.

Trade receivables

	June 30, 2011	December 31, 2010
Trade payables, net	77.910.702	44.033.767
Notes payables, net	158.100	151.050
Short-term trade payables	78.068.802	44.184.817
Trade payables to related parties (Note 18)	5.964.758	3.376.743
Short-term trade payables	84.033.560	47.561.560

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

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For the period ended June 30, 2011

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6. Inventories

	June 30, 2011	December 31, 2010
Raw materials	59.606.143	25.138.729
Work-in-process	17.600.687	2.139.199
Finished goods	42.350.019	29.089.773
Merchandises, net of impairment amounting to TL 290.208 (December 31, 2010 – nil)	21.720.098	17.622.154
Other inventories	34.697.056	26.575.315
	175.974.003	100.565.170

7. Costs and billings on uncompleted contracts and other payables

As of June 30, 2011 accrued costs related to uncompleted contracts amounted to TL 184.929.723 (December 31, 2010 - TL 135.992.445).

As of June 30, 2011, the short term advances taken by the Company related with ongoing projects which amounts to TL 86.106.394 was included in other payables in the financial statements (December 31, 2010 – TL 114.477.042).As of June 30, 2011, TL 72.960.335 (December 31, 2010 – TL 44.050.664) of other payables comprise advances taken and other payables amounting to TL 1.553.378 (December 31, 2010 – TL 3.501.606).

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi**Notes to the interim condensed financial statements****For the period ended June 30, 2011****Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market” (continued)****(Currency –Turkish Lira (TL) unless otherwise indicated)****8. Property, plant and equipment**

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

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

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For the period ended June 30, 2011

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8. Property, plant and equipment (continued)

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

	January 1, 2010	Additions	Disposals	Transfers	June 30, 2010
Cost:					
Land	36.396.386	-	-	-	36.396.386
Land improvements	5.481.336	-	-	-	5.481.336
Buildings	53.131.899	-	-	-	53.131.899
Machinery, equipment and installations	86.463.883	967.049	(92)	5.478.362	92.909.202
Motor vehicles	5.113.531	874.000	(196.745)	-	5.790.786
Furniture and fixtures	18.408.093	897.516	(1.088)	-	19.304.521
Leasehold improvements	1.445.746	2.856	-	-	1.448.602
Construction in progress	5.889.502	276.147	-	(5.478.362)	687.287
	212.330.376	3.017.568	(197.925)	-	215.150.019
Accumulated depreciation:					
Land improvements	2.128.424	100.828	-	-	2.229.252
Buildings	18.593.043	1.260.178	-	-	19.853.221
Machinery, equipment and installations	70.043.866	2.302.293	(37)	-	72.346.122
Motor vehicles	3.127.422	165.114	(65.114)	-	3.227.422
Furniture and fixtures	14.677.521	329.094	(117)	-	15.006.498
Leasehold improvements	1.168.255	19.638	-	-	1.187.893
	109.738.531	4.177.145	(65.268)	-	113.850.408
Net book value	102.591.845				101.299.611

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

	June 30, 2011	June 30, 2010
Research and development expenses	5.306.240	2.243.393
General manufacturing costs	3.037.343	2.826.893
Development projects in process	564.267	905.728
Costs related to uncompleted contracts	543.232	736.708
General administrative expenses	524.190	515.211
Selling and marketing expenses	269.744	214.729
Total	10.245.016	7.442.662

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8. Property, plant and equipment (continued)

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

	June 30, 2011	December 31, 2010
Machinery, equipment and installations	50.075.193	47.771.602
Motor vehicles	2.585.412	2.585.412
Furniture and fixtures	11.836.095	11.880.762
Leasehold improvements	1.093.274	1.089.332
	65.589.974	63.327.108

9. Intangible assets

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

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

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

	January 1, 2010	Additions	Transfers	June 30, 2010
Cost:				
Other intangible assets	5.936.514	546.374	-	6.482.888
Development costs	26.784.388	-	3.586.172	30.370.560
Development projects in process	13.398.467	10.908.515	(3.586.172)	20.720.810
	46.119.369	11.454.889	-	57.574.258
Accumulated amortization:				
Other intangible assets	3.098.957	527.309	-	3.626.266
Development costs	3.187.451	2.738.208	-	5.925.659
	6.286.408	3.265.517	-	9.551.925
Net book value	39.832.961			48.022.333

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9. Intangible assets (continued)

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

	June 30, 2011	December 31, 2010
Other intangible assets	2.367.289	2.325.783
	2.367.289	2.325.783

10. Derivative financial instruments

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

	Contract amount	Contract maturity	Assets	Fair values Liabilities
June 30, 2011:				
Forward transactions	176.195.986	September 30, 2011 – December 14, 2011	-	(1.310.289)
Short-term derivative financial instruments	176.195.986		-	(1.310.289)
Total derivative financial instruments	176.195.986		-	(1.310.289)
December 31, 2010:				
Forward transactions	92.106.455	February 22, 2011 – June 8, 2011	182.808	-
Short-term derivative financial instruments	92.106.455		182.808	-
Total derivative financial instruments	92.106.455		182.808	-

11. Provisions, contingent assets and liabilities

Provisions

	June 30, 2011	December 31, 2010
Provision for other cost (*)	126.566.271	94.164.831
Warranty provision	11.047.260	6.511.877
Provision for sales expenses	6.094.437	1.011.614
Provision for vacation pay liability	2.627.806	1.922.831
Provision for personnel premium	2.400.000	-
Other	1.241.082	-
	149.976.856	103.611.153

(*) 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.

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11. Provisions, contingent assets and liabilities (continued)

Commitments and contingencies

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

	June 30, 2011	December 31, 2010
Guarantees given by the Company		
a. Total amount of guarantees, pledges and mortgages given in the name of legal entity	428.521.967	415.391.058
b. Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation.	-	-
c. Total amount of guarantees, pledges and mortgages given to third parties for their liabilities in the purpose of conducting the ordinary operations.	-	-
d. Total amount of other guarantees, pledges and mortgages	-	-
Total	428.521.967	415.391.058

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

	June 30, 2011		December 31, 2010	
	Original currency	TL	Original currency	TL
U.S. Dollars	223.527.555	364.394.621	236,582,361	365,756,330
Euro	8.030.347	18.864.891	10,170,955	20,841,304
GBP	68.727	179.452	22,500	53,743
Turkish Lira	45.083.003	45.083.003	28,739,681	28,739,681
		428.521.967		415,391,058

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

	June 30, 2011	December 31, 2010
Guarantee letters given		
Under secretariat of Ministry of Defense	236.569.125	326.155.872
Other	191.952.842	89.235.186
	428.521.967	415.391.058

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11. Provisions, contingent assets and liabilities (continued)

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

	June 30, 2011	December 31, 2010
Bank letters of guarantee (*)	176.935.669	162.541.441
Mortgages received	3.842.000	5.042.000
Guarantee notes	1.000.000	1.000.000
Guarantee checks	135.000	135.000
	181.912.669	168.718.441

(*) Bank letters of guarantee amounting to TL 103.030.930 are obtained from the sub-contractors for Altay Project (December 31, 2010 TL – 107.830.620).

There are no pledges, mortgages, guarantees which are given in favour of real and legal persons with the purpose of guarantees of the liabilities to third parties.

12. Other assets and liabilities

	June 30, 2011	December 31, 2010
a) Other current assets:		
Advances given	92.218.334	43.634.290
Value added tax receivables	19.584.250	14.634.076
Prepaid expenses	776.725	828.104
Other	1.342.746	1.298.837
Total	113.922.055	60.395.307

b) Other current liabilities:

Social security premiums payable	2.401.559	2.044.993
Taxes and funds payable	1.493.186	4.772.726
Deferred special consumption tax	128.560	133.358
Other	224.849	180.250
Total	4.248.154	7.131.327

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13. Sales and cost of sales

Net sales

	January 1 - June 30, 2011	April 1 - June 30, 2011	January 1 - June 30, 2010	April 1 - June 30, 2010
Domestic sales	317.142.550	207.221.036	167.714.089	96.427.533
Export sales	72.603.063	34.903.235	25.359.638	15.133.005
Gross sales	389.745.613	242.124.271	193.073.727	111.560.538
Less: Sales discounts and sales returns	(22.240)	(10.632)	(420.780)	(363.962)
Net sales	389.723.373	242.113.639	192.652.947	111.196.576

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

	January 1 - June 30, 2011	April 1 - June 30, 2011	January 1 - June 30, 2010	April 1 - June 30, 2010
Commercial vehicle	221.479.162	145.299.723	91.000.527	54.301.354
Armored vehicles	94.362.875	55.414.440	42.305.041	20.269.163
Other sales (*)	73.881.336	41.399.476	59.347.379	36.626.059
	389.723.373	242.113.639	192.652.947	111.196.576

(*) TL 49.152.403 of this amount is related to revenues of uncompleted contracts (June 30, 2010 - TL 38.351.736). Furthermore, the Company has earned accumulated income amounting to TL 79.561.711 as of December 31, 2010 (December 31, 2009 - TL 74.129.647) related with revenues of uncompleted contracts.

Cost of sales

	January 1 - June 30, 2011	April 1 - June 30, 2011	January 1 - June 30, 2010	April 1 - June 30, 2010
Cost of finished goods sold	292.272.939	183.335.275	153.836.817	91.228.895
Cost of merchandise sold	11.491.016	6.198.413	11.418.140	5.081.347
Cost of sales	303.763.955	189.533.688	165.254.957	96.310.242

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14. Financial income

	January 1 - June 30, 2011	April 1 - June 30, 2011	January 1 - June 30, 2010	April 1 - June 30, 2010
Foreign exchange gains	28.480.518	12.900.527	5.769.766	1.893.091
Term difference income related with sales	5.509.334	3.208.058	2.419.629	1.492.906
Interest income from time deposits	1.225.829	392.877	127.806	56.510
Foreign exchange gains on bank borrowings	132.000	-	5.332.800	2.407.550
Forward income	-	-	5.468.618	4.782.672
Total	35.347.681	16.501.462	19.118.619	10.632.729

15. Financial expense

	January 1 - June 30, 2011	April 1 - June 30, 2011	January 1 - June 30, 2010	April 1 - June 30, 2010
Foreign exchange losses	19.402.290	10.492.660	20.486.800	10.347.825
Forward expense	9.163.680	3.255.570	-	-
Interest expense on bank borrowings	5.925.455	3.312.838	5.513.400	2.950.493
Foreign exchange losses on bank borrowings	3.503.250	1.309.000	398.050	2.050
Unearned financial expense	-	163.548	82.312	(1.975)
Total	37.994.675	18.533.616	26.480.562	13.298.393

16. Tax assets and liabilities

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

In Turkey, the corporation tax rate is 20% (2010 - %20). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one instalment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (2010 - 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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

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

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16. Tax assets and liabilities (continued)

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

As a result of its research and development expenditures made in 2011 amounting to TL 9.387.412, the Company has utilized research and development incentives at 100% deduction without any withholding tax. The Company has an R&D center certificate.

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

	June 30, 2011	December 31, 2010
Income tax payable	7.837.322	4.581.519
Prepaid tax	(2.644.515)	-
Income tax payable	5.192.807	4.581.519

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

	January 1 – June 30, 2011	January 1– June 30, 2010
Current tax charge	(7.837.322)	-
Deferred tax credit	3.367.135	6.376.040
Total tax (expense)/income	(4.470.187)	6.376.040

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

	January 1 – June 30, 2011	January 1– June 30, 2010
Profit/(loss) before tax	32.251.729	(9.097.965)
Income tax (charge)/credit at effective tax rate 20%	(6.450.346)	1.819.593
Effect of exemptions and incentives	1.877.482	5.137.379
Others	102.677	(580.932)
Total tax (expense)/income	(4.470.187)	6.376.040

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16. Tax assets and liabilities (continued)

As of June 30, 2011 and December 31, 2010, the breakdown of deferred tax bases and deferred tax liability computed using the current effective tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/(liability)	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Property, plant and equipment	(5.997.573)	(6.212.127)	2.281.780	2.238.869
Intangibles	(9.030.131)	(9.250.865)	(1.806.026)	(1.850.173)
Deferred financial expense	(427.528)	(189.676)	(85.506)	(37.935)
Inventories	(531.338)	(433.007)	(106.268)	(86.601)
Warranty reserve	11.047.259	6.511.876	2.209.452	1.302.375
Reserve for retirement pay	8.384.068	7.088.568	1.676.814	1.417.714
Deferred financial income	(275.993)	543.512	(55.199)	108.702
Provision for doubtful receivables	6.914.401	4.379.104	1.382.880	875.821
Unused vacation pay liability	2.627.806	1.922.831	525.561	384.566
Other provisions	8.614.437	1.011.614	1.722.887	202.323
Adjustment for percentage of completion method on construction projects	16.958.944	17.723.696	3.391.790	3.544.739
Other	867.100	(779.753)	173.420	(155.950)
Deferred tax asset			11.311.585	7.944.450

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

	June 30, 2011	June 30, 2010
At January 1	7.944.450	2.661.472
Deferred tax credit	3.367.135	6.376.040
At June 30	11.311.585	9.037.512

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17. Earnings per share

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

Companies can increase their share capital by making a pro rata distribution of shares (Bonus Shares) to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the earnings per share calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly.

Earnings per main share are determined by dividing net income of the shareholders by the weighted average number of shares that have been outstanding during the related year concerned.

	January 1 - June 30, 2011	April 1 - June 30, 2011	January 1 - June 30, 2010	April 1 - June 30, 2010
Net income/(loss) attributable to shareholders (TL)	27.781.542	18.587.231	(2.721.925)	3.691.310
Weighted average number of issued shares	2.400.000.000	2.400.000.000	2.400.000.000	2.400.000.000
Earnings/(loss) per share (kuruş)	0,116	0,077	(0,011)	0,015

Declared and approved share of profit for the year 2010 is as follows;

Based on General Assembly Meeting dated March 15, 2011, dividend distribution amounting to TL 15.000.000 was approved and dividend payments were started to be paid as of March 23, 2011.

18. Related party disclosures

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

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

Due from related parties	June 30, 2011	December 31, 2010
Ram Dış Ticaret A.Ş.(Ram Dış) (1) (*)	22.359.238	18.799.156
Türk Traktör ve Ziraat Makineleri A.Ş. (Türk Traktör) (1)	431.577	-
Ford Otosan A.Ş.(Ford) (1)	290.210	56.323
Zer Merkezi Hizmetler ve Ticaret A.Ş.(Zer) (1)	97.178	-
Rmk Marine Gemi San. A.Ş. (Rmk Gemi) (1)	80.848	25.966
Other (1)	-	8.834
Total (Note 5)	23.259.051	18.890.279

(1) Shareholders' subsidiary

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

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Due to related parties	June 30, 2011	December 31, 2010
Ram Dış (1)	2.576.323	1.024.253
Zer (1)	1.457.940	1.056.504
Setur Servis Turistik A.Ş. (Setur) (1)	428.792	224.384
Akpa Dayanımlı Tük. Paz. A.Ş. (Akpa) (1)	396.023	203.774
Eltek Elektrik Enerji İth. İhr.Top.Tic. A.Ş. (Eltek) (1)	361.832	275.599
Ram Sigorta Aracılık Hiz. A.Ş. (Ram Sigorta) (1)	179.582	91.671
Otokoç Otomotiv Tic.San. A.Ş. (Otokoç) (1)	131.090	125.872
Koç Holding A.Ş. (Koç Holding) (2)	100.640	6.671
Opet Petrolcülük A.Ş. (Opet) (1)	91.496	19.210
Koç Sistem Bilgi İle Hizm. A.Ş. (Koç Sistem) (1)	68.095	51.196
Aygaz Doğal Gaz Toptan Satış A.Ş. (Aygaz Doğalgaz) (1)	58.387	-
Promena Elektronik Tic. A.Ş. (Promena) (1)	46.945	38.466
Koçtaş Yapı Marketleri T.A.Ş. (Koçtaş) (1)	28.027	17.838
Koç-Net Haberleşme A.Ş (Koçnet) (1)	26.562	29.982
Setair Hava Taşım. ve Hiz. A.Ş. (Setair) (1)	8.587	-
Platform Araştırma ve Geliştirme Taş. Tic. A.Ş. (Platform) (1)	-	210.382
Other	4.437	941
Total	5.964.758	3.376.743

Bank deposits	June 30, 2011	December 31, 2010
Yapı ve Kredi Bankası A.Ş. (1) - Demand deposits	1.248.470	4.201.751
	1.248.470	4.201.751

Checks and notes in collection	June 30, 2011	December 31, 2010
Yapı ve Kredi Bankası A.Ş. (1)	14.007.914	14.226.501
	14.007.914	14.226.501

Short term financial liabilities	June 30, 2011	December 31, 2010
Yapı ve Kredi Bankası A.Ş. (1)	10.229.921	-
	10.229.921	-

(1) Shareholder's subsidiary

(2) Shareholder

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18. Related party disclosures (continued)

ii) Major sales and purchase transactions with related parties:

	January 1 - June 30, 2011	April 1 - June 30, 2011	January 1 - June 30, 2010	April 1 - June 30, 2010
Product sales and service revenue				
Ram Dış (1) (*)	16.978.229	13.530.064	18.061.114	9.244.056
Türk Traktör (1)	1.713.972	1.338.972	-	-
Zer (1)	444.553	197.289	215.372	89.702
Aygaz A.Ş. (Aygaz) (1)	76.788	32.920	81.797	71.407
Ford (1)	190	76	529	529
Otokoç (1)	-	-	161.500	161.500
Total	19.213.732	15.099.321	18.520.312	9.567.194

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

	January 1 - June 30, 2011	April 1 - June 30, 2011	January 1 - June 30, 2010	April 1 - June 30, 2010
Purchase of property, plant and equipment				
Koç Sistem (1)	631.354	418.480	1.072.579	536.367
Zer (1)	28.196	22.426	1.156	1.156
Bilkom A.Ş. (Bilkom) (1)	8.006	932	-	-
Arçelik A.Ş. (Arçelik) (1)	7.603	2.101	-	-
Koçnet (1)	-	-	91.210	80.455
Total	675.159	443.939	1.164.945	617.978

	January 1 - June 30, 2011	April 1 - June 30, 2011	January 1 - June 30, 2010	April 1 - June 30, 2010
Inventory purchases				
Ram Dış (1)	4.893.091	3.153.335	1.685.042	780.205
Zer (1)	3.859.720	2.595.385	2.189.205	1.101.998
Akpa (1)	1.194.614	779.594	606.339	320.135
Aygaz Doğalgaz (1)	726.360	399.777	-	-
Opet (1)	297.775	195.318	146.211	71.662
Koçtaş (1)	26.016	24.743	12.492	10.749
Total	10.997.576	7.148.152	4.639.289	2.284.749

(1) Shareholder's subsidiary

(2) Shareholder

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18. Related party disclosures (continued)

	January 1 - June 30, 2011	April 1 - June 30, 2011	January 1 - June 30, 2010	April 1 - June 30, 2010
Services received				
Eltek (1)	1.690.458	905.567	320.307	320.307
Setur (1)	1.031.052	621.633	779.466	463.966
Ram Sigorta (1) (*)	599.914	97.003	852.413	218.655
Koç Holding (2)	541.299	284.034	560.107	270.834
Ram Dış (1)	524.060	32.557	1.099.670	955.571
Otokoç (1)	320.642	214.621	305.466	149.328
Koç Sistem (1)	281.287	158.745	103.649	51.322
Koç Üniversitesi (1)	147.200	359	-	-
Koçnet (1)	133.067	73.491	141.086	75.732
Promena (1)	46.021	9.920	22.559	21.840
Yapı Kredi Sigorta A.Ş. (1)	23.520	-	-	-
Setair (1)	21.355	21.355	-	-
Palmira (1)	4.264	1.813	2.857	756
Diğer	3.202	1.823	1.962	1.962
Total	5.367.341	2.422.921	4.189.542	2.530.273

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

Financial income and expense with related parties:

	January 1 - June 30, 2011	April 1 - June 30, 2011	January 1 - June 30, 2010	April 1 - June 30, 2010
Interest income				
Yapı ve Kredi Bankası A.Ş. (1)	90.119	42.908	46.967	6.245
Total	90.119	42.908	46.967	6.245

	January 1 - June 30, 2011	April 1 - June 30, 2011	January 1 - June 30, 2010	April 1 - June 30, 2010
Foreign exchange gains				
Yapı ve Kredi Bankası A.Ş. (1)	4.279.059	2.040.793	2.196.817	1.271.290
Ram Dış (1)	201.877	81.235	514.759	233.785
Ram Sigorta (1)	-	-	425	292
Total	4.480.936	2.122.028	2.712.001	1.505.367

(1) Shareholder's subsidiary

(2) Shareholder

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18. Related party disclosures (continued)

	January 1 - June 30, 2011	April 1 - June 30, 2011	January 1 - June 30, 2010	April 1 - June 30, 2010
Foreign exchange losses				
Ram Dış (1)	4.505.516	3.288.526	5.904.470	3.191.876
Yapı ve Kredi Bankası A.Ş. (1)	1.014.599	550.033	467.993	352.680
Ram Sigorta (1)	86	-	47	47
Total	5.520.201	3.838.559	6.372.510	3.544.603

	January 1 - June 30, 2011	April 1 - June 30, 2011	January 1 - June 30, 2010	April 1 - June 30, 2010
Forward gains				
Yapı ve Kredi Bankası A.Ş. (1)	-	-	2.455.596	2.038.191
Total	-	-	2.455.596	2.038.191

	January 1 - June 30, 2011	April 1 - June 30, 2011	January 1 - June 30, 2010	April 1 - June 30, 2010
Interest expense				
Yapı ve Kredi Bankası A.Ş. (1)	77.480	77.480	2.939.434	1.518.312
Total	77.480	77.480	2.939.434	1.518.312

Benefits provided to executives

Salaries and similar benefits provided to the executive management by the Company for the period ended June 30, 2011 amounted to TL 1.361.339 (June 30, 2010 - TL 1.229.402).

19. Nature and level of risks arising from financial instruments

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

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

Market risk

a) Foreign currency risk and related sensitivity analysis

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

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

		Table of foreign currency position				
		June 30, 2011				
		TL equivalent (functional currency)	USD	EUR	GBP	CHF
1.	Trade receivables	148.063.639	23.964.226	46.162.296	211.670	-
2a.	Monetary financial assets (including cash, bank accounts)	100.972.736	52.187.762	6.665.213	91.275	-
2b.	Non-monetary financial assets	-	-	-	-	-
3.	Other	-	-	-	-	-
4.	Current assets (1+2+3)	249.036.375	76.151.988	52.827.509	302.945	-
5.	Trade receivables	64.491.535	-	27.452.552	-	-
6a.	Monetary financial assets	-	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-	-
7.	Other	-	-	-	-	-
8.	Non-current assets (5+6+7)	64.491.535	-	27.452.552	-	-
9.	Total assets(4+8)	313.527.910	76.151.988	80.280.061	302.945	-
10.	Trade payables	(30.998.241)	(2.298.377)	(6.831.192)	(4.290.755)	-
11.	Financial liabilities	-	-	-	-	-
12a.	Monetary other liabilities	(285.077.368)	(174.149.695)	(501.675)	-	-
12b.	Non-monetary other liabilities	-	-	-	-	-
13.	Current liabilities (10+11+12)	(316.075.609)	(176.448.072)	(7.332.867)	(4.290.755)	-
14.	Trade payables	-	-	-	-	-
15.	Financial liabilities	-	-	-	-	-
16a.	Monetary other liabilities	-	-	-	-	-
16b.	Non-monetary other liabilities	-	-	-	-	-
17.	Non-current liabilities (14+15+16)	-	-	-	-	-
18.	Total liabilities (13+17)	(316.075.609)	(176.448.072)	(7.332.867)	(4.290.755)	-
19.	Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	-	-	-	-	-
19a.	Hedged total assets amount	-	-	-	-	-
19b.	Hedged total liabilities amount	-	-	-	-	-
20.	Net foreign currency asset/(liability) position (9+18+19)	(2.547.699)	(100.296.084)	72.947.194	(3.987.810)	-
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(2.547.699)	(100.296.084)	72.947.194	(3.987.810)	-
22.	Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-
23.	Export	72.602.245	34.931.557	8.094.803	79.131	-
24.	Import	146.381.942	29.083.691	41.095.681	3.379.432	500

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

		Table of foreign currency position				
		December 31, 2010				
		TL equivalent (functional currency)	USD	EUR	GBP	CHF
1.	Trade receivables	104.009.947	14.725.861	39.292.550	305.368	-
2a.	Monetary financial assets (including cash, bank accounts)	155.109.729	91.024.578	7.012.640	6.753	-
2b.	Non-monetary financial assets	-	-	-	-	-
3.	Other	-	-	-	-	-
4.	Current assets (1+2+3)	259.119.676	105.750.439	46.305.190	312.121	-
5.	Trade receivables	41.433.423	-	20.220.303	-	-
6a.	Monetary financial assets	-	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-	-
7.	Other	-	-	-	-	-
8.	Non-current assets (5+6+7)	41.433.423	-	20.220.303	-	-
9.	Total assets(4+8)	300.553.099	105.750.439	66.525.493	312.121	-
10.	Trade payables	(15.824.373)	-	(4.592.477)	(2.685.225)	-
11.	Financial liabilities	(21.265.824)	-	(10.378.129)	-	-
12a.	Monetary other liabilities	(247.370.105)	(159.057.179)	(716.269)	-	-
12b.	Non-monetary other liabilities	-	-	-	-	-
13.	Current liabilities (10+11+12)	(284.460.302)	(159.057.179)	(15.686.875)	(2.685.225)	-
14.	Trade payables	-	-	-	-	-
15.	Financial liabilities	(15.469.279)	-	(7.549.304)	-	-
16a.	Monetary other liabilities	-	-	-	-	-
16b.	Non-monetary other liabilities	-	-	-	-	-
17.	Non-current liabilities (14+15+16)	(15.469.279)	-	(7.549.304)	-	-
18.	Total liabilities (13+17)	(299.929.581)	(159.057.179)	(23.236.179)	(2.685.225)	-
19.	Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	-	-	-	-	-
19a.	Hedged total assets amount	-	-	-	-	-
19b.	Hedged total liabilities amount	-	-	-	-	-
20.	Net foreign currency asset/(liability) position (9+18+19)	623.518	(53.306.740)	43.289.314	(2.373.104)	-
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	623.518	(53.306.740)	43.289.314	(2.373.104)	-
22.	Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-
23.	Export (As of June 30, 2010)	96.612.002	42.247.669	9.129.346	2.972.690	-
24.	Import (As of June 30, 2010)	51.079.594	11.704.345	12.539.101	1.882.378	-

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

The following table demonstrates the sensitivity to a possible change of 10% in the USD, Euro and GBP exchange rates, with all other variables held constant, on the Company’s income before tax as of June 30, 2011 and December 31, 2010:

Exchange rate sensitivity analysis table			
June 30, 2011			
	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	(16.350.268)	16.350.268
2-	Amount hedged for USD risk (-)	-	-
3-	USD net effect (1+2)	(16.350.268)	16.350.268
<i>In case 10% appreciation of EUR against TL:</i>			
4-	EUR net asset/liability	17.136.755	(17.136.755)
5-	Amount hedged for EUR risk (-)	-	-
6-	EUR net effect (4+5)	17.136.755	(17.136.755)
<i>In case 10% appreciation of GBP against TL:</i>			
7-	GBP net asset/liability	(1.041.257)	1.041.257
8-	Amount hedged for GBP risk (-)	-	-
9-	GBP net effect (7+8)	(1.041.257)	1.041.257
Total (3+6+9)		(254.770)	254.770

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the interim condensed financial statements

For the period ended June 30, 2011

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

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

20. Subsequent events

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